

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF KAISER-FRANCIS OIL
COMPANY FOR COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.**

Case No. 20295

APPLICATION

Kaiser-Francis Oil Company applies for an order pooling all mineral interests in the Bone Spring formation in a horizontal spacing unit comprised of the E/2SW/4 of Section 31, Township 25 South, Range 33 East, N.M.P.M. and the E/2W/2 of Section 6, Township 26 South, Range 33 East, N.M.P.M., and in support thereof, states:

1. Applicant is an interest owner in the E/2SW/4 of Section 31 and the E/2W/2 of Section 6, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the Red Hills Well No. 003H and the Red Hills Well No. 103H to depths sufficient to test the Bone Spring formation, and to dedicate the E/2SW/4 of Section 31 and the E/2W/2 of Section 6 to the wells. The wells have first take points in the NE/4SW/4 of Section 31 and last take points in the SE/4SW/4 of Section 6.
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 E/2SW/4 of Section 31 and the E/2W/2 of Section 6 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 Bone Spring

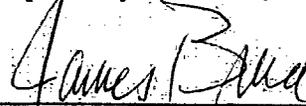
formation in the E/2SW/4 of Section 31 and the E/2W/2 of Section 6, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests in the Bone Spring formation underlying the E/2SW/4 of Section 31 and the E/2W/2 of Section 6 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. Pooling all mineral interests in the Bone Spring formation underlying the E/2SW/4 of Section 31 and the E/2W/2 of Section 6;
- B. Designating applicant as operator of the wells;
- C. Considering the cost of drilling and completing the wells and allocating the cost among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. 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,



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Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 20295:

Application of Kaiser-Francis Oil Company for compulsory pooling, Lea County, New Mexico. Kaiser-Francis Oil Company seeks an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2SW/4 of Section 31, Township 25 South, Range 33 East, N.M.P.M. and the E/2W/2 of Section 6, Township 26 South, Range 33 East, N.M.P.M. The unit will be dedicated to the Red Hills Well Nos. 003H and 103H, with first take points in the NE/4SW/4 of Section 31 and final take points in the SE/4SW/4 of Section 6. 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 approximately 24 miles west of Bennett, New Mexico.

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SCANNED