

**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. 15587
ORDER NO. R-14250**

**APPLICATION OF ROCKCLIFF OPERATING NEW MEXICO LLC FOR
APPROVAL OF THE BUTTON MESA SAN ANDRES STATE EXPLORATORY
UNIT, CHAVES AND LEA COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 17, 2016 at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 14th day of December, 2016, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The Applicant, Rockcliff Operating New Mexico LLC ("Rockcliff" or "Applicant", OGRID 371115) seeks approval of its Button Mesa San Andres State Exploratory Unit for oil and gas in the Unitized Interval underlying the following described 9602.72 acres, more or less, of State lands located in Chaves and Lea Counties, New Mexico:

Township 8 South, Range 32 East, NMPM, Chaves County

Sections 14 and 15:	All
Section 21:	E/2
Sections 22 and 23:	All
Sections 26, 27, and 28:	All
Section 29:	E/2

Sections 32, 33, 34 and 35: All

Township 9 South, Range 32 East, NMPM, Lea, County

Sections 3 and 4: All
Section 9: N/2
Section 10: N/2

(3) The Unitized Interval is the San Andres formation, the correlative interval of which is identified between the logged depths of 3397 feet and 4807 feet in the Spectral Density-Dual Spaced Neutron log for the Apache Corporation State 28 Well No. 1 (API 30-005-21136) located in Unit P of Section 28, Township 8 South, Range 32 East, NMPM, Chaves County, New Mexico.

(4) The Applicant appeared at the hearing through legal counsel and presented testimony as follows:

(a) The proposed Button Mesa San Andres State Unit ("Button Mesa Unit") comprises 30 separately owned tracts. All of those tracts are in the State Trust and are administered by the Commissioner of Public Lands of the State of New Mexico ("State Land Office" or "SLO");

(b) The Commissioner of Public Lands has given preliminary approval and the Unit Agreement will be effective upon final approval of the Commissioner;

(c) The prospective San Andres formation is expected to be laterally continuous and present throughout these proposed tracts;

(d) The Button Mesa Unit is situated between legacy San Andres Pools developed by vertical wells;

(e) The Button Mesa Unit is being formed in order to drill and complete the San Andres formation with horizontal wells which will allow for efficient development of the reservoir. San Andres formation oil and gas production in the vicinity has well documented variable production with good producers offset by marginal or dry holes, due to porosity and permeability variability;

(f) The Unit agreement covers the entire San Andres formation or roughly 1500 feet, but the initial planned target is in the dolomite which begins 800 feet down from the top of the formation. The average pay zone within the Unit is between 100 feet and 200 feet thick

(g) Pursuant to the Unit agreement the Button Mesa Unit shall become effective upon final approval by the Commissioner of Public Lands, and approval by the Division. Further, the Unit agreement will terminate after five years unless

the Commissioner signs an extension or a valuable discovery has been made on Unitized land;

(h) Pursuant to the Unit Agreement, the initial well within the Unit must be commenced within 60 days of the effective date of the Unit Agreement;

(i) Pursuant to the Unit Agreement, if the Applicant fails to develop all of the acreage within the specified time period, the Unit will contract to the developed spacing units;

(j) All affected parties in the mineral interest estate within the boundaries of the Units were properly notified of the hearing;

The Division concludes the following:

(5) No other party appeared at the hearing or otherwise opposed this application.

(6) Subsequent to the hearing, the initial well within the Unit, Humboldt 15 State Well No 1H (API 30-005-29215; "subject well") was spud on November 27, 2016. The Division has placed the subject well in the Chaveroo; San Andres Pool (pool code 12049). Spacing in this pool is governed by Division Rule 19.15.15.9(A) NMAC, which provides for standard 40-acre units, each comprising a governmental quarter-quarter section, and 330-foot setbacks from the unit boundaries.

(7) The San Andres formation in the proposed Unit may now be economical for drilling and production using modern horizontal drilling and completion techniques. All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation under the concept proposed by the Applicant.

(8) Approval of the proposed Unit will prevent waste and protect correlative rights.

(9) The application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Button Mesa San Andres State Exploratory Unit Agreement executed by Rockcliff Operating New Mexico LLC is hereby approved for oil and gas in the Unitized Interval underlying the following described 9602.72 acres, more or less, of State land located in Chaves and Lea Counties, New Mexico:

Township 8 South, Range 32 East, NMPM, Chaves County

Sections 14 and 15:	All
Section 21:	E/2

Sections 22 and 23:	All
Sections 26, 27, and 28:	All
Section 29	E/2
Sections 32, 33, 34, and 35:	All

Township 9 South, Range 32 East, NMPM, Lea County

Sections 3 and 4:	All
Section 9:	N/2
Section 10:	N/2

(2) The Unitized Interval is the San Andres formation, the correlative interval of which is identified between the logged depths of 3397 feet and 4807 feet in the Spectral Density-Dual Spaced Neutron log for the Apache Corporation State 28 Well No. 1 (API 30-005-21136) located in Unit P of Section 28, Township 8 South, Range 32 East, NMPM, Chaves County, New Mexico.

(3) The plan contained in the Button Mesa San Andres State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

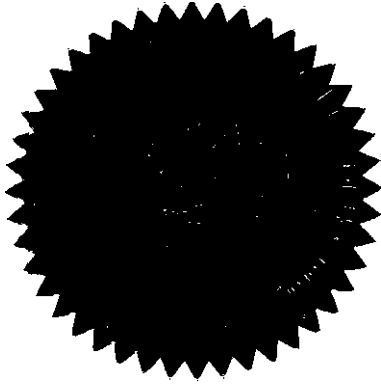
(4) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(5) Copies of all expansions or contractions of the unit area shall be submitted to the Division Director.

(6) This order shall become effective upon the final approval of the unit agreement by the Commissioner of Public Lands. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division in writing of such termination.

(7) 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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

DAVID R. CATANACH
Director