

HOLLAND & HART LLP



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March 27, 2012

**VIA HAND DELIVERY**

Jami Bailey, Director  
Oil Conservation Division  
New Mexico Department of Energy  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14827*

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**Re: Application of Three Rivers Operating Company, LLC for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, Lea County, New Mexico.**

Dear Ms. Bailey:

Enclosed please find the Application for Three Rivers Operating Company, LLC, as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the docket for April 26, 2012, examiner hearing.

Sincerely,

Adam G. Rankin

*2-2589-C*

**Holland & Hart LLP**

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**STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION  
OF THREE RIVERS OPERATING COMPANY, LLC  
FOR A NON-STANDARD SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.**

CASE NO. 14827

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**APPLICATION**

THREE RIVERS OPERATING COMPANY, LLC, ("Three Rivers"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M. Stat. Ann. § 70-2-17, for an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the N/2 S/2 of Section 6, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation, Scharb-Bone Spring Pool (Pool 55610), underlying this acreage to form a 160-acre project area in this formation. In support of its application, Three Rivers states:

1. Three Rivers is a working interest owner in the N/2 S/2 of Section 6 and has the right to drill thereon.

2. Three Rivers proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Airstrip 6 State Well No. 2H, to be horizontally drilled from an orthodox surface location 2171 feet from the South line and 665 feet from the West line (Unit L) to a bottom hole location 1980 feet from the South line and 510 feet from the East line (Unit I) of Section 6. The well location is orthodox

under the Special Pool Rules governing the Scharb-Bone Spring Pool because it is within 200 feet of the center of a quart-quarter section. See Order No. R-2589-C, Rule 4.

3. Three Rivers has sought and been unable to obtain voluntary agreement for the development of these lands from all of the working interest owners in the subject spacing unit.

4. The pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Three Rivers to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests in this non-standard spacing unit should be pooled and Three Rivers should be designated the operator of this proposed horizontal well and spacing unit.


WHEREFORE, Three Rivers requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 26, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the N/2 S/2 of Section 6, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in the Bone Spring formation underlying this non-standard spacing and proration unit;
- C. Designating Three Rivers operator of this non-standard spacing unit and the horizontal well to be drilled thereon;

- D. Authorizing Three Rivers to recover its costs of drilling, equipping and completing the well;
- E. Approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- F. Imposing a 200% penalty for the risk assumed by Three Rivers in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,

HOLLAND & HART, LLP

By:   
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**ATTORNEYS FOR  
THREE RIVERS OPERATING COMPANY, LLC**

CASE W827

**Application of Three Rivers Operating Company, LLC for a non-standard spacing and proration unit and compulsory pooling, Lea County, New Mexico.** Applicant in the above-styled cause seeks an order (1) creating a non-standard 160-acre spacing and proration unit comprised of the N/2 S/2 of Section 6, Township 19 South, Range 35 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation, Scharb-Bone Spring Pool, underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Airstrip 6 State Well No. 2H well, to be horizontally drilled from a surface location 2171 feet from the South line and 665 feet from the West line (Unit L) to a bottom hole location 1980 feet from the South line and 510 feet from the East line (Unit I) of Section 6. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Three Rivers Operating Company, LLC as operator of the well and unit and a 200% charge for risk involved in drilling said well. Said area is approximately 8 miles south of Buckeye, New Mexico.