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BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**APPLICATION OF BLACK MOUNTAIN OPERATING LLC
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO**Case No. 15630**APPLICATION**

Black Mountain Operating LLC applies for an order approving a non-standard oil spacing and proration unit in the Bone Spring formation comprised of the E/2E/2 of Section 15 and the E/2SE/4 of Section 10, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico, and pooling all mineral interests in the Bone Spring formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the E/2E/2 of Section 15 and the E/2SE/4 of Section 10, and has the right to drill a well thereon.
2. Applicant proposes to drill its Duke Federal 10 #26H well to a depth sufficient to test the Bone Spring formation. Applicant seeks to dedicate the E/2E/2 of Section 15 and the E/2SE/4 of Section 10 to the well to form a non-standard 160-acre oil spacing and proration unit (project area) in the Bone Spring formation. The well is a 7500' horizontal well, with a surface location 2442 feet from the south line and 461 feet from the east line of Section 10 and a bottom hole location 330 feet from the south line and 461 feet from the east line of Section 15.
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the E/2E/2 of Section 15 and the E/2SE/4 of Section 10 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 Bone Spring formation in the E/2E/2 of Section 15 and the E/2SE/4 of Section 10, pursuant to NMSA 1978, §§ 70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the E/2E/2 of Section 15 and the E/2SE/4 of Section 10 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, following 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 E/2E/2 of Section 15 and the E/2SE/4 of Section 10;

B. Pooling all mineral interests in the Bone Spring formation underlying E/2E/2 of Section 15 and the E/2SE/4 of Section 10;

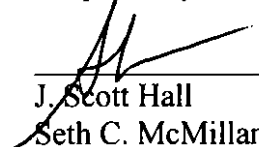
C. Designating Applicant as operator of the well;

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,



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