

**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. 14788
ORDER NO. R-13508**

**APPLICATION OF CAZA PETROLEUM, INC. FOR APPROVAL OF A UNIT
AGREEMENT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing January 19, 2012 at Santa Fe, New Mexico, before Examiner William V. Jones.

NOW, on this 25th day of January, 2012, 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, Caza Petroleum, Inc., seeks approval of its Lennox State/Fee Exploratory Unit Agreement for all oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations underlying the following-described 1920 acres, more or less, of State and fee lands situated in Lea County, New Mexico:

Township 22 South, Range 35 East, NMPM

Section 32: All
Section 33: N/2
Section 34: All
Section 35: N/2

(3) The Applicant presented testimony by affidavit as follows.

a. Caza owns all acreage except for two 40-acre tracts and all of the Caza acreage is committed to the Unit. The two 40- acre tracts (Tract Nos. 6 and 7) are not yet committed to the Unit.

b. The State of New Mexico owns all but 40 acres of the royalty interests and the State Land Office has given preliminary approval for this Unit.

c. The initial well, the Lennox State Unit Well No. 1H, is planned to be drilled in Section 32 as a vertical pilot hole to 11,400 feet to test all formations down to the top of the Wolfcamp formation. If prospective, the well will be kicked off in the Upper 2nd Bone Spring Sand formation and drilled horizontally to test that formation.

d. The primary target for this initial well will be oil production from the Upper 2nd Bone Spring Sand formation.

(4) Division records indicate the nearest defined pools to this Unit within the two formations mentioned by Caza are the Rock Lake-Bone Spring Pool and the Rock Lake-Wolfcamp Pool.

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

(6) All of the proposed unit acreage appears prospective for recovery of oil and gas from the target formations under the concept proposed by the applicant. These acres should be unitized and should equally share in the benefits from future oil and gas recovery.

(7) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The Lennox State/Fee. Exploratory Unit Agreement executed by Caza Petroleum, Inc. is hereby approved for all oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations underlying the following-described 1920 acres, more or less, of State and fee lands situated in Lea County, New Mexico:

Township 22 South, Range 35 East, NMPM

Section 32: All
Section 33: N/2
Section 34: All
Section 35: N/2

(2) The plan contained in the Lennox State/Fee 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.

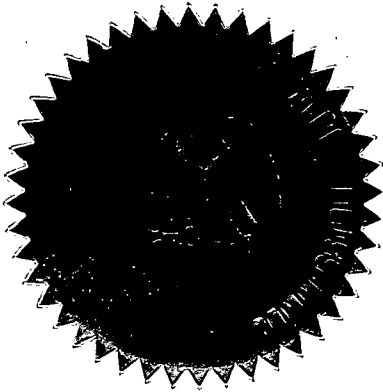
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) 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.

(5) This order shall become effective upon the approval of the unit agreement by the New Mexico State Land Office. 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.

(6) 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 black ink, appearing to read "Jami Bailey". The signature is fluid and cursive.

JAMI BAILEY
Director