

MILLER STRATVERT

PROFESSIONAL ASSOCIATION

Ranne B. Miller
Alice T. Lorenz
Stephen M. Williams
Stephan M. Vidmar
Seth V. Bingham
Timothy R. Briggs
Rudolph Lucero
Deborah A. Solove
Gary L. Gordon
Lawrence R. White
Virginia Anderman
Marte D. Lightstone
J. Scott Hall*
Thomas R. Mack
Thomas M. Domme
Ruth O. Pregenzer

Jeffrey E. Jones
James J. Widland
Bradley D. Tepper**
Robin A. Goble
James R. Wood
Dana M. Kyle
Kirk R. Allen
Ruth Fuess
H. Brook Laskey
Paula G. Maynes
Michael C. Ross
Gary Risley
M. Dylan O'Reilly
Jennifer D. Hall
Todd A. Schwarz

Nell Graham Sale
Scott P. Hatcher
Kelsey D. Green
Marcy Baysinger
Caroline Blankenship
Matthew S. Rappaport
Karen E. Wootton
Somer K. Chyz
Michael G. Duran
Joseph L. Romero
Kelly A. Stone
Deron B. Knoner
Patricia A. Bradley
T. Aaron Garrett
Amy P. Hauser

Counsel

James B. Collins
Terri S. Beach
Robert D. Taichert
Douglas A. Echols
Ann M. Conway

Of Counsel

William K. Stratvert
Sharon P. Gross

Reply to Santa Fe

150 Washington Ave., Suite 300
Santa Fe, NM 87501

Mailing Address:
P.O. Box 1986
Santa Fe, NM 87504-1986

Telephone: (505) 989-9614
Facsimile: (505) 989-9857

* New Mexico Board of Specialization Recognized Specialist in Natural Resources - Oil & Gas Law
** New Mexico Board of Specialization Recognized Specialist in Real Estate Law

October 14, 2005

HAND-DELIVERED

Ms. Florene Davidson
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, New Mexico 87504

Re: NMOCD Case No. 13594; Application of Kaiser-Francis Oil Company to Amend Administrative Order NSL-5133 to Establish a Nonstandard Spacing and Proration Unit and for an Exception to Rule 104(B)(1)

Dear Florene:

Enclosed for filing is an Application in the referenced matter. Also enclosed in hard copy and on disk is a proposed advertisement for the Division's use.

Please schedule the hearing for the November 17, 2005 Examiner hearing docket. Thank you for your assistance.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb
Enclosures

Writer's Direct E-Mail:
shall@amstlaw.com
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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

LAW OFFICES

ALBUQUERQUE
(505) 842-1950

FARMINGTON
(505) 326-4521

LAS CRUCES
(505) 523-2481

SANTA FE
(505) 989-9614

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION OF
KAISER-FRANCIS OIL COMPANY TO AMEND
ADMINISTRATIVE ORDER NSL-5133 TO ESTABLISH
A NONSTANDARD SPACING AND PRORATION UNIT
AND FOR AN EXCEPTION TO RULE 104(B)(1)**

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Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

Case 13594

APPLICATION

Kaiser-Francis Oil Company, by its undersigned attorneys, Miller Stratvert P.A. (J. Scott Hall) hereby makes application for an order amending Administrative Order NSL-5133 to establish an 80-acre nonstandard spacing and proration unit for the Bone Spring and Delaware formations consisting of the SW/NW and NW/SW of Section 11, T-22-S R-26-E NMPM, Eddy County, New Mexico. Applicant further seeks an exception to the Division's well locational requirements under Rule 104(B)(1). In support thereof, Applicant would show the Division:

1. Applicant is the operator of the Mesa Grande "11" Well No. 2 (API No. 30-015-3720-00-00) drilled to the undesignated Happy Valley Strawn Gas Pool (78060) and the South Carlsbad Morrow Gas Pool (73960) at an unorthodox deep gas well location 2661' FSL and 660' FWL (Unit L) of Section 11, T-22-S, R-26-E.

2. The unorthodox deep gas well location for the Mesa Grande "11" Well No. 2 was authorized by the Division's Administrative Order NSL-5133 issued on November 17, 2004. The unorthodox location was requested for geologic and engineering reasons and as a result, the well is located 19' south of the north line of the SW/4 of Section 11.

3. The Applicant's efforts to complete the Mesa Grande 11 Well No. 2 in the Morrow and Strawn formations were unsuccessful due to mechanical failure. Applicant now seeks to complete the well in the Bone Spring and Delaware formations.

4. Division Administrative Order NSL-5133 contained the following provision:

It is further ordered that:

Any subsequent request by the operator of the above described Mesa Grande 11 Well No. 2 to amend this Administrative Order to include any other formation or pool shall be set to hearing and will not be administered administratively.

5. Bone Spring and Delaware formation oil wells are currently developed on 40-acre units under the Division's statewide rules for southeastern New Mexico. Further, Division Rule 104(B)(1) specifies that oil wells shall be located no closer than 330' to any boundary of a 40-acre spacing unit.

6. The close proximity of the Mesa Grande "11" Well No. 2 only 19' from the north line of the SW/4 of Section 11 makes further development of the W/2 of Section 11 problematic. The dedication of a 40-acre oil spacing unit consisting of the S/2 SW/4 NW/4 and the N/2 NW/4 SW/4 would result in two adjacent 20-acre units or two 60-acre units north and south of the 40-acre unit that would otherwise be dedicated to the Mesa Grande "11" Well No. 2 and would further disrupt the development pattern for future 40-acre units in the W/2 of the section.

7. To promote the orderly development of the W/2 of Section 11, Applicant proposes the establishment of an 80-acre nonstandard spacing unit consisting of the SW/NW and NW/SW of said Section 11. Applicant further requests that the Division's order approving the nonstandard 80-acre unit also include a provision authorizing an optional second well within the unit.

8. Applicant also requests the further amendment of Administrative Order NSL-5133 to provide for an exception to the oil well location requirements under Division Rule 104(B)(1) to allow the testing and completion of the Bone Spring and Delaware formations at the current well location 2661' FSL and 660' FWL of said Section 11.

9. The amendment of Division Administrative Order NSL-5133 to provide for the nonstandard spacing unit, to include additional formations, and to authorize the unorthodox oil well location will promote the efficient and orderly development of the W/2 of Section 11, will protect the correlative rights of the interest owners, will serve to prevent waste and is otherwise in the interests of conservation.

WHEREFORE Applicant requests that after notice and hearing, the Division enter its order granting the relief requested above.

MILLER STRATVERT P.A.

By: 

J. Scott Hall
Attorneys for Kaiser-Francis Oil Company
Post Office Box 1986
Santa Fe, New Mexico 87504-1986
(505) 989-9614
(505) 989-9857 (Facsimile)

Case No. 13694. Application of Kaiser-Francis Oil Company To Amend Administrative Order NSL-5133 To Establish A Non-Standard Spacing and Proration Unit and for an Exception to Rule 104(B)(1). Applicant seeks the amendment of Administrative Order NSL-5133 to establish an 80-acre nonstandard spacing and proration unit consisting of the SW/NW and NW/SW of Section 11, T-22-S R-26-E NMPM, Eddy County, New Mexico and for an exception to Rule 104(B)(1) for the completion of its Mesa Grande "11" Well No. 2 in the Bone Spring and Delaware formations drilled at an unorthodox oil well location 2661' FSL and 660' FWL (Unit L) of Section 11. The subject lands and well are located approximately ½ mile southwest of Carlsbad, New Mexico.

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