

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

**APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF
THE RODEO UNIT AND FOR ALLOWANCE OF 330 FOOT SETBACKS FROM
THE EXTERIOR OF THE PROPOSED UNIT, SAN JUAN COUNTY, NEW
MEXICO.**

**CASE NO. 15618
ORDER NO. R-14313**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 16, 2017, before Examiner William V. Jones at Santa Fe, New Mexico.

NOW, on this 24th day of March, 2017, 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 of the subject matter.

(2) WPX Energy Production, LLC ("WPX" or "Applicant") seeks:

(a) Approval of the Rodeo Unit (the "Unit"), a Federal/State voluntary exploratory unit, comprising 7,208.63 acres, more or less, of Federal, State, and Navajo Allotted lands in San Juan County, New Mexico; and

(b) Authority to drill horizontal wells within the Unit at any location, provided that the completed intervals are no closer than 330 feet to any outer boundary of the Unit.

(3) The Unit area will consist of the following-described acreage in San Juan County, New Mexico:

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM

Section 6: Lots 3-5, SE/4 NW/4 (NW/4 equivalent)

TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM

Section 1: Lots 1-4, S/2 N/2, S/2 (All)

Section 2: Lots 1-4, S/2 N/2, S/2 (All)
Section 3: S/2
Section 10: All
Section 11: All
Section 12: All

TOWNSHIP 23 NORTH, RANGE 8 WEST, NMPM

Section 20: All
Section 29: N/2
Section 30: Lots 1-4, E/2 W/2, E/2 (All)
Section 31: Lots 1-4, E/2 W/2, E/2 (All)
Section 32: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 36: All

(4) The Unitized Substances, as defined in the proposed Unit Agreement, include all oil and gas from the top of the Mancos formation at a measured depth of 3,524 feet down to the stratigraphic equivalent of the top of the Graneros formation at a measured depth of 5,359 feet as encountered in the North Chaco #7 well (API 30-045-05068) located in Section 30, Township 23 North, Range 8 West, NMPM. This depth interval is hereinafter called "the Unitized Interval."

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

(6) The Unit currently encompasses a portion of the Basin Mancos Gas Pool (Pool Code 97232). Rule C of the Special Rules for the Basin Mancos Gas Pool as established by Order No. R-12984 requires that wells be located no closer than 660 feet to the outer boundary of a spacing unit or project area.

(7) One *pro se* appearance was entered by Frankie Davis. Mrs. Davis ultimately supported formation of the unit. No other party entered an appearance or otherwise opposed this application.

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

(a) The Unit will consist of 8 federal tracts, comprising 37.79 percent of the Unit acreage, 3 state tracts, comprising 13.34 percent of the unit acreage, and 22 Navajo Allotted tracts, comprising 48.87 percent of the Unit acreage.

- (b) The Bureau of Land Management (BLM) requires that each tract must have 100 percent jointer to be included in the final Unit Area.
- (c) All interest in the Unit area are expected to be committed to the Unit.
- (d) The proposed Unit Agreement is the usual federal/allottee/state exploratory form with the following modifications:
 - i. It applies only to horizontal wells of at least 100 feet of lateral length in the Unitized Interval and excludes pre-existing and future vertical wells;
 - ii. It is limited to the Unitized Interval of the Mancos formation; and
 - iii. The entire Unit is treated as undivided with each tract participating as per its acreage dedication in all unit wells.
- (e) The Unit agreement has received written preliminary approval from the BLM and State Land Office ("SLO").
- (f) Applicant has provided notice of this application and hearing and a copy of the proposed unit agreement to operators within the Mancos formation in the spacing units offsetting the Unit area, to all working interest owners, and Navajo Allottee mineral owners within the unit, and to all overriding royalty interest owners.
- (g) Applicant has caused notice of this application to be published in the Farmington Daily Times, a local newspaper of general circulation in San Juan County.
- (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 demonstrates that the Unitized Interval identified in the type log is laterally continuous across the Unit.
- (j) These lands were chosen and are being proposed as the Unit area to facilitate the most efficient, uniform, and common development.
- (k) Applicant expects to reduce surface disturbances by formation of this Unit.
- (l) There are no existing horizontal wells within the Unit area.

The Division concludes as follows:

(9) Applicant has provided proper and adequate notice of this application and of the hearing.

(10) Division Rule 19.15.16.7(C) NMAC defines a "Horizontal Well" as "a directional wellbore with one or more laterals that extend a minimum of 100 feet horizontally in the target zone." The Rodeo Unit Agreement contains a restriction allowing only wells containing one or more horizontal laterals completed, or recompleted, at least 100 feet in distance within the objective formation. These definitions are considered equivalent.

(11) The Unit will constitute a single Project Area for horizontal oil well development in the Basin Mancos Gas Pool, pursuant to Division Rule 19.15.16.7(L)(2) NMAC; provided however, that the Project Area should be limited to Unit Wells.

(12) Unit Wells should be defined as those wells allowed in the Unit Agreement.

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

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

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

(16) The provisions contained within the Rodeo Unit Agreement comply with Division rules.

(17) The Rodeo Unit should be approved and should 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 Rodeo Unit is obtained from the Federal Indian Minerals Office ("FIMO"), the BLM, and the SLO.

(18) Applicant does not oppose operators in offsetting spacing and proration units completing horizontal oil wells in the Unitized Interval at any location greater than 330 feet from the outer boundary of the Unit.

(19) The proposed Unit and request for authority to locate horizontal oil wells anywhere within the Unit no closer than 330 feet of the outer boundary of the Unit should be approved.

(20) Navajo tribal members who have interests in individual trust allotments, including Daniel Tso and Donald Tso, voiced concerns about formation of the Unit. While OCD appreciates the allottees taking time to express these concerns, OCD lacks

jurisdiction over leasing of allotted trust lands, or over surface utilization of allotted lands pursuant to leases approved by FIMO.

(21) The plan contained within the Rodeo Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of WPX Energy Production, LLC ("Applicant" or "WPX"), the Rodeo Unit (the "Unit") consisting of 7,208.63 acres, more or less, of Federal, State, and Navajo Allotted lands 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 Rodeo Unit is obtained from the Federal Indian Minerals Office ("FIMO"), the Bureau of Land Management ("BLM"), and the State Land Office ("SLO"). Copies of the final approval letters signed by the BLM, the FIMO, and the SLO 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 6: Lots 3-5, SE/4 NW/4 (NW/4 equivalent)

TOWNSHIP 22 NORTH, RANGE 9 WEST, NMPM

Section 1: Lots 1-4, S/2 N/2, S/2 (All)

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Section 31: Lots 1-4, E/2 W/2, E/2 (All)

Section 32: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, NMPM

Section 36: All

(4) WPX Energy Production, LLC (OGRID 120782) is hereby designated the Unit operator.

(5) Pursuant to the Unit Agreement, the Unitized Interval shall include all formations from the stratigraphic equivalent of the top of the Mancos formation at a measured depth of 3,524 feet down to the stratigraphic equivalent of the top of the Graneros formation at a measured depth of 5,359 feet as encountered in the North Chaco #7 well located in Section 30, Township 23 North, Range 8 West, NMPM (API 30-045-05068).

(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 not designated as Unit Wells shall remain dedicated and subject to the requirements of the Basin Mancos Gas Pool, or statewide rules.

(8) The Unit shall constitute a single Project Area for horizontal oil well development in the Mancos formation pursuant to Division Rule 19.15.16.7(L)(2) NMAC; provided however, the Project Area shall be limited to Unit Wells; and provided further that the operator shall file a form C-102 with the Division's Aztec district office for each Unit Well showing the location of the well and the quarter-quarter sections of lots of the United States Public Land Survey penetrated.

(9) As per Applicant's request, any Unit Well may be drilled anywhere within the Unit, provided that no portion of the completed interval of any Unit Well shall be closer than 330 feet to the outer boundary of the Unit, or to any uncommitted or partially committed tract, unless otherwise approved by the Division pursuant to Division Rule 19.15.15.13 NMAC.

(10) Should a new pool for Mancos development be formed that encompasses the area of the Rodeo Unit, then the Rodeo Unit Wells shall be incorporated into that new Mancos pool. In that event, the operator of the Rodeo Unit shall file the necessary forms with the Division to dedicate those wells to the new pool. Any such transfer to a new pool shall not affect the setback provisions of Ordering Paragraph (9) above.

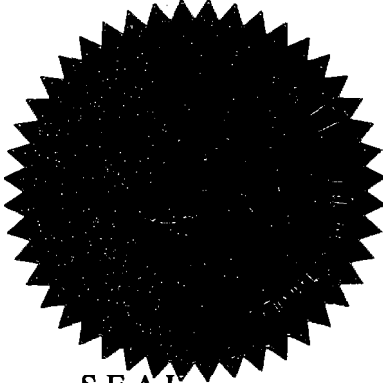
(11) The plan contained within the Rodeo Unit Agreement for development and operation of the Unit is hereby approved in principle as a proper conservation measure. All plans of development for the Rodeo Unit shall be submitted annually to the Division for review.

(12) 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.

(13) Applicant shall provide inter-well communication data within the Unit to the Aztec District office of the Division no later than 18 months after the effective date of this order.

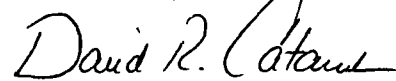
(14) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

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