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May 22, 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 14865

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Re: Application of Caza Petroleum, Inc. for a Non-Standard Spacing and Proration Unit and Compulsory Pooling, ~~Eddy~~ Lea County, New Mexico.

Dear Ms. Bailey:

Enclosed please find the Application for Caza Petroleum, Inc., as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the docket for June 25, 2012, examiner hearing.

Sincerely,

Michael H. Feldewert

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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 CAZA PETROLEUM, INC. FOR A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
~~EDDY~~ COUNTY, NEW MEXICO.**

LEA

CASE NO. 14865

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APPLICATION

CAZA PETROLEUM, INC. ("Caza") 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 14, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Springs formation underlying this acreage to form a 160-acre project area. In support of its application, Caza states:

1. Caza is a working interest owner in the E/2 of Section 14 and has the right to drill thereon.
2. Caza proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Caza Ridge 14 State Com 2H well, to be horizontally drilled from a surface location 2310 feet from the South line and 330 feet from the East line to a bottom hole location 1980 feet from the South line and 330 feet from the West line of Section 14. The completed interval for this well will be within the 330-foot standard offset required by the rules.

3. Caza 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 Caza 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 Caza should be designated the operator of this proposed horizontal well and spacing unit.

WHEREFORE, Caza requests that this application be set for hearing before an Examiner of the Oil Conservation Division on June 25, 2012, and, after notice and hearing as required by law, the Division enter its order:

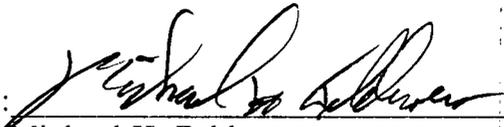
- A. Creating a non-standard spacing and proration unit in the Bone Spring formation comprised of the N/2 S/2 of Section 14, Township 23 South, Range 34 East, NMPM;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Caza operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Caza 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 Caza 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 CAZA PETROLEUM, INC.

CASE 4865 :

Application of Caza Petroleum, Inc. 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 14, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage. Said non-standard unit is to be dedicated to applicant's proposed Caza Ridge 14 state Com 2H Well, to be horizontally drilled from a surface location 2310 feet from the South line and 330 feet from the East line to a bottom hole location 1980 feet from the South line and 330 feet from the West line of Section 14. 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 Caza Petroleum, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 31 miles northeast of Hobbs, New Mexico.