

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

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

Case No. <sup>5</sup>20296  
+ 20297

**VERIFIED STATEMENT OF MICHAEL MAXEY**

Michael Maxey, being duly sworn upon his oath, deposes and states:

1. I am a landman for Kaiser-Francis Oil Company ("KFOC"), and have personal knowledge of the matters stated herein. I have been qualified by the Division as an expert petroleum landman.

2. The following information is submitted in support of the compulsory pooling application filed herein:

(a) The purpose of this application is to force pool working interest owners into the Wolfcamp horizontal spacing unit described below, and in the well to be drilled in the unit.

(b) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests to the well.

(c) A Midland Map Co. plat outlining the unit being pooled is attached hereto as Attachment A. KFOC seeks an order approving a 240.00 horizontal spacing unit in the Wolfcamp formation comprised of E/2 SW/4 of Section 31, Township 25 South Range 33 East, NMPM and E/2 W/2 of Section 6, Township 26 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests in:

- (i) Pool Code: 98097 Pool Name: Sanders Tank; Upper Wolfcamp, to be dedicated to the Red Hills Well No. 402H. The well is a horizontal well with a first take point in NE/4 SW/4 of Section 31 and a final take point in SE/4 SW/4 of Section 6.
- (ii) Pool Code: 98097 Pool Name: Sanders Tank; Upper Wolfcamp, to be dedicated to the Red Hills Well No. 403H. The well is a horizontal well with a first take point in NE/4 SW/4 of Section 31 and a final take point in SE/4 SW/4 of Section 6.

EXHIBIT /

C-102's for the wells are attached as Attachment B. There is no depth severance in the Wolfcamp formation.

(d) The parties being pooled and their interests are set forth in Attachment C. Their current and correct addresses are also set forth.

(e) There are no unlocatable interest owners.

(f) Attachment D contains a summary of contacts or attempted contacts with the interest owners, together with copies of the proposal letters sent to the interest owners.

(g) KFOC has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed well.

(h) KFOC has the right to pool the overriding royalty owners in the well unit.

(i) Attachment E contains the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and is comparable to the cost of other wells of similar depth and length drilled in this area of Lea County.

(j) KFOC requests overhead and administrative rates of \$8,000.00/month for a drilling well and \$800.00/month for a producing well. These rates are fair, and are comparable to the rates charged by other operators for wells of this type in this portion of Lea County. They are also the rates set forth in the Joint Operating Agreement for the well unit. KFOC requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

(k) KFOC requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.

(l) KFOC requests that it be designated operator of the well.


(m) The attachments to this affidavit were prepared by me, or compiled from company business records.

(n) The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

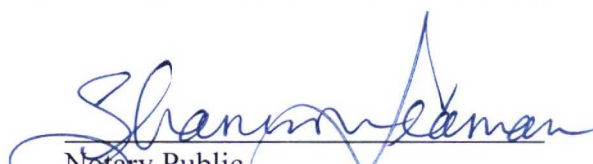
STATE OF OKLAHOMA                    )  
  ) ss.  
COUNTY OF Tulsa                    )

Michael Maxey, being duly sworn upon his oath, deposes and states that: He is a landman for Kaiser-Francis Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
Michael Maxey

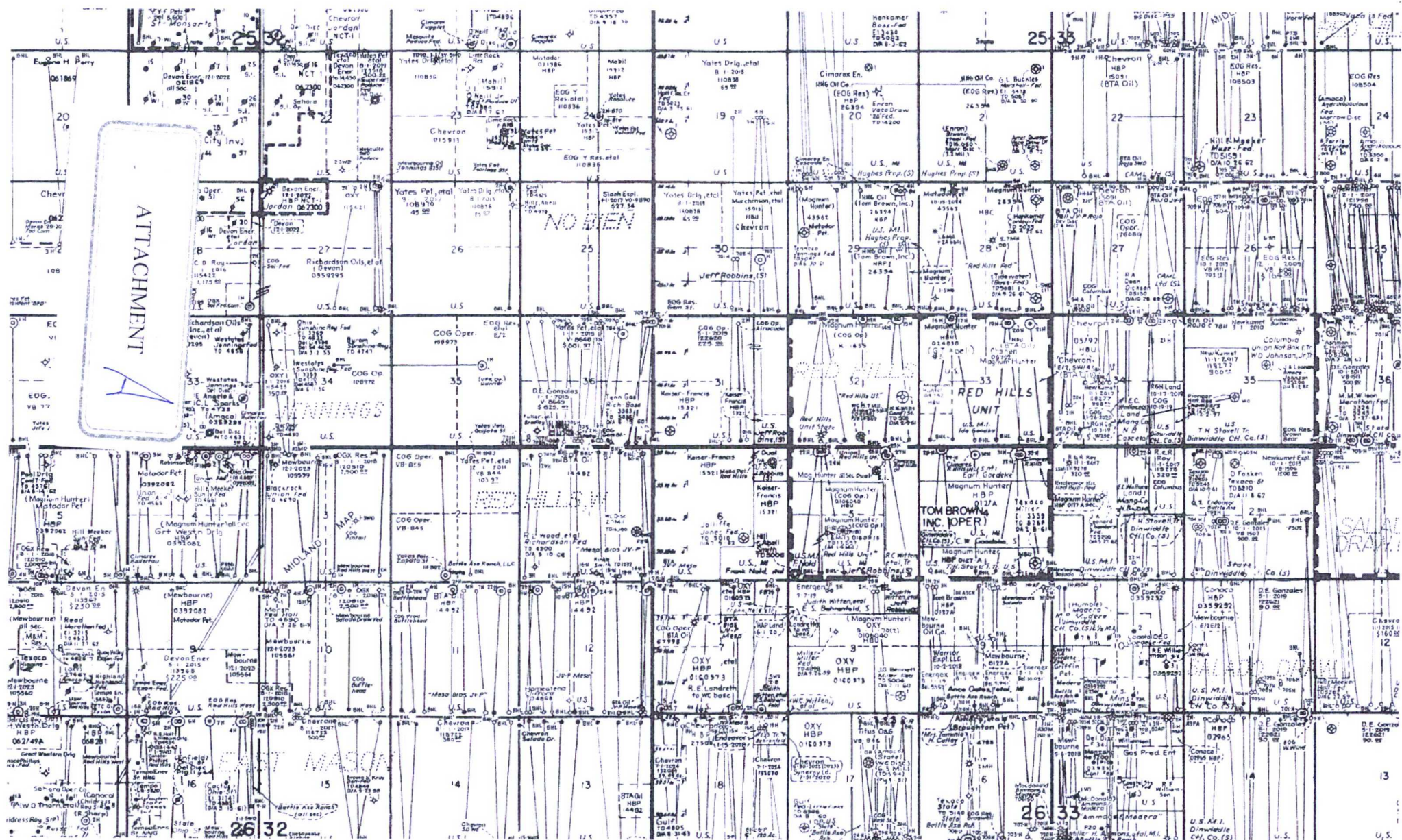
SUBSCRIBED AND SWORN TO before me this 1st day of March, 2019 by Michael Maxey.

My Commission Expires: 2-20-21

  
\_\_\_\_\_  
Notary Public









District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
811 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
<sup>4</sup> Property Code	<sup>5</sup> Property Name <b>RED HILLS</b>	<sup>6</sup> Well Number <b>402H</b>
<sup>7</sup> OGRID No. <b>12361</b>	<sup>8</sup> Operator Name <b>KAISER-FRANCIS OIL COMPANY</b>	<sup>9</sup> Elevation <b>3419.1</b>

<sup>10</sup> Surface Location

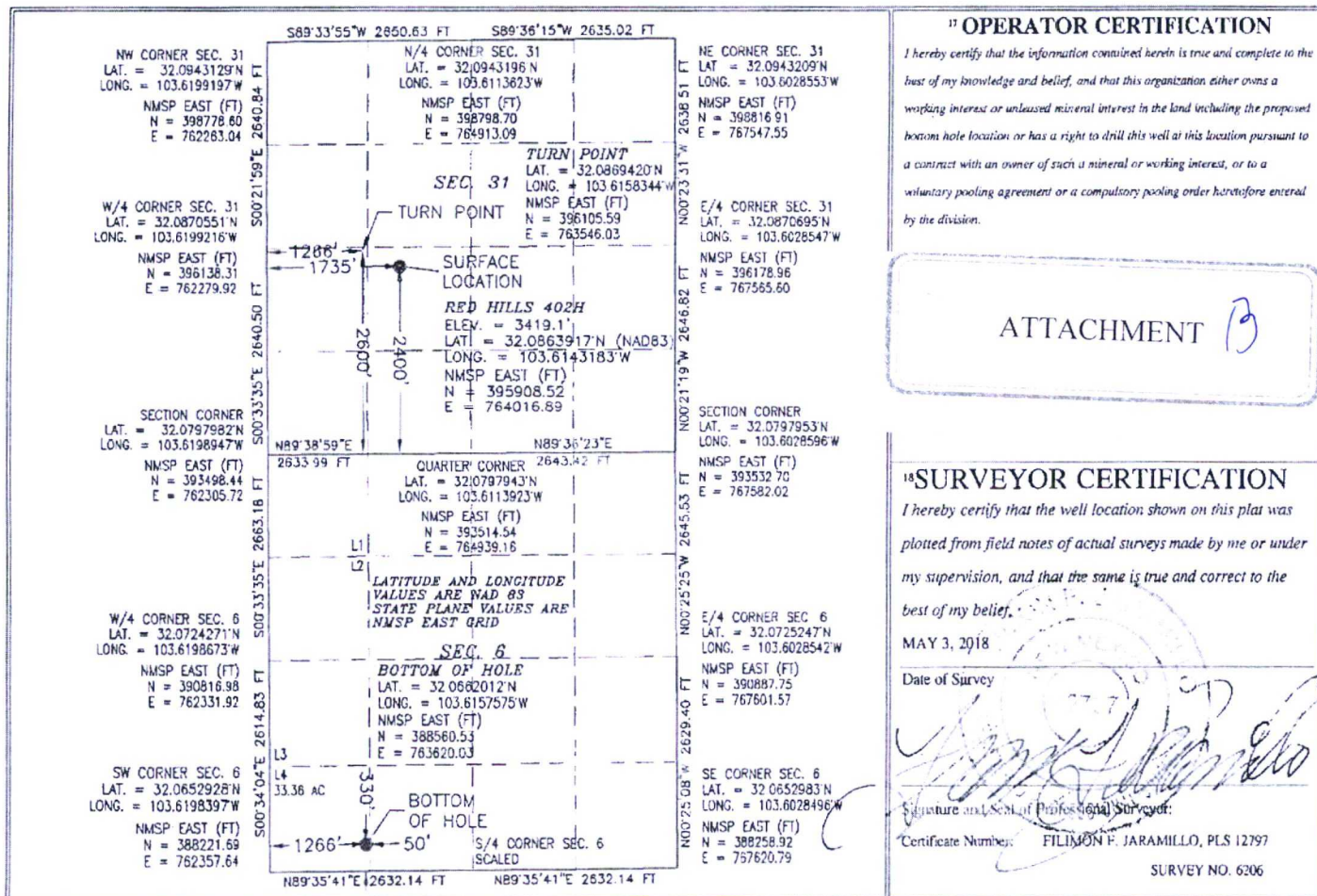
UL or lot no. <b>K</b>	Section <b>31</b>	Township <b>25 S</b>	Range <b>33 E</b>	Lot Idn	Feet from the <b>2400</b>	North/South line <b>SOUTH</b>	Feet from the <b>1735</b>	East/West line <b>WEST</b>	County <b>LEA</b>
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<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no. <b>4</b>	Section <b>6</b>	Township <b>26 S</b>	Range <b>33 E</b>	Lot Idn	Feet from the <b>330</b>	North/South line <b>SOUTH</b>	Feet from the <b>1266</b>	East/West line <b>WEST</b>	County <b>LEA</b>
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<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.





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☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name
<sup>4</sup> Property Code	<sup>5</sup> Property Name RED HILLS	<sup>6</sup> Well Number 403H
<sup>7</sup> OGRID No. 12361	<sup>8</sup> Operator Name KAISER-FRANCIS OIL COMPANY	<sup>9</sup> Elevation 3418.2

<sup>10</sup> Surface Location

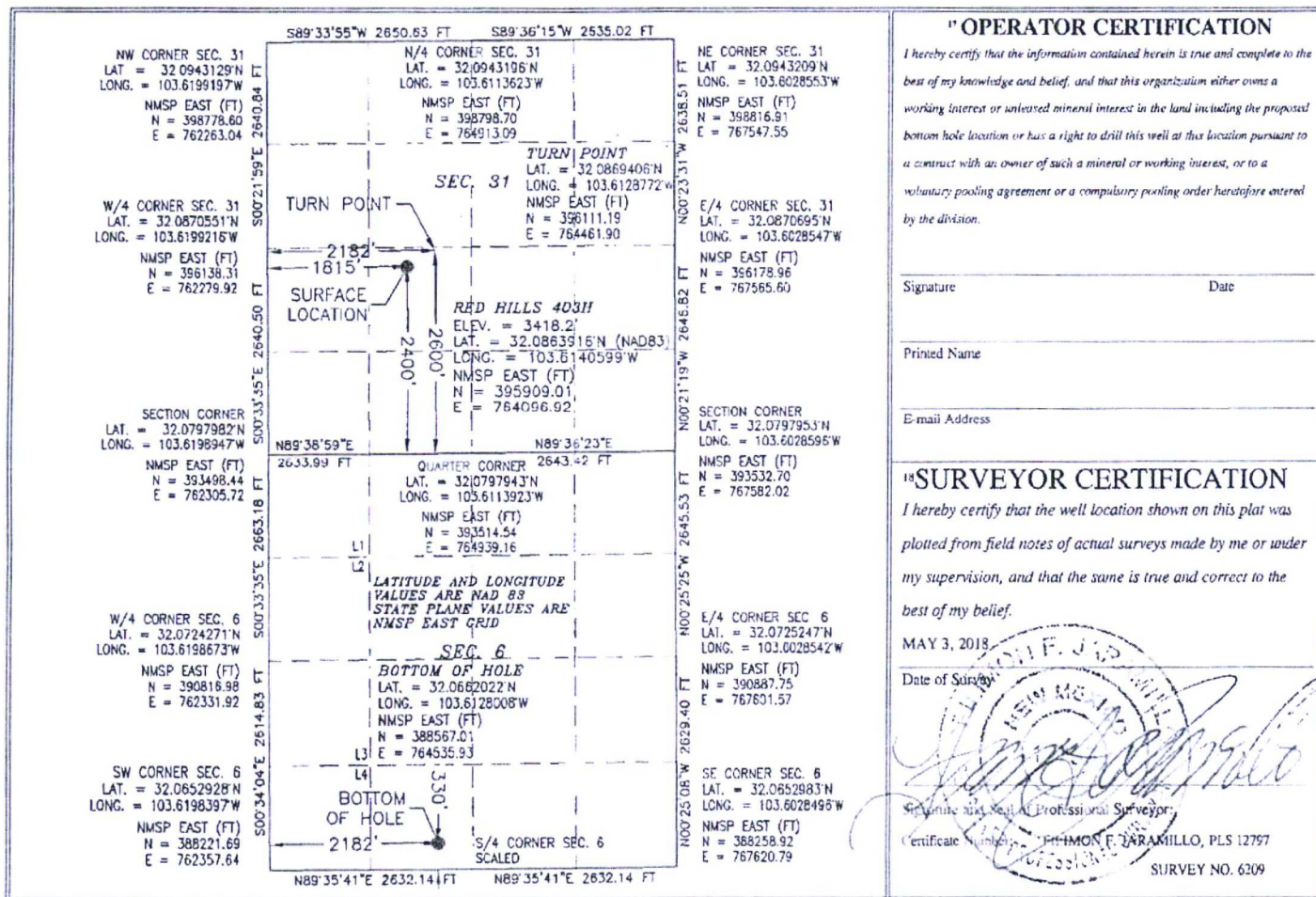
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	31	25 S	33 E		2400	SOUTH	1815	WEST	LEA

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	6	26 S	33 E		330	SOUTH	2182	WEST	LEA

<sup>12</sup> Dedicated Acres	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> Order No.
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No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.



Attachment "C"

For Case No. \_\_\_\_\_

Atlas OBO Energy, LP	.0357869
3501 Allen Parkway	
Houston, TX 77019	

Royalty Clearinghouse 2003, LLC.	.0750000
201 West 5th Street, Suite 1350	
Austin, TX 78701	

West Texas Gas, Inc.	.0750000
D/B/A WTG Exploration Inc.	
401 W. Wadley Avenue	
Midland, TX 79705-5339	

January 7, 2019

Sent by Certified Mail

Atlas OBO Energy, LP  
15603 Kuykendahl Road, Suite 200  
Houston, TX 77090-3655

Re: Red Hills 402H  
Lots 3 and 4 and the E/2 SW/4 of Section 31-25S-33E and  
W/2 of Section 6-26S-33E  
Lea Co., NM

Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 12,350' TVD / 20,300' TMD Wolfcamp Formation test well. It will have a SHL of 2,400' FSL and 1,735' FWL in Section 31-25S-33E and a BHL of 330' FSL and 1,266' FWL in Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,571,120 initial drilling costs and \$10,966,596 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCDD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey  
Landman

ATTACHMENT  
17



January 7, 2019

Sent by Certified Mail

Atlas ORO Energy, LP  
15603 Kuykendahl Road, Suite 200  
Houston, TX 77090-3655

Re: Red Hills 4031H  
Lots 3 and 4 and the F/2 SW/4 of Section 31-25S-33E and  
W/2 of Section 6-26S-33E  
Lea Co., NM

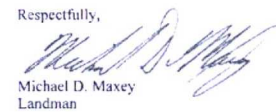
Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 12,350' TVD / 20,300' TMD Wolfcamp Formation test well. It will have a SHL of 2,400' FSL and 1,815' FWL in Section 31-25S-33E and a BHL of 330' FSL and 2,182' FWL in Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,571,120 initial drilling costs and \$10,966,596 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424

Respectfully,



Michael D. Maxey  
Landman

Operator:	Kaiser-Francis Oil Company	Date:	12/14/2018
Well Name:	Red Hills 40211	Field:	Red Hills
Prospect:	Red Hills	County / Path:	Lee County
Location:	Sec. 11 T25 S31	State:	New Mexico
Depth:	20800	MD:	12350
		TVD:	
		Preparer:	C Jones / D Zerger

Horizon:	Wellcamp	Wellcamp
Objective:	Drill and complete a new horizontal well with 7302' lateral	
JOB CODE	Intangible Drilling and Completion Costs	
5001600	Location / Road Expense / Frac Pit Construction	\$913,333
501****	Cond. Bat Hole, Mouse Hole Services	\$45,000
502600	Location Damages	\$40,000
503600	Environmental, Regulatory, and Permitting	
504500	Location Completion Tag	
505600	Location @ 30 days 24	\$13,500
506600	Location @ 30 days 24	\$55,000
507****	Coiled Tubing & related Services	\$750,000
508600	Rig Mob / Drivob	\$300,000
509600	Directional Drilling Services	\$146,667
510600	Bits & Rammer	\$342,500
511600	Fuel/Power	\$119,500
512600	Drilling Water / Completion fluid	\$185,000
513600	Mud & Chemicals	\$576,250
514600	Closed Loop System / Mud & Cuttings Disposal / WMD	\$300,000
515600	Surface Equipment Rental / Inspection	\$300,000
516600	Downhole Equipment Rental / Inspection	\$297,370
517600	Transportation & Loading	\$75,000
518600	Transportation & Loading	\$65,000
519600	25T Coiling & Analysis	\$83,000
520****	Downhole tools, Whipstocks, Liner Hangers, Frac Plugs	\$61,500
521600	Oil Logs / CH Logs / Perforating / Slickline	\$706,500
522600	Mud Logging / Glostesting / WMD	\$38,000
523****	Cementing & Squeezing	\$95,000
524600	Casing Crosso & Equipment	\$34,500
525600	Piling & Abandon	\$0
526600	Perforation	\$3,760,000
527600	Logging and Engineering	\$45,250
528600	Miscellaneous Contractor Labor	\$535,016
529600	Prof. fees & Abstracts	\$5,690,076
530600	Liability Insurance / Bonds	\$93,450
531600	Drilling Overhead / Completion Overhead	\$52,250
532600	Miscellaneous & Unforeseen	\$259,610
533600	Total Intangible Drilling & Completion	\$3,492,240
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## Authority for Expenditure

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PARTNER APPROVAL

Crane	
Comedian	
Land	
Geology	
Reactor	
Asset Manager	
Chief Operating Officer	