

**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. 21463
ORDER NO. R-21572**

**APPLICATION OF MANZANO LLC FOR APPROVAL OF THE VINDICATOR
CANYON STATE EXPLORATORY UNIT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case come for hearing at 8:15 a.m. on October 22, 2019, at Santa Fe, New Mexico, before Examiner Leonard Lowe.

NOW, on this 26th day of January 2021, the Division Director, having considered the testimony, the record and recommendations of the Examiner,

FINDS THAT

- (1) Due public notice has been given, and the Oil Conservation Division (“OCD”) has jurisdiction of this case and of the subject matter.
- (2) The Applicant, Manzano LLC (or “Applicant”) seeks approval of the Vindicator Canyon State Exploratory Unit (“Unit”) for oil and gas underlying the following described 6,000 acres (more or less) of State Trust lands located in Lea County, New Mexico

TOWNSHIP 17 SOUTH, RANGE 36 EAST, N.M.P.M

Section 14: SW/4

Section 15: ALL

Section 20: W/2

Section 23: S/2, NW/4

Section 26: ALL

Section 27: ALL

Section 28: ALL

Section 29: ALL

Section 30: E/2

Section 31: E/2 NE/4

Section 32: N/2, SW/4

Section 33: NE/4
Section 34: E/2 E/2
Section 35: ALL

(3) The “Unitized Interval” for the Vindicator Canyon State Exploratory Unit is the Canyon Formation, at the stratigraphic equivalent of the interval between 11,678 feet and 12,202 feet as found on the sonic log for the Deep Sparkling Muddler 15 State #1 well (API No. 30-025-22194) in Section 15, Township 17 South, Range 36 East, N.M.P.M., Lea County, New Mexico.

(4) The Applicant presented testimony and exhibits as follows:

(a) The Vindicator Canyon State Exploratory Unit is comprised of twenty-three (23) state trust tracts and currently 23 of those tracts have working interest committed to the unit.

(b) Manzano owns 21.52% of the working interest in the proposed unit area. More than 96.75% of the working interest in the state acreage is currently committed to the proposed unit. An undivided 3.25% working interest remains uncommitted to the proposed unit.

(c) The initial obligation well is the Vindicator 15 No. 1 well, a horizontal well currently dedicated to the E/2 W/2 of Section 15 (API No. 30-025-46513) and completed in the WC-025 G-09 SI 72315C; Upper Penn Pool (98333). Upon approval of the Unit, this well will be renamed the Vindicator Canyon State Unit 15 CNLC #3H. The effective date of the unit will be February 21, 2020 which is the first data of production from this well.

(d) The unit is located within the WC-025 G-09 SI 72315C; Upper Penn Pool (98333) and all wells are expected to produce primarily oil. The main target interval consists of an approximately 350 to 525 foot thickness of shales within the Canyon Formation, which was deposited in a structural low in the Shoe Bar sub basin, on top of the Strawn formation. The Canyon Formation is continuous across the proposed unit.

(e) Manzano has met with the New Mexico State Land Office regarding the proposed unitized area and unit agreement and presented a copy of the preliminary approval letter from the Commissioner of Public Lands in support of the proposed unit agreement.

(f) The agreement has provisions for expansion or contraction.

(g) Manzano has met with the working interest owners, royalty owners and overriding royalty interest owners within the proposed unit area.

(5) Marathon Oil Permian LLC, Texas Standard Oil and BTA Oil Producers all entered an appearance and were represented at the hearing by counsel but did not oppose the application. No other party entered an appearance or otherwise opposed this application.

The OCD concludes that

- (6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formation 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.
- (7) Approval of the unit will provide the Applicant the flexibility to locate and drill wells in the Unit to maximize recovery of oil and gas from the unitized interval, thereby preventing waste, and will provide the Applicant latitude to conduct operations in an effective and efficient manner within the unit.
- (8) The approval of the unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area. The provisions contained in the unit agreement are in the best interest of conservation and the prevention of waste.

IT IS THEREFORE ORDERED THAT

- (1) The Vindicator Canyon State Exploratory Unit Agreement executed by Manzano LLC (OGRID: 231429) is hereby approved for all oil and gas in the unitized interval underlying the following described 6000 acres of State Trust lands located in Lea County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 36 EAST, N.M.P.M

Section 14: SW/4
Section 15: ALL
Section 20: W/2
Section 23: S/2, NW/4
Section 26: ALL
Section 27: ALL
Section 28: ALL
Section 29: ALL
Section 30: E/2
Section 31: E/2 NE/4
Section 32: N/2, SW/4
Section 33: NE/4
Section 34: E/2 E/2
Section 35: ALL

- (2) The "Unitized Interval" for the Vindicator Canyon State Exploratory Unit is the Canyon Formation, at the stratigraphic equivalent of the interval between 11,678 feet and 12,202 feet as found on the sonic log for the Deep Sparkling Muddler 15 State #1 well (API No. 30-025-22194) in Section 15, Township 17 South, Range 36 East, N.M.P.M., Lea County, New Mexico.
- (3) The plan contained within the 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 OCD to supervise and control operations for the unit and production of oil and gas therefrom.

(4) Applicant should provide to the OCD an executed copy of the final approval of the Vindicator Canyon State Exploratory Unit by the New Mexico State Land Office. 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 OCD, within sixty (60) days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified

(5) Applicant should submit a copy of the annual Vindicator Canyon State Exploratory Unit Plan of Development to the OCD for review.

(6) This order shall be effective on February 21, 2020 which is the first data of production from the Vindicator 15 No. 1 well. The order shall terminate upon termination of the unit agreement. The last unit operator shall notify the OCD immediately in writing of such a termination.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



ADRIENNE SANDOVAL
Director

AS/KAM
Cc: NM State Lands Office