

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING**

**CASE NO. 16398  
ORDER NO. R-20043**

**APPLICATION OF ENDURING RESOURCES, LLC FOR APPROVAL OF THE  
LONE MESA UNIT, SAN JUAN COUNTY, NEW MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case come on for hearing at 8:15 on September 6, 2018, before Examiner Michael A. McMillan.

NOW, on this 15<sup>th</sup> day of October 2018, the Division Director, having considered the testimony, the record and the recommendations of Examiner.

**FINDS THAT**

- (1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.
- (2) Enduring Resources, LLC (“Enduring” or “Applicant”) seeks approval of the Lone Mesa Unit (the “Unit”), a federal exploratory unit, comprising 5445.18 acres (more or less) of Federal, Indian Allotted, and State lands in San Juan County, New Mexico, described as follows:

**TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM**

- Section 19: Lots 1, 2, 3, 4, E/2 W/2 (W/2 equivalent)
- Section 28: All
- Section 29: All
- Section 30: All
- Section 31: All
- Section 32: All
- Section 33: All

**TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM**

Section 25: All  
Section 36: All

(3) The Unitized Interval was modified since the application was received and now includes all oil and gas in the Fruitland formation of the unitized land, defined as being from the top of the Fruitland formation at a depth of 396 down to the stratigraphic equivalent of the base of the Fruitland formation at a depth of 690 feet as encountered in the Dugan Production Corporation Zappa Well No. 1 (API 30-045-29062), located 1450 feet from the North line and 1550 feet from the West line, (Unit F), Section 20, Township 22 North, Range 8 West, NMPM, San Juan County, New Mexico.

(4) The Unit will be developed and operated as a single Participating Area and therefore constitute a single "Unitized Area" in accordance with Division Rule 19.15.16.7(P) NMAC.

(5) Applicant appeared at hearing through counsel and presented the following testimony:

- (a) The Unit is comprised of 23 different tracts. Three Bureau of Land Management ("BLM") tracts, two New Mexico State Land Office ("NMSLO") tracts, and 18 Indian Allotted Lands (Allotted Lands).
- (b) The Unit agreement has been given written preliminary approval by the BLM, NMSLO, and Federal Indian Minerals Office (FIMO) for the Allotted Lands.
- (c) There are four unleased tracts within the Unit. The three Allotted Lands tracts will be on a future FIMO parcel lease sale.
- (d) The unleased tracts within the Allotted Lands will have special provisions that the successful bidder must be committed to the Unit, and will be on a forthcoming parcel list.
- (e) The successful lessee of the BLM tracts will also commit to the Unit. Next the Applicant will account for all costs and revenue, costs being absorbed by the participating working interest owner, with revenue being escrowed.
- (f) NMSLO is satisfied with the requirements for the unleased tracts.
- (g) Applicant must drill a horizontal lateral within 6 months of unit approval.

- (h) Applicant gave notice to the operator and lessee of the E/2 of Section 19, pursuant to Division Rule 19.15.2.8 NMAC which is the portion of that section left out of the Unit.
- (i) Applicant does not have a voluntary agreement with all working interest owners in the Unit and is still in the process of reaching agreement with those interest owners. Applicant has in excess of 98 percent of the working interest.
- (j) Applicant stated that the Unit agreement has a five-year development plan, and a contraction clause in which undeveloped acreage will revert to its original spacing unit.
- (k) The Unit will be developed to produce oil and gas from the Fruitland formation.
- (l) No faults, pinch-outs, or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells.
- (m) The available well control in the area demonstrates the Unitized Interval identified in the type log is laterally contiguous across the entire Unit.
- (n) These lands were chosen and are being proposed as the Unit Area to facilitate the most efficient, uniform, and common development.
- (o) The Unit Agreement presented at hearing has the following stipulations:
  - i. A contraction clause which states that after five years from the effective date, the undeveloped acreage shall be eliminated automatically from the proposed Unit, unless BLM or NMSLO determines otherwise;
  - ii. Two-year automatic extension with approval of 90 percent of the working interest owners along with BLM and NMSLO approval;
  - iii. It is limited to the Unitized Interval of the Fruitland formation;
  - iv. The effective date of the proposed Unit is August 15, 2018 which predates the spud date of the obligation well, and is prior to any production from Unit wells;

- v. The entire Unit is treated as undivided with each tract participating as per its acreage contribution;
- vi. The initial obligation well must be a 500 foot horizontal lateral in the Fruitland formation which can be produced in paying quantities;
- vii. The Oil Conservation Division ("OCD") is authorized to approve the Unit Agreement.

The Division concludes as follows:

(6) Applicant has provided proper and adequate notice of this application and hearing;

(7) Within the Lone Mesa Unit, Division rules for horizontal wells should apply to those horizontal wells completed a lateral distance within the Fruitland formation of at least 500 feet in length.

(8) The Unit should constitute a single Unitized Area for horizontal oil well development pursuant to Division Rule 19.15.16.7(P) NMAC; provided however, that area should be limited to Unit Wells.

(9) Unit Wells should be defined as those wells allowed in the Lone Mesa Unit Agreement.

(10) The Lone Mesa Unit should be approved and the order should be in effect on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Lone Mesa Unit is obtained by the Applicant from the BLM, FIMO, and the NMSLO.

(11) The geologic evidence presented demonstrates that the entire Unit should be productive within the Unitized Interval.

(12) The correlative rights of all interest owners in the Unit will be protected provided that the Unit is ultimately fully developed in the Unitized Interval.

(13) All submitted forms C-102 for Unit wells should (i) describe the Horizontal Spacing Unit size and shape for that well as per 19.15.16.15 NMAC, (ii) list the total acres within the Unit, and (iii) reference the Division order number approving the Unit.

(14) Approval of the Unit will provide the Applicant the flexibility to locate and drill wells in the Unit to maximize the recovery of oil and gas from the Unitized Interval, thereby preventing waste, and will provide the Applicant the latitude to conduct operations in an effective and efficient manner within the Unit.

(15) The provisions contained within the Lone Mesa Unit Agreement are following Division rules, and the development and operation of the Unit Area, as proposed, comply with the Division's conservation principles.

(16) The Applicant should provide to the Division a written copy of the final approval of the Lone Mesa Unit by the BLM, FIMO, and NMSLO.

(17) The plan contained within the Lone Mesa Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure. All plans of development for the Lone Mesa Unit should be submitted annually to the Division for review.

(18) The Unit operator should file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit Area, the Unit operator should file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(19) This application should be granted.

**IT IS THEREFORE ORDERED THAT**

(1) As per the application of Enduring Resources, LLC ("Applicant" or "Enduring"), the Lone Mesa Unit (the "Unit") consisting of 5445.18 acres (more or less) of Federal, Indian Allotted, and State lands located in San Juan County, New Mexico, is hereby approved.

(2) This order shall be effective on the first day of the month following the later of (i) the entry date of this order or (ii) the date on which final approval of the Lone Mesa Unit is obtained by Applicant from the Bureau of Land Management ("BLM"), Federal Indian Minerals Office ("FIMO") and New Mexico State Land Office ("NMSLO"). The final approval letter by the BLM, FIMO, and NMSLO, shall be provided to the Division.

(3) The Unit shall comprise the following-described acreage in San Juan County, New Mexico:

**TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM**

Section 19:	Lots 1, 2, 3, 4, E/2 W/2 (W/2 equivalent)
Section 28:	All
Section 29:	All
Section 30:	All
Section 31:	All
Section 32:	All
Section 33:	All

**TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM**

Section 25: All  
Section 36: All

(4) Enduring Resources, LLC (OGRID 372286) is hereby designated the Unit operator.

(5) Pursuant to the Unit Agreement, the Unitized Interval shall include all oil and gas in the Fruitland formation on the unitized land, defined as being from the top of the Fruitland formation at a depth of 396 feet down to the stratigraphic base of the Fruitland formation at a depth of 690 feet in the Dugan Production Corporation Zappa Well No. 1 (API No. 30-045-29062), located 1450 feet from the North line and 1550 feet from the West line, (Unit F), Section 20, Township 22 North, Range 8 West, NMPM, San Juan County, New Mexico.

(6) Unit Wells shall be those wells allowed in the Unit Agreement.

(7) All existing and future wells within the horizontal limits of this Unit but not designated per the agreement as Unit Wells shall remain dedicated and subject to the requirements of existing pools or statewide rules.

(8) The Unit shall constitute a single Unitized Area for horizontal gas well development pursuant to Division Rule 19.15.16.7(P) NMAC; provided however, that area shall be limited to Unit Wells.

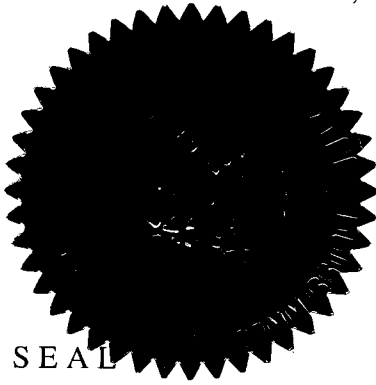
(9) The plan contained within the Lone Mesa Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the Lone Mesa Unit shall be submitted annually to the Division for review.

(10) All submitted forms C-102 for Unit wells shall (i) describe the Horizontal Spacing Unit size and shape for that well as per 19.15.16.15 NMAC, (ii) list the total acres within the Unit, and (iii) reference the Division order number approving the Unit.

(11) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit, the Unit operator shall file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(12) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
HEATHER RILEY  
Director