

**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 TO CONSIDER:**

**CASE NO. 20272
ORDER NO. R-20594**

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

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing March 7, 2019 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 30th day of May 2019, 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, Enduring Resources, LLC (OGRID 372286) seeks approval of its Ridge Unit Agreement for all oil, gas, natural gasoline, and associated fluid hydrocarbons in the Unitized Interval underlying the following-described 2560 acres (more or less) of Federal and Allotted Indian lands situated in San Juan County, New Mexico:

Township 24 North, Range 8 West, NMPM

Section 22: All
Section 23: All
Section 24: W/2
Section 25: N/2
Section 26: N/2
Section 27: N/2

(3) The Applicant presented testimony as follows:

a. The Unitized Interval is defined in the Unit Agreement as the stratigraphic equivalent of the top of the Mancos Formation at a depth of 4351 feet [measured depth] down to the stratigraphic equivalent of the base of the Mancos Formation (per exhibits, the base of the Graneros Shale) at a depth of 6203 feet [measured depth] as encountered in the Elm Ridge Exploration Company LLC's Federal 34 Well No. 43 (API No. 30-045-24521) located in Unit I of Section 34, Township 24 North, Range 8 West, N.M.P.M.

b. The Unit Agreement excludes existing vertical wells but includes all wells subsequently drilled whether vertical, deviated, or horizontal (as that is defined in the Unit Agreement).

c. After completion of a well in paying quantities, the Unit Area will become a Participating Area or an "undivided unit". The AO may expand or contract this area as per the terms of the Agreement. The Agreement includes a contraction clause.

d. Enduring has obtained joinder of 92.75 percent of the working interest in the Unit and expects to obtain 100 percent.

e. SFF Production owns a 7.5 percent working interest in the N/2 of Section 26 (part of tract 6) and is expected to join the Unit. DJ Simmons was a working interest owner, but that entity is in bankruptcy and these lands have been sold (assignment pending) by the bankruptcy court to Mustang Energy Resources, LLC which is registering to operate in New Mexico.

f. There were depth severances in three tracts, but Enduring has negotiated agreements to cover those properties.

g. The Unit includes six federal tracts and two tracts with Allotted Lands.

h. Enduring has received preliminary approval of the Unit Agreement from the Bureau of Land Management (BLM) and the Federal Indian Minerals Office (FIMO).

i. Notice was provided of this application to the BLM, the FIMO, and to Indian Allottees and notice was published in The Daily Times, a daily newspaper of general circulation published in English and on the web site of The Daily Times.

(4) The Unit is considered by the BLM as an undivided unit but is located only partially within the area of the Lybrook Gallup Oil Pool. Wells drilled and completed within the Unit but outside of this Lybrook Gallup Oil Pool would then be placed within the Basin Mancos Gas Pool. However, Enduring has stated the lands within the Unit are contiguous in the Unitized interval and the produced hydrocarbons will primarily be classified as "oil". Therefore, producing wells within the Unit in the Unitized interval will produce from a common source of supply and should be in one pool, classified as an oil pool. The District III geologist should create a new oil pool or expand the Lybrook Gallup Oil Pool within the Unit and optionally

classify or reclassify all wells within the Unit into this pool, grandfathering the spacing of existing wells. Enduring should file amended form C-102s to effect the changes.

- (5) No other party appeared at the hearing or otherwise opposed this application.
- (6) Any Participating Area within this unit should constitute a “Unitized Area” as that term is defined in 19.15.16.7 P. NMAC. Horizontal well location setbacks within this Unitized Area should be governed as per 19.15.16.15C.(7) NMAC.
- (7) All the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.
- (8) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Unit Agreement for the Development and Operation of the Ridge Unit Area executed by Enduring Resources, LLC is hereby approved for all oil and gas in the Unitized Interval as it is defined in the Unit Agreement, underlying the following-described 2560 acres (more or less) of Federal and Allotted Indian lands situated in San Juan County, New Mexico:

Township 24 North, Range 8 West, NMPM

Section 22: All
Section 23: All
Section 24: W/2
Section 25: N/2
Section 26: N/2
Section 27: N/2

(2) Any Participating Area within this unit shall constitute a “Unitized Area” as that term is defined in 19.15.16.7 P. NMAC. Horizontal well location setbacks within this Unitized Area shall be governed as per 19.15.16.15C.(7) NMAC.

(3) The Division’s District III geologist shall create a new oil pool or expand the Lybrook Gallup Oil Pool to the effect that the entire Unit is covered by only one pool, classified as an oil pool. The operator of each pre-existing Gallup or Mancos well already located within the Unit Area shall have the option of retaining its current spacing unit size and configuration within the unit wide oil pool. In this respect, this order supersedes any previously issued hearing order limiting the expansion of the Lybrook Gallup Oil Pool and the concomitant contraction of the Basin Mancos Gas Pool.

(4) The plan contained in the Ridge 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.

(5) 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.

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

(7) This order shall become effective upon the final approval of the unit agreement by the BLM and the FIMO. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(8) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Handwritten signature of Adrienne Sandoval in blue ink.

ADRIENNE SANDOVAL
Director