

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF CAZA PETROLEUM, LLC
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.**

Case No. _____

APPLICATION

Caza Petroleum, LLC applies for an order pooling all mineral interests in the Bone Spring formation (limited to depths from the top of the Bone Spring formation to the base of the First Bone Spring) underlying a (proximity tract) horizontal spacing unit comprised of the E/2 of Section 27 and the E/2 of Section 34, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner within the horizontal spacing unit, and has the right to drill a well or wells thereon.

2. Applicant proposes to drill the following wells:

(a) The Caza Gramma 27-34 State Well No. 6H, to be drilled to a depth sufficient to test the Avalon Bone Spring; and

(b) The Caza Gramma 27-34 State Well No. 7H, to be drilled to a depth sufficient to test the First Bone Spring.

The above two wells will have first take points in the NW/4NE/4 of Section 27 and last take points in the SW/4SE/4 of Section 34.

Applicant also proposes to drill the following wells:

(c) The Caza Gramma 27-34 State Well No. 9H, to be drilled to a depth sufficient to test the First Bone Spring; and

(d) The Caza Gramma 27-34 State Well No. 10H, to be drilled to a depth sufficient to test the Avalon Bone Spring.

The above two wells will have first take points in the NE/4NE/4 of Section 27 and last take points in the SE/4SE/4 of Section 34.

Finally, applicant proposes to drill the following well:

(e) The Caza Gramma 27-34 State Well No. 8H, to be drilled to a depth sufficient to test the Avalon Bone Spring. The well has first and last take points approximately 1320 feet from the East lines of Sections 27 and 34.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation (limited to depths from the top of the Bone Spring formation to the base of the First Bone Spring) in the E/2 of Section 27 and the E/2 of Section 34 for the purposes set forth herein.

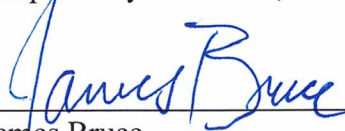
4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E/2 of Section 27 and the E/2 of Section 34, as set forth above, pursuant to NMSA 1978 §§70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation (limited to depths from the top of the Bone Spring formation) to the base of the First Bone Spring) underlying the E/2 of Section 27 and the E/2 of Section 34, 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. Pooling all mineral interests in the Bone Spring formation (limited to depths from the top of the Bone Spring formation to the base of the First Bone Spring) underlying the E/2 of Section 27 and the E/2 of Section 34;
- B. Designating Caza Operating, LLC as operator of the wells;
- C. Considering the cost of drilling, completing, and equipping the wells, and allocating the cost thereof among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling, completing, and equipping the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



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