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Case 16139

APR 17 2018 PM 06:10

April 17, 2018

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

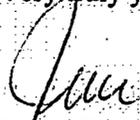
Dear Florene:

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

Also attached is a notice list, which applies to all wells in the application.

Thank you.

Very truly yours,



James Bruce

Attorney for Kaiser-Francis Oil Company

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APR 17 2018 PM 06:10

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

Case No. 16139⁴¹

APPLICATION

Kaiser-Francis Oil Company applies for an order approving a 320 acre non-standard gas spacing and proration unit in the Wolfcamp formation comprised of the SE/4 of Section 20 and the SW/4 of Section 21, Township 23 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard unit, and in support thereof, states:

1. Applicant is an interest owner in the SE/4 of Section 20 and the SW/4 of Section 21, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the following wells to test the Wolfcamp formation:
 - (a) The Loving Townsite 2021 WC 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;
 - (b) The Loving Townsite 2021 WA 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;
 - (c) The Loving Townsite 2021 WC 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; and

(d) The Loving Townsite 2021 WA 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.

The beginning and end of the producing interval of each well will be orthodox.

Applicant seeks to dedicate the SE/4 of Section 20 and the SW/4 of Section 21 to the wells to form a non-standard 320 acre gas spacing and proration unit in the Wolfcamp formation.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the SE/4 of Section 20 and the SW/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 wells or to otherwise commit their interests to the wells, 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 Wolfcamp formation in the SE/4 of Section 20 and the SW/4 of Section 21, pursuant to NMSA 1978 §§70-2-17, 18.

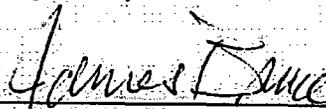
5. The approval of the non-standard spacing and proration unit, and the pooling of all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 20 and the SW/4 of Section 21, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

A. Approving a non-standard gas spacing and proration unit in the Wolfcamp formation comprised of the SE/4 of Section 20 and the SW/4 of Section 21;

- B. Pooling all mineral interests in the Wolfcamp formation underlying the SE/4 of Section 20 and the SW/4 of Section 21;
- C. Designating applicant as operator of the wells;
- D. Considering the cost of drilling and completing the wells, and allocating the cost among the wells' 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 wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 161⁴¹~~29~~:

Application of Kaiser-Francis Oil Company for a nonstandard gas spacing and proration unit and compulsory pooling, Eddy County, New Mexico. Kaiser-Francis Oil Company seeks an order approving a 320 acre non-standard gas spacing and proration unit in the Wolfcamp formation comprised of the SE/4 of Section 20 and the SW/4 of Section 21, Township 23 South, Range 28 East, NMPM, and pooling all mineral interests in the Wolfcamp formation underlying the non-standard spacing and proration unit. The unit will be dedicated to: (a) the Loving Townsite 2021 WC 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; (b) the Loving Townsite 2021 WA 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; (c) the Loving Townsite 2021 WC 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; and (d) the Loving Townsite 2021 WA 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. The beginning and end of the producing interval of each well will be orthodox. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, 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.