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January 5, 2016

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

Dear Florene:

Enclosed for filing, on behalf of Caza Petroleum, Inc., are an application for a non-standard oil spacing unit and compulsory pooling, together with a proposed advertisement. Please set the application for the February 4, 2016 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Caza Petroleum, Inc.

*Case 15437*

Exhibit A

Legacy Reserves, L.P.  
Suite 1800  
303 West Wall Street  
Midland, Texas 79701

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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF CAZA PETROLEUM, INC.  
FOR A NON-STANDARD OIL SPACING AND  
PRORATION UNIT AND COMPULSORY  
POOLING, LEA COUNTY, NEW MEXICO.

Case No. 15437

APPLICATION

Caza Petroleum, Inc. ("Caza") applies for an order (i) creating a non-standard 160-acre oil spacing and proration unit (project area) in the Bone Spring formation comprised of the W/2W/2 of Section 19, Township 20 South, Range 35 East, N.M.P.M., Lea 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. Caza is a working interest owner in the W/2W/2 of Section 19 and has the right to drill a well thereon.

2. Caza proposes to dedicate the W/2W/2 of Section 19 to its proposed Igloo 19 State Well No. 7H, to be horizontally drilled from a surface location in the SW/4SW/4, to a standard bottomhole location in the NW/4NW/4, of Section 19.

3. Caza has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W/2W/2 of Section 19 for the purposes set forth herein.

4. Although Caza 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, Caza seeks an order pooling all mineral interest owners in the W/2W/2 of Section 19, pursuant to NMSA 1978 §§70-2-17, 18.

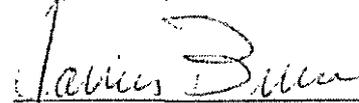
5. Approval of the non-standard unit in the Bone Spring formation, and the pooling of all mineral interests in the Bone Spring formation underlying the W/2W/2 of

Section 19, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Caza requests that, after notice and hearing, the Division enter its order:

- A. Approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the W/2W/2 of Section 19, Township 20 South, Range 35 East, N.M.P.M.;
- B. Pooling all mineral interests in the Bone Spring formation underlying the non-standard oil spacing and proration unit;
- C. Designating Caza Operating, LLC as operator of the subject well;
- D. Considering the cost of drilling and completing the well, and allocating its 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,



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Attorney for Caza Petroleum, Inc.

**Proposed Advertisement**

Case 15437 :

***Application of Caza Petroleum, Inc. for a non-standard oil spacing and proration unit and compulsory pooling, Lea County, New Mexico.*** Caza Petroleum, Inc. seeks an order approving a non-standard 160-acre spacing and proration unit in the Bone Spring formation comprised of the W/2W/2 of Section 19, Township 20 South, Range 35 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit. The non-standard unit is to be dedicated to applicant's Igloo 19 State Well No. 7H, to be horizontally drilled from a surface location in the SW/4SW/4, to a standard bottom hole location in the NW/4NW/4, of Section 19. 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 Caza Operating, LLC as operator of the well, and a 200% charge for risk involved in drilling the well. The unit is located approximately 15 miles west-northwest of Oil Center, New Mexico.

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