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2011 SEP 29 P 3:51

September 27, 2011

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Case 14746

Dear Florene:

Enclosed for filing, on behalf of Strata Production Company, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement was previously e-mailed to the Division. Please set this matter for the October 27, 2011 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Strata Production Company

Parties Notified of Hearing

ConocoPhillips Company  
2WL-15058  
600 North Dairy Ashford  
Houston, Texas 77079

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF STRATA PRODUCTION  
COMPANY FOR A NON-STANDARD OIL SPACING  
AND PRORATION UNIT AND COMPULSORY  
POOLING, EDDY COUNTY, NEW MEXICO.

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2011 SEP 29 Case No. 51 14746

APPLICATION

Strata Production Company applies for an order (i) approving a non-standard oil spacing and proration unit in the Delaware formation comprised of the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24, Township 23 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and (ii) pooling all mineral interests in the Delaware formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24, and has the right to drill a well thereon.
2. Applicant proposes to drill its Sandy Federal Well No. 2 to a depth sufficient to test the Delaware formation. Applicant seeks to dedicate of the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24 to the well to form a non-standard 320 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location 1979 feet from the north line and 585 feet from the west line in Section 24, to a bottomhole location approximately 2310 feet from the south line and 2310 feet from the east line of Section 14
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24 for the purposes set forth herein.
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to

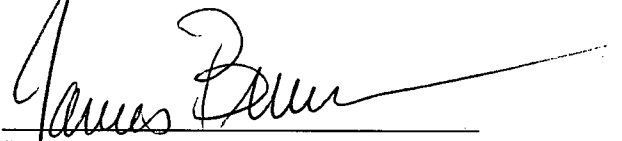
the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit (project area) in the Delaware formation comprised of the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24;
- B. Pooling all mineral interests in the Delaware formation underlying the SE $\frac{1}{4}$  of Section 14, E $\frac{1}{2}$ NE $\frac{1}{4}$  of Section 23, and W $\frac{1}{2}$ NW $\frac{1}{4}$  of Section 24;
- C. Designating applicant as operator of the well;
- D. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- E. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- F. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

James Bruce

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Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Strata Production Company

PROPOSED ADVERTISEMENT

Case No. 14746 :

***Application of Strata Production Company for approval of a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico.*** Strata Production Company seeks an order approving a 320-acre non-standard oil spacing and proration unit (project area) in the Delaware formation comprised of the SE/4 of Section 14, E/2NE/4 of Section 23, and W/2NW/4 of Section 24, Township 23 South, Range 30 East, NMPM. Applicant further seeks the pooling of all mineral interests (i) from the surface to the base of the Delaware formation underlying the SW/4NW/4 of Section 24 to form a standard 40 acre oil spacing and proration unit, and (ii) the Delaware formation underlying the SE/4 of Section 14, E/2NE/4 of Section 23, and W/2NE/4 of Section 24 to form a non-standard 320 acre oil spacing and proration unit (project area), for all pools or formations developed on 40 acre spacing within that vertical extent. The units are to be dedicated to the Sandy Fed. Well No. 2, a horizontal well with a surface location in the SW/4NW/4 of Section 24, and a terminus in the NW/4SE/4 of Section 14. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The units are located approximately 15 miles east of Loving, New Mexico.

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