

**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. 15428
ORDER NO. R-14129**

**APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF
THE RIDGE UNIT, CREATION OF A NEW POOL WITHIN THE UNIT, AND
FOR ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE
UNIT AREA, SAN JUAN COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on January 21, 2016, at Santa Fe, New Mexico, before Examiner Michael A. McMillan.

NOW, on this 25th day of February, 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) WPX Energy Production, LLC ("Applicant" or "WPX") seeks:

- (a) Approval of the Ridge Unit (the "Unit") comprising 2080 acres, more or less, of Federal lands in San Juan County, New Mexico;
- (b) Creation of a new pool for horizontal wells comprising the Unit Area; and
- (c) Authority to drill horizontal wells within the Unit such that the completed interval is located no closer than 330 feet to the outer boundary of the Unit.

(3) The Unit comprises 2080 acres of federal land in San Juan County, New Mexico, described as follows:

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 22:	E/2 and NW/4
Sections 23 and 24:	All
Section 25:	N/2

(4) The Unitized Interval includes "All oil and gas from the top of the Mancos formation" at a measured depth of 4,312 feet down to the stratigraphic equivalent of the top of the Graneros formation at a measured depth of 6,115 feet as encountered in the Bright Angel Well No. 1 (API 30-045-25035) located in Unit L, Section 27, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico.

(5) The Unit will be developed and operated as a single Participating Area and will therefore constitute a single Project Area in accordance with Division Rule 19.15.16.7.L(2) NMAC.

(6) There are currently three Division-designated Gallup pools within the Unit, or within two miles of the Unit. The Lybrook-Gallup Oil Pool (pool code 42289), which is within the Unit, is subject to Division Rule 19.15.15.9 NMAC, which requires standard 40-acre oil spacing and proration units with wells to be located no closer than 330 feet to the outer boundary of the spacing unit. The Basin-Mancos Gas Pool (pool code 97232) which is also within the Unit, as established by Division Order No. R-12984, which requires 320-acre spacing units with wells to be located no closer than 660 feet to the outer boundary of the spacing unit, or in this case, the outer boundary of the project area. The Escrito-Gallup (Associated) Pool (pool code 22619), which is within two miles of the Unit, has special pool rules providing for 80-acre spacing and 790 foot exterior boundary setbacks. Further, the Escrito-Gallup (Associated) Pool is listed in Order No. R-12984; therefore, it can expand into a portion of the Unit. The Lybrook-Gallup Oil Pool is not listed in Order No. R-12984; therefore, it is frozen and cannot expand. Lastly, a portion of the Unit is greater than two miles from the boundary of the Escrito-Gallup (Associated) Pool; therefore, the acreage is dedicated to the Basin-Mancos Gas Pool.

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

- (a) The Unit is comprised of six separate Federal tracts;
- (b) All interests in the Unit are expected to be committed to the Unit;
- (c) The Unit Agreement was prepared on the form prescribed by the Bureau of Land Management ("BLM"), but has been modified in two significant respects:
 - (a) It applies only to horizontal oil well completions in the Unitized Interval; and
 - (b) The entire Unit is established as a single Participating Area.

- (d) The Unit Agreement will be executed by the BLM;
- (e) Applicant has discussed the Unit and the Unit development plans with the BLM. Following these discussions, the BLM issued a letter providing preliminary approval of the Unit;
- (f) Applicant has provided notice of this application and hearing by certified mail to all working interest owners in the Unit;
- (g) The Unit will be developed to produce oil from the Mancos formation;
- (h) No faults, pinch-outs or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells;
- (i) The available well control in the area demonstrates the Unitized Interval identified in the type log is laterally contiguous across the entire Unit;
- (j) No horizontal wells have been drilled in the proposed Unit; and
- (k) The effective date of the proposed Unit as stated in the Ridge Unit Agreement will be when the Administrative Officer (AO) grants final approval.

8) Lanford LLC, a working interest owner, submitted a prehearing statement, but did not appear. No other party entered an appearance or otherwise opposed this application.

The Division concludes as follows:

(9) The Applicant has provided proper and adequate notice of this application and hearing to the working interest owners in the Unit.

(10) The Unit Agreement provides that the entire Unit shall participate in all production from the Unitized Area without establishment of participating areas. Accordingly, the entire Unit constitutes a single Project Area for horizontal wells pursuant to Division Rule 19.15.16.7.L(2) NMAC.

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

(12) Applicant intends to fully develop the Unit with a sufficient number of horizontal wells to drain the Unitized Interval within the entire Unit. To ensure full development of the Unit, the Unit Agreement contains provisions that: i) require continuous drilling until a well is drilled that is capable of producing in paying quantities, and ii) require the Unit Operator, subsequent to drilling a well capable of producing in

paying quantities, to submit an annual plan of development to the Authorized Officer of the Department of the Interior.

(13) 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.

(14) Approval of the Unit will provide the Applicant the flexibility to locate and drill wells in the Unit in order 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 Ridge Unit Agreement are in compliance with Division rules, and the development and operation of the Unit Area, as proposed, will comply with the Division's conservation principles.

(16) The Ridge Unit should be approved.

(17) The Unit Operator should be required to submit a Division Form C-102 for each horizontal well drilled in the Unit that shows: i) the drilling block for that particular well (each standard-sized spacing unit penetrated by the well); and ii) the total acreage within the Unit and the Division order number approving the Unit.

(18) Applicant should submit a copy of the annual Ridge Unit Plan of Development to the Division for review and approval.

(19) Wells subsequently drilled in the Ridge Unit should be dedicated to the Ridge; Mancos Pool, provided however, if a new pool for Mancos development is formed that encompasses the Ridge Unit, the Ridge; Mancos Pool will be abolished, and the wells in the Ridge Unit incorporated into the new Mancos pool. In that event, the operator of the Ridge Unit should be required to file the necessary forms with the Division to dedicate those wells to the new pool.

(20) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The Ridge Unit (the "Unit) consisting of 2080 acres, of Federal lands in San Juan County, New Mexico, is hereby approved.

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

TOWNSHIP 24 NORTH, RANGE 8 WEST, NMPM

Section 22:	E/2 and NW/4
Sections 23 and 24:	All
Section 25:	N/2

(3) The Unitized Interval shall comprise all oil and gas from the top of the Mancos formation at a measured depth of 4,312 feet down to the stratigraphic equivalent of the top of the Graneros formation at a measured depth of 6,115 feet as encountered in Bright Angel Well No. 1 (API 30-045-25035) located in Unit L, Section 27, Township 24 North, Range 8 West, NMPM, San Juan County, New Mexico.

(4) Subsequently drilled horizontal wells within the Unitized Interval in the Ridge Unit shall be dedicated to the Ridge; Mancos Oil Pool, provided however, if a new pool for Mancos development is formed that encompasses the Ridge Unit, the Ridge; Mancos Pool will be abolished, and the wells in the Ridge Unit shall be incorporated into the new Mancos pool. In that event, the operator of the Ridge Unit shall file the necessary forms with the Division to dedicate those wells to the new pool.

(5) The Unit constitutes a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7.L(2) NMAC. Accordingly, Unit wells may be drilled anywhere with the Unit provided that no portion of any well's completed interval is closer than 330 feet to the outer boundary of the Unit unless otherwise approved by the Division.

(6) WPX Energy Production, LLC (OGRD 120782), is hereby designated the operator of the Unit.

(7) The Unit Operator shall submit a Division Form C-102 for each horizontal well drilled in the Unit that shows: i) the drilling block for that particular well (each standard-sized spacing unit penetrated by the completed interval of the well); and ii) the total acreage within the Unit and the Division Order number approving the Unit.

(8) The plan contained within the Ridge Unit Agreement for the development and operation of the Unit is hereby approved in principle as a proper conservation measure.

(9) 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 Area, 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.

(10) All plans of development for the Ridge Unit shall be submitted annually to the Division for review and approval.

(11) The Applicant shall provide to the Division a copy of the Bureau of Land Management's final approval of the Ridge Unit.

(12) Division approval of the Ridge Unit shall be effective on the first day of the month following entry of this order OR, the date in which final approval of the Ridge Unit is obtained from the Bureau of Land Management, whichever is later.

(13) 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

David R. Catanach

DAVID R. CATANACH
Director