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January 9, 2018

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

*Case 15962*

Dear Florene:

Enclosed for filing, on behalf of Caza Petroleum, LLC, are an application for a non-standard oil spacing and proration unit and compulsory pooling, together with a proposed advertisement. Please set the application for the February 8, 2018 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Caza Petroleum, LLC

Exhibit A

**COG Operating LLC**  
**600 West Illinois Avenue**  
**Midland, Texas 79701**

**Chevron U.S.A. Inc.**  
**6301 Deauville Boulevard**  
**Midland, Texas 79706**

**Attention: Permitting Team**

**Devon Energy Production Company, L.P.**  
**333 West Sheridan Avenue**  
**Oklahoma City, Oklahoma 73102**

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF CAZA PETROLEUM, LLC FOR  
A NON-STANDARD OIL SPACING AND PRORATION  
UNIT AND COMPULSORY POOLING, LEA COUNTY,  
NEW MEXICO.

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Case No. 15962

APPLICATION

Caza Petroleum, LLC applies for an order (i) creating a non-standard 240-acre oil spacing and proration unit in the Bone Spring formation underlying the  $W\frac{1}{2}SW\frac{1}{4}$  of Section 8 and the  $W\frac{1}{2}W\frac{1}{2}$  of Section 17, Township 20 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and (ii) pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in portions of the  $W\frac{1}{2}SW\frac{1}{4}$  of Section 8 and the  $W\frac{1}{2}W\frac{1}{2}$  of Section 17, and has the right to drill a well thereon.
2. Applicant proposes to drill its Desert Rose 17-8 Fed. Com. Well No. 1H to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the well to the  $W\frac{1}{2}SW\frac{1}{4}$  of Section 8 and the  $W\frac{1}{2}W\frac{1}{2}$  of Section 17 to form a non-standard 240 acre oil spacing and proration unit in the Bone Spring formation. The well is a horizontal well, with a surface location in the  $SW\frac{1}{4}SW\frac{1}{4}$  of Section 17, and a terminus in the  $NW\frac{1}{4}SW\frac{1}{4}$  of Section 8. The producing interval will be orthodox.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the  $W\frac{1}{2}SW\frac{1}{4}$  of Section 8 and the  $W\frac{1}{2}W\frac{1}{2}$  of Section 17 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

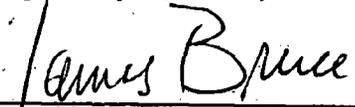
the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation underlying the W $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 8 and the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 17 pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard spacing and proration unit, and the pooling of all mineral interests in the Bone Spring formation underlying the W $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 8 and the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 17, 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 formation unit in the Bone Spring formation comprised of the W $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 8 and the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 17;
- B. Pooling all mineral interests in the Bone Spring formation underlying the W $\frac{1}{2}$ SW $\frac{1}{4}$  of Section 8 and the W $\frac{1}{2}$ W $\frac{1}{2}$  of Section 17;
- C. Designating Caza Operating, LLC 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,



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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Caza Petroleum, LLC

**Proposed Advertisement**

Case 15962 :

***Application of Caza Petroleum, LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.*** Caza Petroleum, LLC seeks an order approving a non-standard 240-acre spacing and proration unit in the Bone Spring formation comprised of the W/2SW/4 of Section 8 and the W/2W/2 of Section 17, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The non-standard unit will be dedicated to applicant's Desert Rose 17-8 Fed. Com. Well No. 1H, to be horizontally drilled from a surface location in the SW/4SW/4 of Section 17 to a bottom hole location in the NW/4SW/4 of Section 8. The producing interval will be orthodox. 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 Caza Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling the well. The unit is located approximately 14 miles west-southwest of Monument, New Mexico.

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**Proposed Advertisement**

Case 18962 :

***Application of Caza Petroleum, LLC for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.*** Caza Petroleum, LLC seeks an order approving a non-standard 240-acre spacing and proration unit in the Bone Spring formation comprised of the W/2SW/4 of Section 8 and the W/2W/2 of Section 17, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The non-standard unit will be dedicated to applicant's Desert Rose 17-8 Fed. Well Com. No. 1H, to be horizontally drilled from a surface location in the SW/4SW/4 of Section 17 to a bottom hole location in the NW/4SW/4 of Section 8. The producing interval will be orthodox. 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 Caza Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling the well. The unit is located approximately 14 miles west-southwest of Monument, New Mexico.

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