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April 17, 2018

16140

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

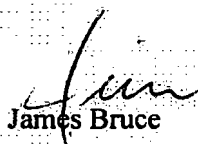
Dear Florene:

Enclosed for filing, on behalf of Kaiser-Francis Oil Company, are two applications for a non-standard unit and compulsory pooling, together with proposed advertisements. Please set the applications for the May 17, 2018 Examiner hearing.

Also attached is a notice list, which applies to both applications.

Thank you.

Very truly yours,


James Bruce

Attorney for Kaiser-Francis Oil Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF KAISER-FRANCIS OIL COMPANY
FOR A NON-STANDARD OIL SPACING AND
PRORATION UNIT AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

Case No. 16140

APPLICATION

Kaiser-Francis Oil Company applies for an order (i) approving a 160-acre non-standard oil spacing and proration unit in the Bone Spring formation comprised of the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21, Township 23 South, Range 28 East, N.M.P.M., Eddy 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. Applicant is an interest owner in the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21, and has the right to drill a well thereon.
2. Applicant proposes to dedicate the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21 to form a non-standard 160 acre oil spacing and proration unit (project area) in the Bone Spring formation for all pools developed on 40 acre spacing within that vertical extent. The unit will be dedicated to the Loving Townsite 2021 3BS Well No. 2H, to be drilled to a depth sufficient to test the Bone Spring formation. The well is a horizontal well, with a surface location in the SW/4SE/4 of Section 20, and a terminus in the SE/4SW/4 of Section 21.
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 S/2SE/4 of Section 20 and the S/2SW/4 of Section 21 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

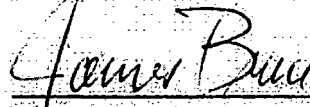
the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation in the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21, pursuant to NMSA 1978 §§70-2-17, 18.

5. Approval of the non-standard unit and the pooling of all mineral interests in the Bone Spring formation underlying the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after 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 S/2SE/4 of Section 20 and the S/2SW/4 of Section 21;
- B. Pooling all mineral interests in the Bone Spring formation underlying the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21;
- 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,



James Bruce

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Santa Fe, New Mexico 87504

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Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 16140:

Application of Kaiser-Francis Oil Company for a nonstandard oil spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Kaiser-Francis Oil Company seeks an order approving a 160 acre non-standard oil spacing and proration unit in the Bone Spring formation underlying the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21, Township 23 South, Range 28 East, NMPM, and pooling all mineral interests in the Bone Spring formation underlying the non-standard spacing and proration unit. The unit will be dedicated to the Loving Townsite 2021 3BS Well No. 2H, a horizontal well with a surface location in the SW/4SE/4 of Section 20, and a terminus in the SE/4SW/4 of Section 21. 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 applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located in the center of Loving, New Mexico.

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