

**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. 16341  
ORDER NO. R-20285**

**APPLICATION OF MANZANO, LLC FOR APPROVAL OF THE MORRISON  
SAN ANDRES STATE EXPLORATORY UNIT, ROOSEVELT COUNTY, NEW  
MEXICO.**

**ORDER OF THE DIVISION**

**BY THE DIVISION:**

This case come on for hearing at 8:15 on August 9, 2018, before Examiner Scott A. Dawson.

NOW, on this 18<sup>th</sup> 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 of the subject matter.

(2) Manzano LLC ("Manzano" or "Applicant") seeks approval of the Morrison San Andres State Exploratory Unit (the "Unit"), comprising 4,317.44 acres (more or less) of State and fee lands located in Roosevelt County, New Mexico, described as follows:

**TOWNSHIP 6 SOUTH, RANGE 34 EAST, NMPM**

Section 3:	All
Section 4:	All
Section 9:	NE/4, N/2 NW/4, SE/4 NW/4, and S/2
Section 10:	All
Section 11:	S/2 N/2 and S/2
Section 14:	All
Section 15:	All
Section 16:	All
Section 21:	N/2

(3) The Unitized Interval includes all oil, gas, natural gasoline, and associated fluid hydrocarbons in the San Andres formation, the correlative interval of which is identified as the stratigraphic equivalent of the interval between 3,181 feet and 4,523 feet as found on the Laterolog dated September 12, 2014, for the Armstrong Energy Corporation, Touch of Grey State Well No. 1 (API No. 30-041-20960) located 1839 feet from the South line and 417 feet from the West line, (Unit L), of Section 15, Township 6 South, Range 34 East, NMPM, Roosevelt County, New Mexico.

(4) The Unit will be developed and operated as a "State Exploratory Unit" and therefore constitute a single Unitized Area in accordance with Division Rule 19.15.16.7(P) NMAC.

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

- (a) The Unit is comprised of 17 different tracts, 14 New Mexico State Land Office ("NMSLO") tracts, and 3 fee tracts. The Unit is comprised of approximately 86 percent leased NMSLO lands, 13 percent leased fee land, and one percent unleased fee land. There are 13 NMSLO leases and Applicant has approximately 92.4 percent of the working interest.
- (b) Applicant stated that the Unit agreement has a five-year development plan and a contraction clause.
- (c) There is an active well within the unitized interval within the Unit. The Manzano LLC Domino 21 16 State Com Well No. 5H is dedicated to the W/2 W/2 of Section 16 and the W/2 NW/4 of Section 21. Applicant is required to drill a second well within the Unit.
- (d) The Unit will be developed to produce oil and gas from the San Andres formation.
- (e) No faults, pinch-outs, or other geologic impediments exist to prevent the Unitized Interval from being developed by horizontal oil wells. The available well control in the area demonstrates the Unitized Interval identified in the type log is laterally contiguous across the entire Unit. These lands were chosen and are being proposed as the Unit Area to facilitate the most efficient, uniform, and common development.
- (f) Applicant notified everyone in the mineral estate within the Unit. Applicant provided notice to those potentially affected parties whose whereabouts could not be ascertained were noticed by publication as provided in Rule 19.15.4.12.B NMAC.

- (g) The Unit Agreement presented at hearing has the following stipulations:  
Manzano, LLC is hereby selected as the Unit operator.
- i. A contraction clause which states that after five years from the effective date, the undeveloped acreage shall be eliminated automatically from the proposed Unit, unless the NMSLO determines otherwise.
  - ii. The Unit Operator shall on or before March 1, 2019, commence actual drilling operations with a drilling rig capable of reaching the total depth drilled in the San Andres formation for a second obligation well for oil and gas upon some part of the lands embraced within the Unit Area and shall drill said well with due diligence to a depth sufficient to attain the top of the San Andres formation or to such a depth as Unitized Substances shall be discovered in paying quantities at a lesser depth.
  - iii. The Unitized Interval is limited to the San Andres formation.
  - iv. The effective date of the proposed Unit is August 15, 2018 which predates the spud date of the obligation well and is prior to any production from Unit wells.
  - v. The Oil Conservation Division is authorized to approve the Unit Agreement.

The Division finds and concludes that

- (6) Applicant has provided proper and adequate notice of this application and hearing.
- (7) The geologic evidence presented demonstrates that the entire Unit should be productive within the Unitized Interval.
- (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 latitude 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 the Division's conservation principles.

(10) The Morrison San Andres Exploratory Unit should be approved, and this order should be in effect 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 Unit is obtained by the Applicant from the Commissioner of Public Lands.

(11) The Unit operator should file with the Division an executed original or executed counterpart of the Unit Agreement after final approval of the Commissioner of Public Lands. 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 counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified. All plans of development for the Unit should be submitted annually to the Division for review.

**IT IS THEREFORE ORDERED THAT**

(1) As per the application of Manzano LLC, the Morrison San Andres Exploratory Unit (the "Unit") is hereby approved.

(2) The Unit shall comprise 4,317.44 (more or less) of State and fee lands located in Roosevelt County, New Mexico, described as follows:

**TOWNSHIP 6 SOUTH, RANGE 34 EAST, NMPM**

Section 3: All  
Section 4: All  
Section 9: NE/4, N/2 NW/4, SE/4 NW/4, and S/2  
Section 10: All  
Section 11: S/2 N/2 and S/2  
Section 14: All  
Section 15: All  
Section 16: All  
Section 21: N/2

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

(4) The Unitized Interval shall include all oil, gas, natural gasoline, and associated fluid hydrocarbons in the San Andres formation, the correlative interval of which is identified as the stratigraphic equivalent of the interval between 3,181 feet and 4,523 feet as found on the Laterolog dated August 15, 2014, for the Armstrong Energy Corporation, Touch of Grey State Well No. 1 (API No. 30-041-20960) located 1839 feet from the South line and 417 feet from the West line, (Unit L), of Section 15, Township 6 South, Range 34 East, NMPM, Roosevelt County, New Mexico.

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

(6) The plan contained in 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 Division to supervise and control operations for the unit and production of oil and gas therefrom.

(7) The Unit operator shall file with the Division an executed original or executed counterpart of the Unit Agreement after approval by the Commissioner of Public Lands. 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 counterparts of the Unit Agreement reflecting the subscription of those interests having joined or ratified.

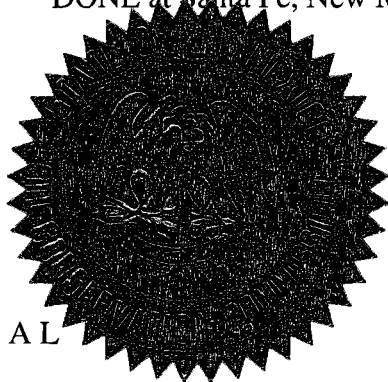
(8) All (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

(9) This order shall be in effect on 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 is obtained by the Applicant from the Commissioner of Public Lands. The approval letter shall be supplied to the Division. 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.

(10) 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

*Heather Riley*  
HEATHER RILEY  
Director