

**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. 15348
ORDER NO. R-14100**

**APPLICATION OF WPX ENERGY PRODUCTION, LLC FOR APPROVAL OF
THE WEST ESCAVADA UNIT; CREATION OF A NEW POOL FOR
HORIZONTAL DEVELOPMENT WITHIN THE UNIT AREA; AND FOR
ALLOWANCE OF 330 FOOT SETBACKS FROM THE EXTERIOR OF THE
PROPOSED UNIT, SANDOVAL COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on July 23, 2015, at Santa Fe, New Mexico, and on August 20, 2015, before Examiner Phillip R. Goetze.

NOW, on this 21st day of December, 2015, 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 West Escavada Unit (the “Unit”), a Federal voluntary exploratory unit, comprising 1926.42 acres, more or less, of Federal and Navajo Allotted lands in Sandoval County, New Mexico;
 - (b) Creation of a new pool for horizontal wells within the Unit; 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 the following-described acreage located in Sandoval County, New Mexico:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM

Section 7:	S/2
Section 8:	S/2
Sections 17 and 18:	All

(4) The Unitized Interval includes all formations from the stratigraphic equivalent of the top of the Mancos Shale (base of the Mesaverde Group) as defined at a measured depth of 3858 feet to the stratigraphic equivalent of the base of the Greenhorn Limestone, as defined at a measured depth of approximately 5695 feet, both shown on the log run October 21, 1982 on the Fulton Well No. 1 (API 30-043-05164; also known as the Federal C L Well No. 1) located in Unit P, Section 31, Township 23 North, Range 7 West, NMPM, Sandoval County, New Mexico.

(5) The first well to be drilled to the Unitized Interval within the Unit will be classified as wildcat and will be governed by statewide Rule 19.15.15.9(A) NMAC. However, the Unit is offset to the west by the Basin; Mancos Gas Pool (Pool Code 97232), with Special Rules adopted in 2008 under Division Order No. R-12984, providing for 320-acre gas spacing units and wells to be located no closer than 660 feet from unit boundaries.

(6) Two *pro se* appearances provided testimony at hearing in opposition to the application. Each party was a representative of a non-governmental organization. No other party entered an appearance or otherwise opposed this application.

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

- (a) The Unit is comprised of one (1) federal tract, or 8.3 percent of the Unit acreage, and 11 Navajo Allotted tracts, or 91.7 percent of the Unit acreage;
- (b) The Bureau of Land Management ("BLM") requires that each tract must have 100 percent joinder to be included in the final Unit Area;
- (c) All interests in the Unit are expected to be committed to the Unit;
- (d) The federal/allottee exploratory unit form was used 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.
- (e) The Unit Agreement has been given written preliminary approval by the BLM;
 - (f) Applicant has provided notice of this application and hearing to the working interest owners and operators within the Mancos formation in the spacing units offsetting the proposed Unit Area and to all working interest owners and Navajo Allottee (mineral owners, not surface owners) within the Unit;
 - (g) Applicant also mailed notice and a copy of the Unit Agreement to all owners of overriding royalty interests using the best known address of record;
 - (h) Applicant has caused notice of this application to be published in the Rio Rancho Observer, considered to be a local newspaper of general circulation in Sandoval County;
 - (i) No faults, pinch-outs or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells;
 - (j) The available well control in the area demonstrates the Unitized Interval identified in the type log is laterally contiguous across the entire Unit;
 - (k) These lands were chosen and are being proposed as the Unit Area to facilitate the most efficient and uniform and common development;
 - (l) Applicant expects to reduce surface disturbances by the formation of this Unit and intends to protect the fresh water from harm due to drilling and oil field operations;
 - (m) The Unit will be developed to produce oil from the Mancos formation;
 - (n) Applicant intends to orient wells in a transverse direction;
 - (o) No horizontal wells have been drilled within the Unit; and
 - (p) Applicant is required by the Unit Agreement and with the approval of the BLM to commence the drilling of an "adequate test well" with a minimum of 4000 horizontal feet within six (6) months of the effective date of the Unit Agreement.

The Division concludes as follows:

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

(9) 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 West Escavada 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.

(10) Within the West Escavada Unit, Division rules for horizontal wells should apply only to those wells completed a lateral distance within the Mancos formation of at least 100 feet in length.

(11) The Unit should 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 should be limited to Unit Wells.

(12) Unit Wells should be defined as those wells allowed in the West Escavada 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 that the Unit is ultimately fully developed in the Unitized Interval.

(15) 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.

(16) The provisions contained within the West Escavada Unit Agreement are in compliance with Division rules, and the development and operation of the Unit Area, as proposed, comply with the Division's conservation principles.

(17) The West Escavada 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 West Escavada Unit is obtained by Applicant from the Federal Indian Minerals Office ("FIMO") and the BLM.

(18) The Applicant should provide to the Division a written copy of the final approval of the West Escavada Unit by the FIMO and the BLM. Applicant should submit a copy of the annual West Escavada Unit Plan of Development to the Division for review.

(19) Applicant's request for the creation of a new pool for oil production to be dedicated to Unit Wells should be approved. All Unit Wells should be dedicated to the **West Escavada Unit; Mancos Pool**. The horizontal limits of this pool should coincide with the boundaries of the Unit and should not extend beyond the Unit boundaries. The Aztec District office of the Division should be allowed to expand or contract the Pool without notice or hearing if the boundaries of the Unit are altered. The vertical limits of this pool should extend from the base of the Mesaverde Group to the base of the Greenhorn formation or top of the Graneros formation. The pool creation date should coincide with the effective date of this order.

(20) The West Escavada Unit; Mancos Pool should be subject to Division Rules 19.15.15.9 NMAC, 19.15.16.14(B)(3) NMAC, and 19.15.20.12(A) NMAC; provided however, the following stipulations should apply to Unit Wells:

- (a) The Unit Operator should submit to the Division Form C-102 for each Unit Well that shows the drilling block for that particular well (each standard-sized oil spacing unit penetrated by the well), the total acreage within the Unit and the Division order number approving the Unit; and
- (b) As per Applicant's request, any Unit Well should be allowed anywhere within the Unit provided that no portion of the completed interval is closer than 330 feet to the outer boundary of the Unit unless otherwise approved by the Division pursuant to Division Rule 19.15.15.13 NMAC.

(21) Within 30 days of the effective date of this order the operator of this Unit should rename any existing Unit Wells and should dedicate all Unit Wells to the new pool.

(22) 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 should be contracted, and the West Escavada Unit Wells should be incorporated into that new Mancos pool. In that event, the operator of the West Escavada Unit should file the necessary forms with the Division to dedicate those wells to the new pool.

(23) The plan contained within the West Escavada Unit Agreement for the development and operation of the Unit should be approved in principle as a proper conservation measure. All plans of development for the West Escavada Unit should be submitted annually to the Division for review.

(24) The Unit operator should 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 should file with the Division, within 60 days thereafter, counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

(25) Content of the statements provided by the representatives for the non-governmental organizations detailed health, land use, environmental and cultural concerns not relevant to the Division's authority for the application under consideration.

(26) This application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) As per the application of WPX Energy Production, LLC ("Applicant" or "WPX"), the West Escavada Unit (the "Unit") consisting of 1926.42 acres, more or less, of Federal and Navajo Allotted lands in Sandoval 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 West Escavada Unit is obtained by Applicant from the Federal Indian Minerals Office ("FIMO") and the Bureau of Land Management ("BLM"). The final approval letter by the BLM and the FIMO shall be provided to the Division.

(3) The Unit shall comprise the following-described acreage in Sandoval County, New Mexico:

TOWNSHIP 22 NORTH, RANGE 7 WEST, NMPM

Section 7:	S/2
Section 8:	S/2
Sections 17 and 18:	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 Shale (base of the Mesaverde Group) as defined at a measured depth of 3858 feet to the stratigraphic equivalent of the base of the Greenhorn Limestone, as defined at a measured depth of approximately 5695 feet, both shown on the log run October 21, 1982, on the Fulton Well No. 1 (API 30-043-05164; also known as the Federal C L Well No. 1) located in Unit P, Section 31, Township 23 North, Range 7 West, NMPM, Sandoval County, New Mexico.

(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 but not designated per the agreement as Unit Wells shall remain dedicated and subject to the requirements of existing pools or statewide rules.

(8) 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.

(9) Applicant's request for the creation of a new pool for oil production to be dedicated to Unit Wells 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 **West Escavada Unit; Mancos Pool**. The horizontal limits of this pool shall coincide with the boundaries of the Unit and shall not extend beyond the Unit boundaries. 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. The vertical limits of this pool shall extend from the base of the Mesaverde Group to the base of the Greenhorn formation or top of the Graneros formation. The pool creation date shall coincide with the effective date of this order as detailed in Ordering Paragraph (2).

(10) The **West Escavada Unit; Mancos Pool** shall be subject to Division Rules 19.15.15.9 NMAC, 19.15.16.14(B)(3) NMAC, and 19.15.20.12(A) NMAC; provided however, the following stipulations shall apply to Unit Wells:

(a) The Unit Operator shall submit to the Division Form C-102 for each Unit Well that shows the drilling block for that particular well (each standard-sized oil spacing unit penetrated by the well), the total acreage within the Unit and the Division order number approving the Unit; and

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

(11) Within 30 days of the effective date of this order the operator of this Unit shall rename any existing Unit Wells and shall dedicate all Unit Wells to the new pool.

(12) 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 West Escavada Unit 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.

(13) 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.

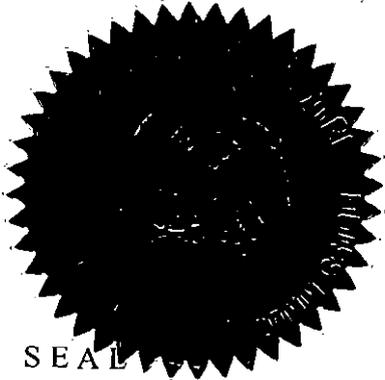
(14) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 60 days of the date of this order. In the event of subsequent joinder by any other party, or expansion or contraction of the Unit

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.

(15) 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.

(16) 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