

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

Case No. 16137

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 N/2SE/4 of Section 20 and the N/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 N/2SE/4 of Section 20 and the N/2SW/4 of Section 21, and has the right to drill a well thereon,
2. Applicant proposes to dedicate the N/2SE/4 of Section 20 and the N/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. 1H, 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 NW/4SE/4 of Section 20, and a terminus in the NE/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 N/2SE/4 of Section 20 and the N/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 N/2SE/4 of Section 20 and the N/2 SW/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 N/2SE/4 of Section 20 and the N/2 SW/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 N/2SE/4 of Section 20 and the N/2 SW/4 of Section 21;
- B. Pooling all mineral interests in the Bone Spring formation underlying the N/2SE/4 of Section 20 and the N/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

James Bruce

Post Office Box 1056

Santa Fe, New Mexico 87504

(505) 982-2043

Attorney for Kaiser-Francis Oil Company

Pooling Respondent list for Pooling of the Kaiser Francis Loving Townsite 2021 LBC #1H and 3BS #1H consisting of the N/2SE/4 of Section 20-23S-28E and the N/2SW/4 of Section 21-23S-28E; Eddy County, NM

Alice Boring
2207 Ferguson Rd.
Carlsbad, NM 88220

Alma Dixie Cullins & Judy Gail Montgomery
P.O. Box 403
Loving, NM 88256

Amos Urquidez
1605 Desert Willow Dr.
Carlsbad, NM 88220

Antonio E. Gonzales
P.O. Box 658
Loving, NM 88256

Antonio R. Duarte & Carol O. Duarte,
4316 Taos St.
Carlsbad, NM 88220

Arturo A. Franco & Lucy Franco
914 Poplar
Loving, NM 88256

Augustina Hinojos
P.O. Box 445
Loving, NM 88256

Barbara Jean Davis
6902 Prairie Rd. N.E., #903
Albuquerque, NM 87109

Beamira Chavez
P.O. Box 194
Loving, NM 88256

Belinga Williams Raines
13260 W. 42nd St.
Odessa, TX 79764

Betty Hall
403 N. 8th St.
Loving, NM 88256

Blas Dominguez Lujan
302 North 6th
Loving, NM 88256

Blas Lujan,
P.O. Box 1051
Loving, NM 88256

BNSF Railway Company
PO Box 961089
Fort Worth, TX 76161

Bruno Nery & Romelia Nery
309 N. Third St.
Loving, NM 88256

Carlsbad Irrigation District
5117 Grandi Rd.
Carlsbad, NM 88220

Carmen S. Vasques & Josefa B. Vasquez
P.O. Box 15
Loving, NM 88356

Charles Robert Polk & Koneta Belle Polk
318 N. 8th
Loving, NM 88256

Clara M. Burkham
P.O. Box 117
Malaga, NM 88263

Claude L. Sartin
4303 S. Spencer St
Carlsbad, NM 88220

Dalton Ray Allison,
P.O. Box 568
Jewett, TX 75846

Daniel Calderon & Yolanda Calderon
P.O. Box 1264
Loving, NM 88256

Daniel L. Contreras & Beatrice R. Contreras
P.O. Box 1163
Carlsbad, NM 88220

Daniel Vlosich, Trustee of the Vlosich Trust
104 Twin Lakes Circle
Umatilla, FL 32784

Demetrius O. Onsurez & Kendra N. Onsurez
P.O. Box 304
Loving, NM 88256

Denise Annette Humphrey
1703 Western Drive
Midland, TX 79705

Domingo V. Armendarez
P.O. Box 314
Loving, NM 88256

Donna LaWayne Hager
2221 E. Union Hills, #128
Phoenix, AZ 88024

Donny B. Davis
306 South Rio
Fort Stockton, TX 79735

E. Rocha
P.O. Box 1322
Loving, NM 88256

Earldine R. Holman
609 Tampico Street
Carlsbad, NM 88220

Elias Fuentes Palomino & Roberto Fuentes Palomino
P.O. Box 475
Loving, NM 88256

Eliverta Leyva
1801 W. Jefferson Avenue
Loving, NM 88256

Ellie Mason
PO Box 115
Loving, NM 88256

Elyhanna Montes, Nancy Rey & Horacio Rey
809 Amy Ave.
Loving, NM 88256

Emma A. Gonzalez,
P.O. Box 365
Loving, NM 88256

Emory J. Douglass, Trustee of the E.W. Douglass Intervivos Trust
5208 Pine St.
Bellaire, TX 77401

Ernest McIntire
P.O. Box 1364
Loving, NM 88256

Estate of Dorothy Taylor
Address not found

Estate of Evva Mae Conboy
Address not found

Estate of Hazel R. Davis
Address not found

Estate of Jonell Darling
c/o Peggy Cope
76 Alerion St.
Las Vegas, NV 89138

Estate of Leon R. Sparks & Ellen F. Sparks
914 N. 2nd St.
Lovington, NM 88256

Estate of Oscar Hayden Yarbro
Address not found

Estate of Willie Mae McGinnis
5954 Cote Brillante Ave
Saint Louis, MO 63112

Estate of Charles Horace Sanford
307 Oxford Ct.
Springtown, TX 76082

Ester M Castillo
1457 Freesia Way
Beaumont, CA 92223

Eulane Scott
P.O. Box 195
Loving, NM 88256

Eulane Scott
c/o Peggy S. Townsend
P.O. Box 385
Carlsbad, NM 88221

Evelyn M. Rodgers
P.O. Box 476
Loving, NM 88256

Federico Arzate & Elva Iglesias
HC 66 Box 599-11
Fort Hancock, TX 79839

Felicitas Morales Worthen & Asela Morales Holguin
Address not found

Filerta Leyva
P.O. Box 383
Loving, NM 88256

Flo Rinda Lunsford
208 W. Ninth
Roswell, NM 88201

Florissa Ann Chumbley
1200 W. Richardson, Space 8
Artesia, NM 88210

Frances Segura Trevino
4333 Zuni Trail
Los Lunas, NM 87031

Gaynell Rice
2121 North Rojo
Hobbs, NM 88240

Gerald H. Cunningham
P.O. Box 479
Loving, NM 88256

Geraldine Baker
P.O. Box 133
Coahoma, TX 79511

Glen Brady Williams
3166 County Line Rd.
Mountain Grove, MO 65711

Gloria Carrasco,
P.O. Box 567
Loving, NM 88256

Gloria M. Cunningham
P.O. Box 303
Loving, NM 88256

GOETHE MINERALS, LLC
1933 San Mateo N.E.
Albuquerque, NM 87110

Hector Gomez & Juanita Gomez
P.O. Box 125
Loving, NM 88256

Heirs of Jesus L. Calderon & Jose Calderon
P.O. Box 166
Loving, NM 88256

Helen Kirkes
4201 Jones
Carlsbad, NM 88220

Hipolito Espino & Mary Helen Espino
P.O. Box 217
Loving, NM 88256

Hurbert L. Cook & Josie Pauline Cook
404 Stone Oak
Ingram, TX 78025

Irma Luna
P.O. Box 567
Loving, NM 88256

Jaime J. Vasquez
P.O. Box 182
Loving, NM 88256

James C. Williams
743 N. Oak St.
Kermit, TX 79745

James D. Melvin, Jr.
P.O. Box 83
Loving, NM 88256

James W. Williams
7985 Highway 38
Mountain Grove, MO 65711

Jessie H. Gunn
Address not found

Jesus D. Armendarez & Julieta Morales
P.O. Box 235
Loving, NM 88256

Jesus U. Hernandez & Martha Hernandez
P.O. Box 1326
Loving, NM 88256

Jesus Vasquez & Juan Vasquez
P.O. Box 522
Loving, NM 88256

Joe D. Roberts
2856 Jackson Street
Denver, CO 80205

Joe Nicholas, Kathleen Nicholas & Ruth Kelly
P.O. Box 97
Loving, NM 88256

Joe T. Milavec & Cella B. Milavec Revocabel Trust
c/o Vincent Milavec, Trustee
2308 13th Street
Rio Rancho, NM 87124

Joel D. Williams
1882 Camino Manzano
Los Alamos, NM 87544

John C. Carroll
7401 WD Court
Lipan, TX 76462

John C. Douglass & Gerald L. Douglass, Trustees of the Douglass Family Trust
3509 Thunder Rd.
Alamogordo, NM 88310

John D. Stribling
6818 Academy Parkway West N.E.
Albuquerque, NM 87109

John Robert Sipes & Patricia Sipes
P.O. Box 1641
Eunice, NM 88231

Johnnie Croley & Duberta Irene Croley
P.O. Box 1611
Carlsbad, NM 88220

Johnny O. Cabe & Vada E. Cabe
P.O. Box 1623
Tucumcari, NM 88401

Jose Vasquez
204 Abner Street
Carlsbad, NM 88220

Juan F. Minjares
P.O. Box 401
Loving, NM 88256

Juanita A. Campos
2305 Iris St.
Carlsbad, NM 88220

Judy G. Montgomery & Dixie M. Cullins
P.O. Box 35
Loving, NM 88256

Julieta Morales
306 North 6th
Loving, NM 88256

Kevin Lee Williams
18421 Shallow Pool
Pflugerville, TX 78660

Kimberly S. Fuentes & Jonathan L. Fuentes
P.O. Box 188
Loving, NM 88256

Lanora Allomong
14644 County Road 8
Montpelier, OH 43543

Laura Yarbro Bunn
2485 W. Santa Libre Rd.
Chino Valley, AZ 86323

Lavaughn Holcomb
2706 Standpipe Rd.
Carlsbad, NM 88220

Leonardo O. Fuentex,
P.O. Box 86
Loving, NM 88256

Lesley Yarbro Najera
1200 W. McGaffey St., Apt 14
Roswell, NM 88203

Libby Linda Kirkes & Gary Kirkes
Rt. 1 Box 52-X
Loving, NM 88256

Linda Carroll Williams
P.O. Box 1285
Loving, NM 88256

Linda G. Davis
306 South Rio
Fort Stockton, TX 79735

Linda Tenberg & Bill Tenberg
500 Egger Cove
Round Rock, TX 78664

Linida W. Harris
33764 La Highway 16
Denham Springs, LA 70706

Linville D. Williams
1345 N. Greenfield Rd.
Gilbert, AZ 85234

Lisa Williams
217 Gerald
Lafayette, LA 70503

Lorina Balderama,
P.O. Box 147
Loving, NM 88256

Lovella Kilman
8425 James N.E. Ave.
Albuquerque, NM 87111

Loving New Mexico Non-Demoninational Church
505 Via Patria SW
Albuquerque, NM 87121

Lucia S. Onsurez & Aida O. Campos
P.O. Box 455
Loving, NM 88256

Lucia V. Urquidez
P.O. Box 415
Loving, NM 88256

Lucretia Ann Wilferth
1008 Ranch Road 1888
Fredericksburg, TX 78624

Luz Elena Hernandez & Rafael Hernandez
112 S. Watson Avenue
Artesia, NM 88210

Margaret L. Fate
615 Windmill Ranch Rd.
Encinitas, CA 92024

Margaret L. Fate & Linville D. Williams, Trustees of the Roxie L. Williams Trust
P.O. Box 562
Loving, NM 88256

Margaret Stribling, Robert Cain & Salem Stribling
c/o George O. Stribling, Trustee
61 Avenida Del Sol
Cedar Crest, NM 87008

Margaret Williams
4927 Highway 5
Hartville, MO 65667

Margarito V. Urquidez
1128 Los Padres St. SE
Albuquerque, NM 87123

Mark A. Parchman & Cathie Parchman
7 Cordella Place
The Woodlands, TX 77382

Martha J. Stribling
918 Parkland Circle S.E.
Albuquerque, NM 87108

Martin Delgado & Estella Lujan
113 North 8th
Loving, NM 88256

Martin Munoz
P.O. Box 728
Loving, NM 88256

Martin S. Munoz, Manuela Munoz & Marvin H. Munoz
P.O. Box 357
Loving, NM 88256

Mary Ortega Vasques
Address not found

Melinda Hughes,
513 West Central
Lovington, NM 88260

Mewbourne Oil Company
P.O. Box 7698
Tyler, TX 75701

Miguel Lujan & Linda Lujan
P.O. Box 32
Loving, NM 88256

MRC Permian LKE Company, LLC
5400 LBJ Freeway, Suite 1500
Dallas, TX 75240

Nancy McDonald,
P.O. Box 597
Loving, NM 88256

NK5 Investments, LLC
2556 Pecos Hwy
Carlsbad, NM 88220

Noble Eugene Yarbrow
19635 Pitchstone Dr.
Tomball, TX 77377

Octavio R. Luna,
6376 Pasqual St.
El Paso, TX 79932

Olivia O. Armendarez & Kathy O. Armendarez
P.O. Box 1198
Carlsbad, NM 88221

Oscar N. Hernandez & Annabelle N. Hernandez
7616 N. Valdez Street
Hobbs, NM 88242

Paul H. Munoz
P.O. Box 728
Loving, NM 88256

Paula Louise Autry
1105 West Ural
Carlsbad, NM 88220

Penny Harrison & Ralph Harrison
2101 Brooklake West
Denton, TX 76205

POETWORK, LLC
412 N. Main St., Suite 100
Buffalo, WY 82834

Raul Calderon Navarrette, Rosalie Franco Navarrette & Randy Franco Navarrette
P.O. Box 166
Loving, NM 88256

Raymond Roberts,
505 Via Patria SW
Albuquerque, NM 87121

Richard Jones & Evodia Jones
508 N. 3rd Street
Loving, NM 88256

Richard V. Armendarez
P.O. Box 372
Loving, NM 88256

Robert C. Cotton
13304 Turquoise
Albuquerque, NM 87123

Robert Dean Nymeyer
Address not found

Robert F. Palomino & Olga Palomino
P.O. Box 475
Loving, NM 88256

Roman Leyva
P.O. Box 74
Loving, NM 88256

Rose M. & Lloyd F. Boatman
1317 E. Wood Ave.
Carlsbad, NM 0

Ruby F. Adams
1313 Xenia
Plainview, TX 79072

Russell C. Parchman & Barbara B. Parchman, Trustees
3412 Longedle Lane
McKinney, TX 75070

Shari Miller
11400 Cochiti Rd, B-2
Albuquerque, NM 87123

Shirley Fletcher
208 W. Ninth
Roswell, NM 88201

Skeen Partnership
P.O. Box 696
Loving, NM 88256

Socorro Lujan
407 W. Cleveland Ave.
Artesia, NM 88210

Sonia Scott & Lee Scott
11622 N. 95th Street
Scottsdale, AZ 85260

Sweet Loraine Davis & Dessie Davis
1107 S. 11th Avenue, #112
Phoenix, AZ 85007

Sylvester G. & Priscilla K. Santillan
P.O. Box 506
Loving, NM 88256

Tabco, Inc.
P.O. Box 961
Artesia, NM 88210

Terry Williams
14644 County Road 8
Montpelier, OH 43543

Tony Martin,
P.O. Box 1385
Loving, NM 88356

Unknown Heirs of Zelma Yarbrow Pickens
Address not found

Heirs of Ventura Calderon
P.O. Box 166
Loving, NM 88256

Verda Mae Montgomery
918 Rex St.
Carlsbad, NM 88220

Village of Loving
P.O. Box 56
Loving, NM 88256

Virgil Shan
405 N. 6th Street
Loving, NM 88256

Virginia Lee Kershner,
208 W. Ninth
Roswell, NM 88201

Viviano F. Trevino & Delia Trevino
P.O. Box 277
Loving, NM 88256

Willa Mae Reynolds
404 Leavell
Carlsbad, NM 88220

Williams Living Trust
c/o Doris E. Williams, Trustee
1323 Willow Lane
Farmersville, TX 75442

Wilma Roberts
2916 St. Paul Street
Denver, CO 80205

Winfred Davis
1303 North Canal, Apt. 11
Carlsbad, NM 88220

Yolanda Villegas
1602 W. Tansil Street
Carlsbad, NM 88220

PROPOSED ADVERTISEMENT

Case No. 16137:

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 N/2SE/4 of Section 20 and the N/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. 1H, a horizontal well with a surface location in the NW/4SE/4 of Section 20, and a terminus in the NE/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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