

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

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

**(Reopened)
CASE NO. 15348
ORDER NO. R-14100-A**

**APPLICATION OF WPX ENERGY PRODUCTION, LLC TO AMEND ORDER
NO. R-14100 TO EXPAND THE WEST ESCAVADA UNIT AND THE
CORRESPONDING WEST ESCAVADA UNIT; MANCOS POOL, SANDOVAL
AND SAN JUAN COUNTIES, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 17, 2017, at Santa Fe, New Mexico, before Examiner Michael A. McMillan, and before Examiner William V. Jones on August 31, 2017.

NOW, on this 30th day of November, 2017, the Division Director, having considered the testimony, the record and the recommendations of Examiner McMillan;

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") has made application to amend Division Order No. R-14100 to expand the geographic area and expand the boundaries of the West Escavada Unit and corresponding pool, the Escavada W; Mancos Pool (Pool code 98225).

(3) Under Division Order No. R-14100 issued on December 21, 2015 in Case No. 15348, the Division approved the West Escavada Unit in the Mancos formation comprising 1926.42 acres, more or less, of Federal and Indian Allotted lands in Sandoval County.

(4) The Unitized Interval includes "All oil and gas from the top of the Mancos formation at a measured depth of 3,858 feet down to the stratigraphic equivalent of the base of the Greenhorn formation at a measured depth of 5,695 feet as encountered in the Fulton Well No. 1 (API 30-043-05164) located in Unit P, Section 31, Township 23 North, Range 7 West, NMPM, Sandoval County, New Mexico".

(5) The revised Unit Agreement for the expanded West Escavada Unit has been approved by a sufficient percentage of the interest owners within the proposed expanded Unit Area to provide effective control of unit operations.

(6) WPX personnel have met with land owners and have proposed expansion of the Unit.

(7) The Unit Area for the expanded West Escavada Unit will consist of 2886.42 acres, more or less, and will encompass the following Federal and Indian Allotted lands in Sandoval and San Juan Counties, New Mexico:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

| | |
|-------------|-----|
| Section 7: | S/2 |
| Section 8: | S/2 |
| Section 17: | All |
| Section 18: | All |

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

| | |
|-------------|-----|
| Section 12: | S/2 |
| Section 13: | All |

(8) WPX will remain the designated operator under the revised Unit Agreement and the effective date of the expanded West Escavada Unit will remain the same as designated in Order No. R-14100.

(9) Applicant appeared at the hearing and supplemented the information with the following testimony:

- (a) The proposed Unit will expand into a portion of the previously approved West Alamito Unit in the S/2 of Section 12 and entire Section 13, all in Township 22 North, Range 8 West, San Juan County (Acreage), approved by Division Order No. R-14002, issued on July 22, 2015;
- (b) Applicant has received preliminary approval of the Unit Agreement for the expanded West Escavada Unit from the Bureau of Land Management ("BLM"). Federal Indian Minerals Office (FIMO) and BLM will provide final approval;

- (c) The resulting Unit area includes two federal tracts comprising approximately 11 percent of the Unit. The Indian Allotted lands include 16 tracts which comprise 89 percent of the Expanded Unit;
- (d) Notice of this application was provided in the expanded Unit Area to all working interest owners, royalty interest owners, and overriding royalty interest owners. Notice was also provided to the affected parties in those lands surrounding the expanded Unit Area;
- (e) Applicant has not drilled the initial test well within the original or expanded Unit;
- (f) The Escavada W; Mancos Pool will automatically expand to conform to the horizontal boundaries of the proposed West Escavada Unit;
- (g) The geology of the Unitized Interval is continuous and extends across the expanded Unit. There are no faults, pinch-outs, or other geologic impediments that isolate lands within the Unit Area or would suggest creation of a separate pool
- (h) Applicant provided notice to parties subject to the Unit by certified mail, return receipt requested, and by publication before hearing in a newspaper of general circulation in Sandoval and San Juan Counties, New Mexico, the counties in which the property is located for those parties for whom return receipts were not returned.

(10) Except for changes to Exhibits A and B to the Unit Agreement, all other provisions of the Unit Agreement remain the same as prior to the expansion, including the Unitized Interval and the effective date. The only wells to be included as "Unit Wells" are those wells containing one or more laterals drilled, completed, or recompleted so the horizontal component of the completion interval extends at least 100 feet in the objective formation. All existing and future vertical wells are excluded from this Unit.

(11) WPX is in the process of obtaining signatures from working interest owners approving the revised Joint Operating Agreement that governs operations within the expanded Unit. The BLM has provided letters of preliminary approval of the expanded Unit.

(12) Order No. R-14100 allowed for expansion of the West Escavada Unit and the corresponding Escavada W; Mancos Pool to conform to the horizontal boundaries of the new Unit outline. Likewise, Order No. R-14002 allowed for contraction or expansion of the Alamito Mancos W Pool to conform to the boundaries of the West Alamito Unit. As a result, the boundaries of the Escavada W; Mancos Pool should conform to the new boundaries of the West Escavada Unit.

(13) The application to amend Division Order No. R-14100 to expand the West Escavada Unit and the corresponding Escavada W; Mancos Pool should be approved.

(14) The ordering paragraphs in Division Order No. R-14100 should be vacated and replaced as detailed below.

IT IS THEREFORE ORDERED THAT:

(1) The application of WPX Energy Production, LLC to amend Division Order No. R-14100 to expand the geographic area of the West Escavada Unit and expand the corresponding Escavada W; Mancos Pool (Pool code 98225) to the bounds of the new Unit boundaries is hereby approved.

(2) All ordering paragraphs of Order No. R-14100 are hereby vacated and replaced with the following.

(3) The West Escavada Unit shall comprise 2886.42 acres, more or less, of Federal, and Navajo Allotted lands in San Juan and Sandoval Counties, New Mexico, and be described as follows:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM, SANDOVAL COUNTY

| | |
|-------------|-----|
| Section 7: | S/2 |
| Section 8: | S/2 |
| Section 17: | All |
| Section 18: | All |

TOWNSHIP 22 NORTH, RANGE 8 WEST, NMPM, SAN JUAN COUNTY

| | |
|-------------|-----|
| Section 12: | S/2 |
| Section 13: | All |

(4) 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 West Escavada Unit is obtained by Applicant from the BLM and FIMO. The final approval letters by the BLM and FIMO shall be provided to the Division.

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

(6) The Unitized Interval includes all formations from the top of the Mancos formation at a measured depth of 3,858 feet down to the stratigraphic equivalent of the base of the Greenhorn formation at a measured depth of 5,695 feet as encountered in the Fulton Well No. 1 (API 30-043-05164) located in Unit P, Section 31, Township 23 North, Range 7 West, NMPM, Sandoval County, New Mexico.

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

(8) 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.

(9) The Unit shall constitute a single Project Area for horizontal oil well development pursuant to Division Rule 19.15.16.7.L (2) NMAC; provided however, the Project Area shall be limited to Unit Wells.

(10) Applicant's request for all Unit Wells to be dedicated to one oil pool is hereby approved. All horizontal oil wells of at least 100 feet lateral length drilled and completed in the Mancos formation within the Unit Area and after the effective date shall be dedicated to the existing Escavada W; Mancos Pool. The Aztec District office of the Division may expand or contract the Pool without notice or hearing if the boundaries of the Unit are altered.

(11) Should a new pool for Mancos development be formed that encompasses the area of the West Escavada Unit, then the existing pool for Unit Wells will be contracted, and the wells shall be incorporated into that new Mancos pool. In that event, the operator of the West Escavada Unit shall file the necessary forms with the Division to dedicate those wells to the new pool.

(12) The plan contained within the West Escavada 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 West Escavada Unit shall be submitted annually to the Division for review.

(13) 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.

(14) 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.

(15) The horizontal boundaries of the Escavada W; Mancos Pool shall conform to Unit boundaries.

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