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August 15, 2017

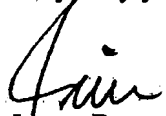
Case 15823

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

Dear Florene:

Enclosed for filing, on behalf of Kaiser-Francis Oil Company, are an application for pool creation and special pool rules for the North Bell Lake-Bone Spring Pool, together with a proposed advertisement. Please set the application for the September 14, 2017 Examiner hearing. Thank you.

Very truly yours,


James Bruce

Attorney for Kaiser-Francis Oil Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF KAISER-FRANCIS OIL COMPANY
FOR POOL CREATION AND SPECIAL RULES AND
REGULATIONS THEREFOR THE, LEA COUNTY,
NEW MEXICO.

Case No. 15823

APPLICATION

Kaiser-Francis Oil Company applies for an order (i) creating a new pool for horizontal Bone Spring development, to be named the North Bell Lake-Bone Spring Pool, and (ii) instituting special rules and regulations for the proposed pool, and in support thereof, states:

1. Applicant is an interest owner in and operator of the following acreage in Lea County, New Mexico:

Township 22 South, Range 33 East, N.M.P.M.

Section 36: All

Township 22 South, Range 34 East, N.M.P.M.

Section 31: Lots 1-4, E/2, and E/2W/2 (All)

Section 32: All

Township 23 South, Range 33 East, N.M.P.M.

Section 1: Lots 1-4, S/2N2, and S/2 (All)

Section 12: All

Township 23 South, Range 34 East, N.M.P.M.

Section 5: Lots 1-4, S/2N2, and S/2 (All)

Section 6: Lots 1-7, S/2NE/4, SE/4NW/4, E/2SW/4, and SE/4 (All)

Section 7: Lots 1-4, E/2, and E/2W/2 (All)

Section 8: All

The foregoing acreage is contained in the North Bell Lake Unit (the "Unit"), comprised of 5,727.58 acres of Federal, State, and Fee land.

2. Applicant intends to drill multiple Bone Spring wells inside the Unit. The wells will be 1-1/2 miles in length, and will be drilled as north-south standup units. Applicant's drilling

program is planned to properly drain Bone Spring reserves from the Unit, and obtain maximum recovery therefrom. This will result in certain wells having otherwise unorthodox locations.

3. The allowable established by NMAC 19.15.20.12 is insufficient for the planned multiple horizontal wells per well unit, and may cause or exacerbate overproduction. Therefore, Applicant proposes to create a new pool for horizontal Bone Spring development within the Unit, and special rules and regulations for the new pool.

4. Applicant requests the creation of a new pool, named the North Bell Lake-Bone Spring Pool (the "Pool"), to include the lands described in paragraph 1 above. The Pool will cover the entire Bone Spring formation. Applicant requests that special rules and regulations be established for the Pool, providing for:

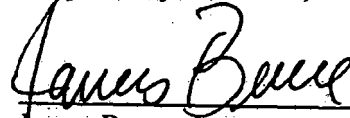
- (a) A standard oil spacing and proration unit of 480 acres for horizontal wells;
- (b) Horizontal to be located no closer than 330 feet to the exterior boundary of the Unit;
- (c) Interior setbacks of 10 feet from a quarter-quarter section line for horizontal wells;
- (d) Setbacks of 100 feet from the side line of a standard horizontal well unit, except as provided in subparagraph (b) above;
- (e) A special depth bracket allowable of 9600 barrels of oil per day for a standard horizontal well unit;
- (f) A limiting gas:oil ratio of 5000 cubic feet of gas per barrel of oil produced; and
- (g) All other rules to be in conformance with statewide rules.

5. Existing vertical wells in the Unit will retain their current well units.

6. **Applicant requests that the pool rules be limited to lands within the Unit.**
7. **The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.**

WHEREFORE, applicant requests that, after notice and hearing, the Division grant the relief requested above.

Respectfully submitted,



James Bruce
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Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 15823 :

Application of Kaiser-Francis Oil Company for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks an order (i) creating a new pool for horizontal development of the Bone Spring formation, designated the North Bell Lake-Bone Spring Pool, and (ii) instituting special rules and regulations for the pool. The new pool will include Section 36 of Township 22 South, Range 33 East, NMPM, Sections 31 and 32 of Township 22 South, Range 34 East, NMPM, Sections 1 and 12 of Township 23 South, Range 33 East, NMPM, and Sections 5-8 of Township 23 South, Range 34 East, NMPM. The special rules will include standard 480 acre oil spacing and proration units, special well location requirements, a depth bracket allowable of 9600 barrels of oil per day for a standard 480 acre unit, and a gas:oil ratio of 5000:1. The proposed pool is centered approximately 15-1/2 miles southwest of Oil Center, New Mexico.

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