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August 6, 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 14889

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**Re: Application of Roca Production, Inc. for a Non-Standard Spacing and
Proration Unit and Compulsory Pooling, Lea County, New Mexico**

Dear Ms. Bailey:

Enclosed please find the Application for Roca Production, Inc., as well as a copy of the legal advertisement. Applicant requests that this matter be placed on the docket for September 6, 2012, examiner hearing.

Sincerely,

Adam G. Rankin
ATTORNEYS FOR ROCA PRODUCTION, INC.

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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 ROCA PRODUCTION, INC. FOR A
NON-STANDARD SPACING AND PRORATION
UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

CASE NO. 74889

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APPLICATION

Roca Production, Inc. ("Roca") 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, more or less, spacing and proration unit W/2 E/2 of Section 22, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico; and (2) pooling all mineral interests in the Bone Spring formation underlying this acreage to form a 160-acre, more or less, project area in this formation. In support of its application, Roca states:

1. Roca (OGRID #142624) is a working interest owner in the proposed non-standard spacing unit in Section 22, and has the right to drill thereon.

2. Roca proposes to dedicate the above-referenced spacing and proration unit as the project area for its proposed Outlaw 22 Federal Com #1H Well to be horizontally drilled from a surface location 660 feet from the North line and 1,980 feet from the East line to a bottom hole location 660 feet from the South line and 1,980 feet from the East line of Section 22. The completed interval for this well will be at a standard location as required by the rules.

3. Roca 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 Roca 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 Roca Production, Inc. should be designated the operator of this proposed horizontal well and spacing unit.

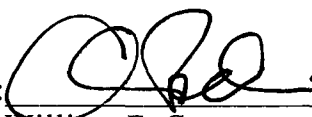
WHEREFORE, Roca Production, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 6, 2012, and, after notice and hearing as required by law, the Division enter its order:

- A. Creating a non-standard spacing and proration unit in the Teas Bone Spring formation of Section 22, Township 20 South, Range 33 East, NMPM, Lea County, New Mexico;
- B. Pooling all mineral interests in the non-standard spacing and proration unit;
- C. Designating Roca Production, Inc. operator of this non-standard spacing unit and the horizontal well to be drilled thereon;
- D. Authorizing Roca Production, Inc. 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 Roca Production, Inc. 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

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ATTORNEYS FOR ROCA PRODUCTION, INC.

CASE 14889 :

Application of Roca Production, 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, more or less, spacing and proration unit comprised of the W/2 E/2 of Section 22, Township 20 South, Range 33 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 Outlaw 22 Federal Com #1H Well to be horizontally drilled from a surface location 660 feet from the North line and 1,980 feet from the East line to a bottom hole location 660 feet from the South line and 1,980 feet from the East line of Section 22. The completed interval for this well will be at a standard location as required by the rules. 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 Roca Production, Inc. as operator of the well and a 200% charge for risk involved in drilling said well. Said area is located approximately 22 miles northeast of Loving, New Mexico.