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2014 OCT -2 A 9:00

September 30, 2014

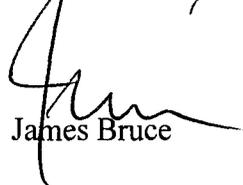
Case 15228

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

Dear Florene:

Enclosed for filing, on behalf of Legend Natural Gas III, LP, are an original and one copy of an application for compulsory pooling, *etc.*, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set the application for the October 30, 2014 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Mewbourne Oil Company

Parties Being Pooled

EOG Resources, Inc.
P.O. Box 2267
Midland, Texas 79702

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF LEGEND NATURAL GAS III, LP 2014 OCT -2 A 9:00
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

Case No. 15228

APPLICATION

Legend Natural Gas III, LP applies for an order (i) approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the $W\frac{1}{2}W\frac{1}{2}$ of Section 29, Township 24 South, Range 28 East, N.M.P.M., Eddy 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 operator in the $W\frac{1}{2}W\frac{1}{2}$ of Section 29, and has the right to drill a well thereon.
2. Applicant proposes to drill its Pardue 29 Fed. Com. Well No. 4H to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the $W\frac{1}{2}W\frac{1}{2}$ of Section 29 to the well to form a non-standard 160 acre oil spacing and proration unit (project area) for all pools or formations developed on 40 acre spacing. The well is a horizontal well, with a surface location in the $NW\frac{1}{4}NW\frac{1}{4}$, and a terminus in the $SW\frac{1}{4}SW\frac{1}{4}$, of Section 29.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the $W\frac{1}{2}W\frac{1}{2}$ of Section 29 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 W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 29 pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests underlying the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 29 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 proration unit (project area) in the Bone Spring formation comprised of the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 29;
- B. Pooling all mineral interests in the Bone Spring formation underlying the W $\frac{1}{2}$ W $\frac{1}{2}$ of Section 29;
- C. Designating applicant 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,



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

Attorney for Legend Natural Gas III, LP

PROPOSED ADVERTISEMENT

Case No. 15228 :

Application of Legend Natural Gas III, LP for a non-standard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Legend Natural Gas III, LP seeks an order approving a 160-acre non-standard oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 29, Township 24 South, Range 28 East, NMPM. Applicant further seeks the pooling of all mineral interests in the Bone Spring formation underlying the W/2W/2 of Section 29 for all pools or formations developed on 40 acre spacing within that vertical extent. The unit will be dedicated to the Pardue 29 Fed. Com. Well No. 4H, a horizontal well with a surface location in the NW/4NW/4, and a terminus in the SW/4SW/4, of Section 29. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 3-1/2 miles southwest of Malaga, New Mexico.

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