

**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. 16229
ORDER NO. R-20284**

**APPLICATION OF MANZANO, LLC FOR APPROVAL OF THE WEST
CROSSROADS SAN ANDRES STATE EXPLORATORY UNIT, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing June 28, 2018, at Santa Fe, New Mexico, before Examiner Phillip R. Goetze.

NOW, on this 18th day of December, 2018, 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) The Applicant, Manzano, LLC ("Manzano", OGRID 231429) seeks approval of its West Crossroads San Andres Exploratory Unit (the "Unit") for oil and gas in the Unitized Interval underlying the following described 4,153.72 acres, more or less, of State lands located in Lea County, New Mexico:

Township 9 South, Range 35 East, NMPM

Section 36: All

Township 9 South, Range 36 East, NMPM

Section 32: All

Township 10 South, Range 35 East, NMPM

Section 1: N/2

Township 10 South, Range 36 East, NMPM

Section 5: All
Section 6: All
Section 7: All
Section 8: All

(3) The Unitized Interval is the San Andres formation, the correlative interval of which is identified between the logged depths between 4075 feet and 5503 feet as found in the sonic log dated January 31, 1960, and formulated by Schlumberger Well Surveying Corporation on the Pure Oil State Lea H Well No. 1 (API 30-025-03625) located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 32, Township 9 South, Range 36 East, NMPM, Lea County, New Mexico.

(4) The Applicant appeared at the hearing through legal counsel and presented testimony as follows:

(a) The proposed West Crossroads San Andres State Unit comprises 13 tracts which are in the State Trust and are administered by the Commissioner of Public Lands of the State of New Mexico (the "State Land Office").

(b) Manzano holds 100 percent of the working interest in the Unit and all of the overriding royalty interest.

(c) The Commissioner of Public Lands has given preliminary approval and the Unit Agreement will be effective upon final approval of the Commissioner.

(d) The Unit is being formed in order to drill and complete the San Andres formation with horizontal wells.

(e) The Unit agreement covers the entire San Andres formation or approximately 1400 feet, but the initial planned target is described by the Applicant as the "P-1 Dolomite" which begins approximately 725 feet below the top of the Unitized Interval.

(f) The Applicant stated the P-1 Dolomite with a porosity greater than five percent is approximately 100 feet thick at the center of the Unit, then thins to approximately 70 feet on the south end of the Unit. Horizontal wells are being proposed because of lateral pay quality variation within this dolomite.

(g) The prospective San Andres formation is expected to be laterally continuous and present throughout the proposed Unit. Based on the subsurface

mapping by the applicant, there is no evidence of faulting within the San Andres in this area which represent a geological impediment to the proposed horizontal wells.

(h) The initial horizontal well is planned to be drilled north to south going from down dip to up dip within the target zone. This well is proposed to be one mile in length while the subsequent horizontal well will be one and half miles in length with the same orientation.

(i) Pursuant to the Unit Agreement, the initial well within the Unit must be commenced within 60 days of the effective date of the Unit Agreement.

(5) No other party appeared at the hearing or otherwise opposed this application.

The Division Concludes the Following:

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

(7) The San Andres formation in the proposed Unit may now be economical for drilling and production using modern horizontal drilling and completion techniques. 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.

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

(9) The provisions contained within the Unit Agreement follow Division rules and the development and operation of the Unit area, as proposed, complies with Division's conservation principles.

(10) The West Crossroads San Andres Exploratory Unit should be approved.

IT IS THEREFORE ORDERED THAT:

(1) The West Crossroads San Andres Exploratory Unit Agreement (the "Unit") is hereby approved for oil and gas in the Unitized Interval underlying the following described 4,153.72 acres, more or less, of State lands located in Lea County, New Mexico:

Township 9 South, Range 35 East, NMPM

Section 36: All

Township 9 South, Range 36 East, NMPM

Section 32: All

Township 10 South, Range 35 East, NMPM

Section 1: N/2

Township 10 South, Range 36 East, NMPM

Section 5: All

Section 6: All

Section 7: All

Section 8: All

(2) Manzano, LLC (OGRID 231429) is hereby designated the Unit operator.

(3) The Unitized Interval is the San Andres formation, the correlative interval of which is identified between the logged depths between 4075 feet and 5503 feet as found in the sonic log dated January 31, 1960, and formulated by Schlumberger Well Surveying Corporation on the Pure Oil State Lea H Well No. 1 (API 30-025-03625) located 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 32, Township 9 South, Range 36 East, NMPM, Lea County, New Mexico.

(4) The Unit shall constitute a single Unitized Area pursuant to Division Rule 19.15.16.7(P) NMAC.

(5) The plan contained in the West Crossroads San Andres Exploratory 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 Division to supervise and control operations for the unit and production of oil and gas therefrom.

(6) The unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement within 30 days of the effective date thereof; 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 30 days thereafter, copies of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

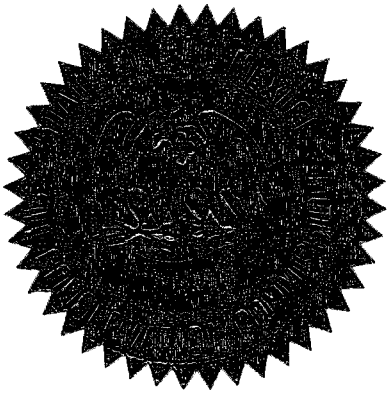
(7) Copies of all plans of development and operation for the unit area shall be submitted to the Division Director.

(8) This order shall be in effect upon the first day of the month following the later of either (i) the entry date of this order or (ii) the date on which final approval of the Unit Agreement is obtained by the Applicant from the Commissioner of Public Lands.

This order shall terminate upon the termination of the Unit Agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(9) 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.



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STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

A handwritten signature in dark ink, appearing to read "Heather Riley".

HEATHER RILEY
Director