

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 underlying a horizontal spacing unit comprised of the E/2W/2 of Section 17 and the E/2SW/4 of Section 8, Township 20 South, Range 35 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the E/2W/2 of Section 17 and the E/2SW/4 of Section 8 and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the Desert Rose 17-8 Federal Com. Well Nos. 11H and 13H to a depth sufficient to test the Bone Spring, with first take points in the SE/4SW/4 of Section 17 and last take points in the NE/4SW/4 of Section 8.
3. Applicant in good faith has sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the E/2W/2 of Section 17 and the E/2SW/4 of Section 8 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 wells or to otherwise commit their interests to the wells, 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 a horizontal spacing unit comprised of the E/2W/2 of Section 17 and the E/2SW/4 of Section 8, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation underlying the described portions of Section 17 and Section 8 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 underlying those portions of Section 17 and Section 8 described herein;

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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