

**Jones, William V., EMNRD**

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**From:** Jones, William V., EMNRD  
**Sent:** Monday, February 19, 2007 4:29 PM  
**To:** J. Scott Hall  
**Cc:** Brooks, David K., EMNRD; Jim Bruce (jamesbruc@aol.com); Ocean Munds-Dry; Ezeanyim, Richard, EMNRD  
**Subject:** Cases 13771 (Kaiser-Francis) and 13778 (Hayes)

Hello Mr. Hall:

To wrap up my draft for Mark Fesmire on these cases, I have a short number of data requests for Kaiser-Francis.

- 1) The cement job on the production casing on the Mesa 11 Grande Well No. 2Q API No. 30-015-33720. The OCD well files show a reported and measured cement top BELOW the depth interval currently completed in the Bone Spring and I cannot find evidence the well had a squeeze cement job to raise the cement top. Please send a copy of the sundry that shows cement was actually raised or was measured above 6,312 feet. Also, if there is a cement bond log showing the latest top, let me know of it and send a copy to Hobbs District for inclusion in our well files.
- 2) Please send a plat of Section 11 with the dimensions of the acreage within the W/2. I found the N-S footage but not the E-W footage or the actual acres in each of the affected tracts within the W/2 of Section 11.
- 3) Your Exhibit #6 had some owners names written on it and the affidavits of notice included some of those names. Please send more details about the owners and their respective percentages within the E/2 W/2 of Section 11 and the success Kaiser-Francis had of notifying each of these owners of the change in plans from a 320-acre spacing unit to the (W/2 W/2) 160-acre spacing unit. On the latest affidavit of notice, several parties were sent notice, without the evidence that they received notice.

Thank you all for your patience in waiting on this order.

Regards,

William V. Jones PE  
New Mexico Oil Conservation Division  
1220 South St. Francis  
Santa Fe, NM 87505  
505-476-3448

2/23/2007



## Affidavit of Publication

State of New Mexico,  
County of Eddy, ss.

**April Hernandez**, being first duly sworn, on oath says:

That she is HR/Administrative Assistant of the Carlsbad Current-Argus, a newspaper published daily at the City of Carlsbad, in said county of Eddy, state of New Mexico and of general paid circulation in said county; that the same is a duly qualified newspaper under the laws of the State wherein legal notices and advertisements may be published; that the printed notice attached hereto was published in the regular and entire edition of said newspaper and not in supplement thereof on the date as follows, to wit:

October 13	2006
_____	2006
_____	2006
_____	2006

That the cost of publication is \$44.02 and that payment Thereof has been made and will be assessed as court costs.

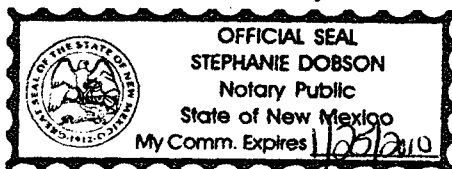
*April Hernandez*

Subscribed and sworn to before me this

13 day of October, 2006  
*Stephanie Dobson*

My commission Expires on 1/25/2010

Notary Public



Oil Conservation Division  
Case No. 13,778  
Exhibit No. 3

October 13, 2006

### NOTICE

To: Sam J. Elliott,  
Mildred E. Elliott, Wil-  
liam B. Dunn, William  
Harvey Jones, Frances  
Carol Jones, John Bra

zeal, Patricia N. Bra-  
zeal, Curtis Baker,  
Deanna Baker, Albert  
R. Rust, Geneva Rust,  
Paul A. Sneed, Doris A.  
Sneed, Fred Ward,  
Marilyn Brazeal, James  
Henry Dowley, Wilson  
Brazeal, Rosezell Bra-  
zeal, and K.D. McPet-  
ters, or their heirs or  
devisees: Hayes Land  
& Production, LP has  
filed an application  
with the New Mexico  
Oil Conservation Divi-  
sion (Case No. 13778)  
seeking an order es-  
tablishing an 80-acre  
non-standard oil spac-  
ing and proration unit  
as an exception to Di-  
vision Rule 104(B), or  
an 80-acre project  
area under Division  
Rule 111, in the Dela-  
ware and Bone Spring  
formations, comprised  
of the SW $\frac{1}{4}$ /NW $\frac{1}{4}$  and  
NW $\frac{1}{4}$ /SW $\frac{1}{4}$  of Section  
11, Township 22 South,  
Range 26 East,  
N.M.P.M., to be dedi-  
cated to the Mesa  
Grande "11" Well No.  
2, located at an unor-  
thodox location 2661  
feet from the south  
line and 660 feet from  
the west line of Section  
11. In the alternative,  
applicant requests that  
Division Order No. R-  
12459, granting said

unorthodox location,  
be rescinded and the  
well shut-in. The ap-  
plication is scheduled  
to be heard at 8:15  
a.m. on Thursday, Oc-  
tober 26, 2006 at the  
Division's offices at  
1220 South St. Francis  
Drive, Santa Fe, New  
Mexico 87505. As an  
interest owner in the  
well unit you have the  
right to enter an ap-  
pearance and partici-  
pate in the case.  
Failure to appear will  
preclude you from  
contesting this matter  
at a later date. The at-  
torney for applicant is  
James Bruce, P.O. Box  
1056, Santa Fe, New  
Mexico 87504. The  
proposed unit is locat-  
ed approximately 2-  
1/2 miles west of  
Carlsbad, New  
Mexico.

## SECTION PLAT

Eddy County, State of New Mexico  
Section 11 Township 22 Range 26  
NORTH

*Bennett*

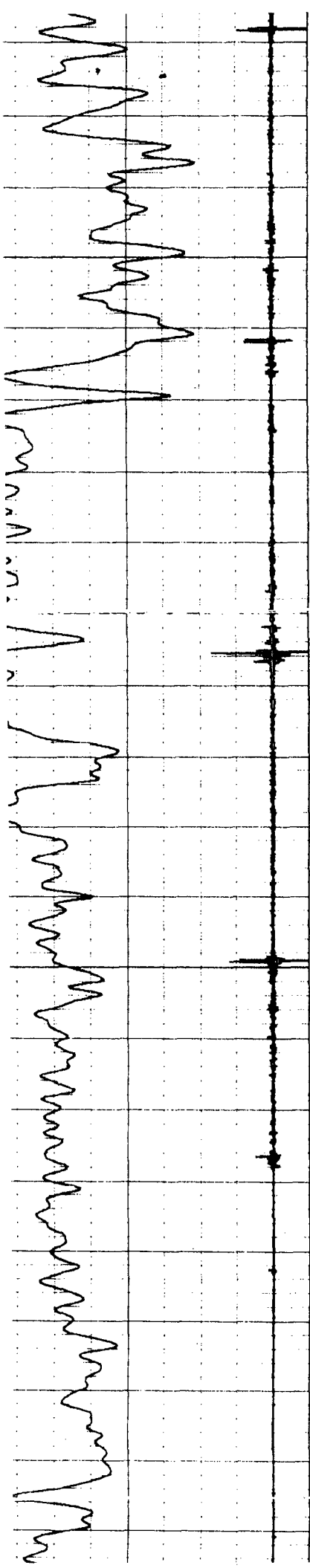
<i>Rice (1)</i> <i>80</i>	<i>Wood (3)</i> <i>80</i>		
<i>Seigner 80AC (2)</i>	<i>Subdivision Multiple Tracts &amp; Owners (5)</i>		
	<i>Garner (4)</i>		

*W*

(1) *Bill Bennett Hayen Land and Sub Corporation*  
*Brad Bennett Hayen Land Corporation*



<b>Borehole Record</b>						<b>Tubing</b>
<b>Run Number</b>	<b>Bit</b>	<b>From</b>	<b>To</b>	<b>Size</b>	<b>Weight</b>	
Casing Record		Size		Wgt/Ft		Top
Surface String		13 3/8"		49#		SURFACE
Prot. String		9 5/8"		36#		SURFACE
Production String		5 1/2"		17#		SURFACE
Liner						

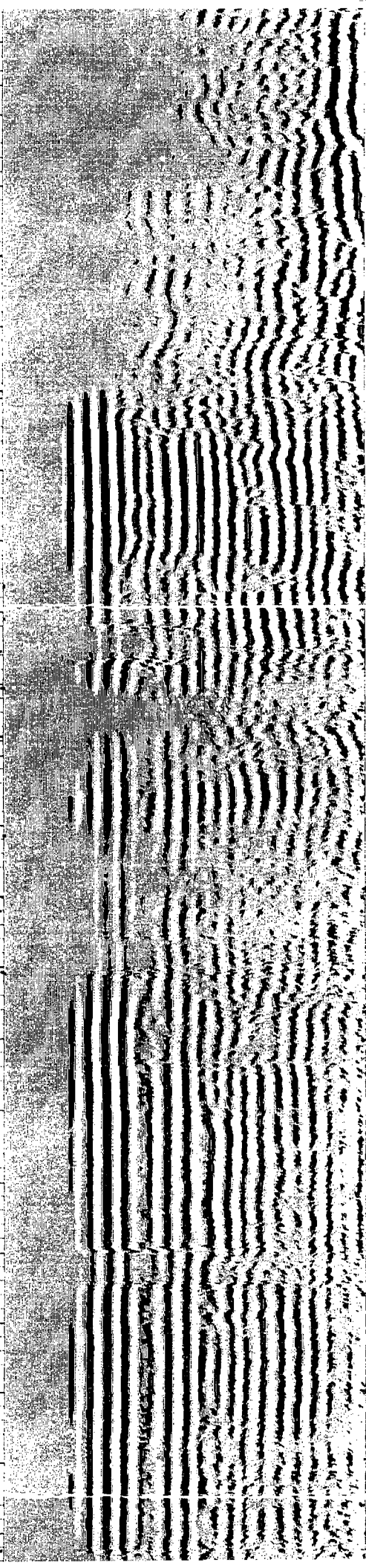
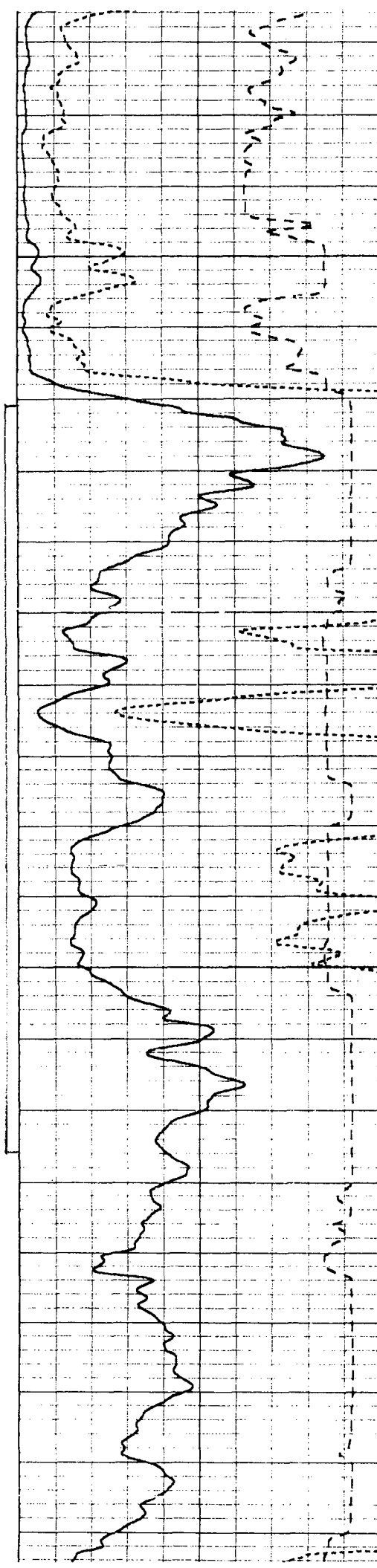


6300

6350  
2 1/2 sec line  
perf  
6321-6426

6400

6450



**KAISER-FRANCIS OIL COMPANY  
MESA GRANDE 11 WELL NO. 2  
E/2W/2 SECTION 11,T22N, R26E**

<b>TRACT II E/2 NW/4</b>	<b>Interest/Type</b>	<b>Decimal/Interest</b>	<b>Notice Status</b>
William A. Wood 2375 Rosedale Drive Las Cruces, New Mexico 88005	RI	.0468749	RECEIVED
<b>TRACT IV NE/4 SW/4</b>	<b>Interest/Type</b>	<b>Decimal/Interest</b>	<b>Notice Status</b>
Marilyn Brazeal Post Office Box 1017 Lockeford, CA 95237	RI	.0004581	NO RESPONSE
James W. Brunt Mary Helen Brunt 2907 Colfax Carlsbad, New Mexico 88220	RI	.0013342	RECEIVED
Glenda Joyce Dowley Crume Texas Compt of Public Accounts Post Office Box 12019 Austin, Texas 78711-2019	RI	.0002888	RECEIVED
James Clair Dowley Route 2 Box 80-A Rolff, Oklahoma 74865	RI	.0008661	RECEIVED
James Henry Dowley 66 Jim Road, Box 5 Belen, New Mexico 87002	RI	.0002888	RETURNED
Tonya Jo Dowley Texas Compt of Public Accounts/Unclaimed Property Post Office Box 12019 Austin, Texas 78711-2019	RI	.0002888	RECEIVED
Albert R. Rust Geneva Rust 301 Jewel St. Carlsbad, New Mexico 88220	RI	.0005292	RETURNED
James N. Simpson Mary S. Simpson 1894 East Concorda Drive Tempe, AZ 85282	RI	.0006327	RECEIVED

Paul A. Sneed Doris A. Sneed 304 Jewel Street Carlsbad, New Mexico 88220	RI	.0002292	RETURNED
Christin Aranda & Guadalupe C. Aranda Carlsbad Savings & Loan Association 604 Colfax Street Carlsbad, New Mexico 88220	RI	.0007204	RECEIVED
Curtis Baker Deanna Baker HCR-60 Box 205 Bonners Ferry, ID 83805	RI	.0006327	NO RESPONSE
James Brazeal Account Comptroller of Public Accounts Unclaimed Property Post Office Box 12019 Austin, Texas 78711-2019	RI	.0000984	NO RESPONSE
John Brazeal Patricia N. Brazeal Post Office Box 1322 Cloudcroft, New Mexico 88317-1322	RI	.0004581	RETURNED
Wilson Brazeal Rosezell Brazeal 1405 Tansil Street Carlsbad, New Mexico 88220	RI	.0112936	NO RESPONSE
William Harvey Jones Frances Carol Jones Hansen Bldg., Suite 502 98 Uinta Drive, #12 Green River, WY 82935	RI	.0003144	NO RESPONSE
William B. Dunn 1018 Hambone Heights Road Carlsbad, New Mexico 88229-9522	RI	.0000984	RECEIVED
Edward John Gasseling 207 Jewel Street Carlsbad, New Mexico 88220	RI	.0006327	RECEIVED
Leroy Lewellen Rosalie A. Lewellen 1233 Boston Street Deer Park, Texas 77536	RI	.0007195	RECEIVED



Sammy J. Miller Barbara L. Miller 212 Jewel Street Carlsbad, New Mexico 88220	RI	.0007872	
Rodolfo A. Munoz Lovella Munoz Star Rt. 1, Box 154-A Carlsbad, New Mexico 88220	RI	.0003860	NO RESPONSE
Fred Ward 614 West Colfax Street Carlsbad, New Mexico 88220	RI	.0002971	RETURNED
Montie Jean Johnson R 735 E Derrick Road Carlsbad, New Mexico 88220	RI	.0020287	RECEIVED
Gwendolyn Whetham Estate Glenn Wetham Personal Representative 2318 Idaho Street Carlsbad, New Mexico 88220	RI	.0005714	RECEIVED
Alan Antweil Mary Francis Anweil Trust Post Office Drawer 220 Hobbs, New Mexico 88240		.0289247	RECEIVED
Douglas J. McCausland 6309 Dorado Beach NE Albuquerque, New Mexico 87111	ORI	.0269427	RECEIVED
James Holley Address Unknown	RI	.0014461	
<b>TRACT V SE/4 SW/4</b>	<b>Interest/Type</b>	<b>Decimal/Interest</b>	<b>Notice Status</b>
M.T. Kingsley Jean Kingsley 1315 W. Thomas Street Carlsbad, New Mexico 88220	RI	.0029052	RECEIVED
Sam J. Elliott Mildred E. Elliott Route 1, Box 286-A Carlsbad, New Mexico 88220	RI	.0000885	RETURNED

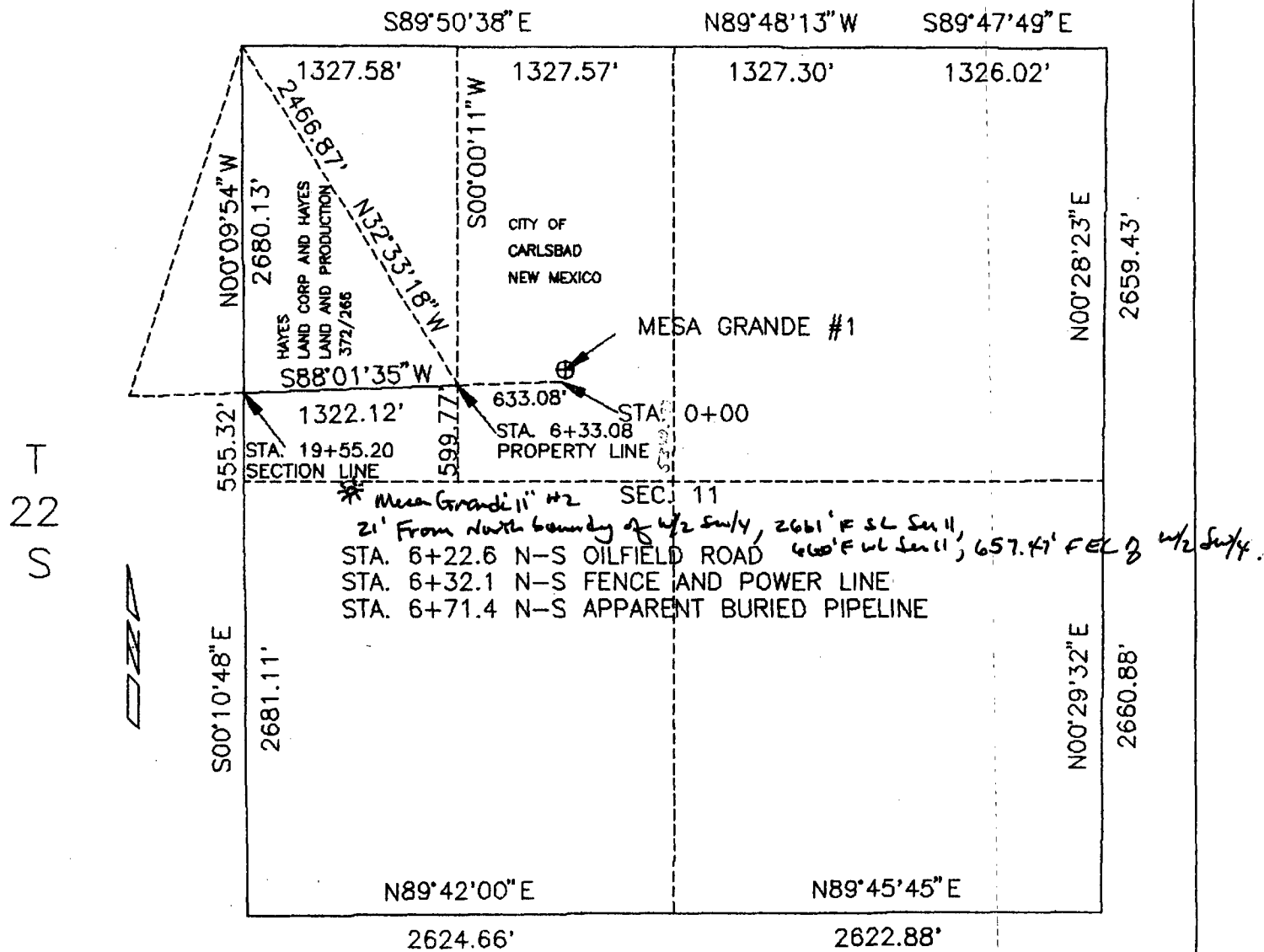
Ms. Lucille Garner 8124 E. Mulberry Scottsdale, AZ 85251	RI	.0174932	NO RESPONSE
Susan D. Bergfeld 2001 South Donnybrook Tyler, Texas 75701	ORI	.0011628	RECEIVED
Donald Allison Hood Post Office Box 1740 Bracketville, Texas 7832	ORI	.0011628	RECEIVED
H. C. Hood Estate Julius L. Bergfeld, Jr. Independent Executor 2001 South Donnybrook Tyler, Texas 75701	ORI	.0023256	RECEIVED
Magnum Hunter Production, Inc. #774027 4027 Solutions Center Chicago, IL 60677-4000	ORI	.0001292	RECEIVED
Earl E. Gaertner 16 Valley Court Durango, Colorado 81301-3735	ORI	.0046512	RECEIVED
David F. Harris 4902 Lancashire Road Midland, Texas 79704	WI	.0004649	RECEIVED
James G. Gilbert 199 Glen Dale Drive Woodland Park, CO 80863	WI	.0004649	RECEIVED
J. T. Janica Net Revenue Account Post Office Box 2188 Hobbs, New Mexico 88241	WI	.004649	RECEIVED
K. D. McPeters 502 West Gold Hobbs, New Mexico 88240	WI	.0004648	RECEIVED
Hexad Oil Company 203 West Wall Street, Suite 1001 Midland, Texas 79701-4525	WI	.0070549	RECEIVED

S:\Clients\11375\35568\Correspondence\Notice^022207.doc

# NATURAL GAS PIPELINE EASEMENT SURVEY

A 30 FOOT NATURAL GAS PIPELINE EASEMENT LOCATED IN THE W/2 NW/4 OF SEC. 11, T22S, R26E, N.M.P.M., EDDY COUNTY, NEW MEXICO.

R26E



Scale 1" = 1000 ft

DESCRIPTION: HAYES LAND CORP & HAYES LAND AND PRODUCTION - OWNER  
A 30 FOOT NATURAL GAS PIPELINE EASEMENT LOCATED IN THE W/2 NW/4 OF SEC. 11, T22S, R26E, N.M.P.M., EDDY COUNTY, NEW MEXICO, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING AT ENG. STA. 6+33.08 BEING A POINT ON THE EAST LINE OF SAID W/2 NW/4 WHENCE THE NW CORNER OF SAID SECTION 11 BEARS N32°33'18"W A DISTANCE OF 2466.87 FEET; THENCE S88°01'35"W A DISTANCE OF 1322.12 FEET TO ENG. STA. 19+55.20 BEING A POINT ON THE WEST LINE OF SAID SEC. 11 WHENCE THE SOUTH 1/4 CORNER BEARS S00°09'54"E A DISTANCE OF 555.32 FEET. CONTAINING 0.91 ACRES MORE OR LESS.

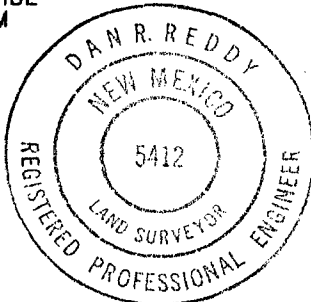
1322.12 FEET = 80.13 RODS

## CERTIFICATION OF RESPONSIBLE SURVEYOR:

THIS IS TO CERTIFY THAT THE FOREGOING PLAT WAS MADE FROM FIELD NOTES OF A BONA FIDE SURVEY, MADE BY ME, MEETING THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO, AND IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

*Dan R. Reddy*

DAN R. REDDY NM PE&PS NO. 5412  
401 W. GREENE ST., P.O. BOX 597  
CARLSBAD, NM 88221-0597  
KAISER - FRANCIS PIPELINE  
SURVEYED 4/22/04



**PROPOSED  
SPECIAL RULES AND REGULATIONS  
FOR THE  
EAST HAPPY VALLEY BONE SPRING POOL**

RULE 1. Each well completed or recompleted in the East Happy Valley Bone Spring Pool ~~Q~~ in the Second Bone Spring limestone zone in the Bone Spring formation within one mile thereof between the depths of 6,312 feet and 6,452 feet as delineated by that open hole log for the Kaiser-Francis Oil Company Mesa Grande "11" Well No. 2 (API No. 30-015-33720) and not nearer to or within the limits of another designated Bone Spring oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, ~~consisting of the W/2 W/2, E/2 W/2, W/2 E/2, or E/2 E/2 of a governmental half-section~~ being a legal subdivision of the United States Public Lands Survey, provided however, nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising one or more governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to any outer boundary of the spacing and proration unit and no closer than 10 feet to any quarter-quarter section line of a subdivision inner boundary.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 382 barrels per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. The limiting gas-oil ratio for the East Happy Valley Bone Spring Pool shall be 4,000 cubic feet of gas per barrel of oil produced.

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

2005 JUL 27 PM 3 20

**IN THE MATTER OF THE APPLICATION  
OF KAISER-FRANCIS OIL COMPANY FOR  
POOL CREATION, PROMULGATION OF SPECIAL  
POOL RULES, FOR AN EXCEPTION TO THE GAS-OIL  
RATIO LIMITATION, ASSIGNMENT OF A SPECIAL  
DEPTH BRACKET ALLOWABLE AND TEMPORARY  
SUSPENSION OF DRILLING PERMITS WITHIN THE  
UNDESIGNATED PORTIONS OF THE PROPOSED POOL,  
EDDY COUNTY, NEW MEXICO**

CASE NO. 13771

**APPLICATION**

Kaiser-Francis Oil Company by its undersigned attorneys, Miller Stratvert P.A. (J. Scott Hall) hereby makes application for an order creating a new pool in the Second Bone Spring formation comprised of the W/2 of Section 11, T22S, R26E, NMPM, Eddy County, New Mexico and for the promulgation of special pool rules establishing 320-acre spacing and proration units with the option for a second well and designated well locations. Applicant further seeks an exception from the gas oil ratio limitation under Division Rule 506 A that would permit wells drilled within the proration unit within the pool to produce up to a GOR limitation of three thousand cubic feet of gas for each barrel of oil produced, along with a commensurate increase in the depth bracket allowable under Division Rule 505. In support thereof, Applicant would show the Division:

1. Applicant is the operator of the Mesa-Grande 11 Well No. 2 (API No. 30-015-3720) drilled to the undesignated Happy Valley Strawn Gas Pool (78060) and the South Carlsbad Morrow Gas Pool (73960) at an unorthodox deep gas well location 2661' FSL and 660' FWL (Unit L) of Section 11, T22S, R26E.

2. The unorthodox deep gas well location for the Mesa-Grande 11 Well No. 2 was authorized by the Division's Administrative Order NSL-5133 issued on November 17, 2004. Efforts to complete the Mesa-Grande 11 Well No. 2 in the Morrow and Strawn formations were unsuccessful due to mechanical failure. Consequently, Applicant obtained the Division's authorization to complete the Mesa-Grande 11 Well No. 2 in the Delaware and/or Bone Spring intervals. (Case No. 13594; Order No. R-12459, December 1, 2005.)

3. In January 2006, Applicant recompleted the Mesa-Grande 11 Well No. 2 in the Second Bone Spring limestone formation with perforations in the interval between 6321' and 6426'.

4. Geologic and engineering data obtained from the Mesa-Grande 11 Well No. 2 show that the well is located in a new common source of supply and to efficiently produce the reserves from this new pool, special acreage dedication and well location requirements are appropriate. The subject well is capable of draining areas in excess of the standard 40-acre unit assigned to the well under the Division's statewide rules.

5. PVT data obtained from the well indicates the discovery of a relatively small oil reservoir with a large gas column. Further, formation permeability is relatively high and indicates that the 320-acre reservoir can be adequately drained by one well. After one month of production, reservoir pressure has declined 400 psi which is indicative of a reservoir of small size. Development of the reservoir with spacing units smaller than 320-acres would result in the inefficient recovery of hydrocarbon resources.

6. Initial production data for the well shows that the well is capable of producing approximately 157 BOPD and 1391 MCFPD with a flowing tubing pressure of 1600 psig with the well on a 16/64<sup>th</sup> choke.

7. As a result of the producing characteristics of this reservoir, 320-acre well spacing and acreage dedication requirements are indicated, along with 660' designated well location setbacks. At the current rate of production of 157 BOPD with the existence of a gas cap on the reservoir, wells in the proposed 320-acre proration unit could not be efficiently produced under the restriction of the statewide gas oil ratio limitation of 2000 cubic feet of gas for each barrel of oil produced. Allowing wells in the proration unit to produce up to a GOR limitation of 3000 cubic feet of gas for each barrel of oil produced and with a commensurate increase of the depth bracket allowable will enable the operator of the pool to more efficiently produce the hydrocarbons within the reservoir and is otherwise in the interest of conservation, the prevention of waste and the protection of correlative rights.

8. The pool is a new discovery, the name for which has not yet been established pursuant to the Division's nomenclature process. On approximately July 26, 2006, Applicant submitted its Form C-109 Application for Discovery Allowable and Creation of a New Pool requesting that the pool be named the Living Desert Second Bone Spring Pool or alternatively the Pecos Valley Second Bone Spring Pool or Carlsbad South Second Bone Spring Pool. Applicant proposes that the vertical limits of the proposed pool in the W/2 of Section 11 conform to the stratigraphic equivalent of the Second Bone Springs interval occurring between 6,312 and 6,452' as shown on the open hole logs of the Mesa Grande 11 Well No. 2.

9. Applicant seeks the promulgation of special pool rules and regulations which provide for spacing units in the Second Bone Spring formation comprised of 320-acre units with the option for a second well with wells to be located no closer than 660' from the outer boundary of the quarter section on which the well is located and no closer than 10' to any quarter-quarter



section line or inner boundary subdivision. Applicant further proposed to have the horizontal boundaries of the new pool to be comprised of the W/2 of Section 11, T22S, R26E.

10. Applicant further requests that the Division suspend and otherwise withhold approval for all applications for permits to drill within the vertical and horizontal boundaries of the proposed pool and the undesignated portions thereof, at well locations that are inconsistent with the 660' well location setback requirement being proposed for the new pool.

11. The adoption of special pool rules and regulations for the new pool and the creation of the pool to include the W/2 of said Section 11 is necessary and appropriate for the orderly and efficient development of Second Bone Spring formation reserves. Second Bone Spring formation oil reserves in the vicinity are best developed and produced on 320-acre units so that the unnecessary dissipation of reservoir energy, the violation of correlative rights, a reduction of the ultimate recovery reserves and the drilling of unnecessary wells may be avoided.

WHEREFORE, Kaiser-Francis Oil Company request this Application be set for hearing before a duly appointed examiner of the Oil Conservation Division on September 14, 2006 and that after notice and hearing as required by law in the Rules of the Division, the Division enter its order granting this Application and providing such other relief as deemed appropriate.

Respectfully submitted,



J. Scott Hall, Esq.  
MILLER STRATVERT P.A.  
Attorneys for Kaiser-Francis Oil Company  
Post Office Box 1986  
Santa Fe, New Mexico 87504-1986  
(505) 989-9614

DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico  
Energy, Minerals & Natural Resources Department

Form C-102  
Revised August 15, 2000  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III  
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION  
2040 South Pacheco  
Santa Fe, NM 87505

☐ AMENDED REPORT

DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name MESA 11 GRANDE	Well Number 2
OGRID No. 012361	Operator Name KAISER-FRANCIS OIL COMPANY	Elevation 3175'

Surface Location

UL or lot No. L	Section 11	Township 22 S	Range 26 E	Lot Idn	Feet from the 2661	North/South line SOUTH	Feet from the 660	East/West line WEST	County EDDY
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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
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Dedicated Acres 320	Joint or Infill	Consolidation Code	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

<p>DEDICATED ACREAGE</p> <p>Plane Coordinate X = 519,690.3 Y = 511,818.9</p> <p>2700'</p> <p>660'</p> <p>2661'</p> <p>NOTE: 1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p>	<p>RECEIVED NOV 09 2004 OIL-ARTESIA</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>Drew Tyler</u> Signature DREW TYLER Printed Name ENGINEER Title 11/08/04 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>October 27, 2004 Date Surveyed Signature &amp; Seal of Professional Surveyor 12185 W.O. Num. 2004-0669 Certificate No. MACON McDONALD 12185</p>
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Submit 3 Copies To Appropriate District Office  
District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Ave., Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
May 27, 2004

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO. 015-33720

5. Indicate Type of Lease  
STATE ☐ FEE ☒

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name  
Mesa "11" Grande

8. Well Number 2

9. OGRID Number 012361

10. Pool name or Wildcat  
Happy Valley (Strawn)

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☐ Other ☐ Dry ☐

2. Name of Operator  
Kaiser-Francis Oil Company

3. Address of Operator  
P. O. Box 21468, Tulsa, OK 74121-1468

4. Well Location  
Unit Letter L : 2661 feet from the South line and 660 feet from the West line  
Section 11 Township 22S Range 26E NMPM Eddy County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3175 GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type \_\_\_\_\_ Depth to Groundwater \_\_\_\_\_ Distance from nearest fresh water well \_\_\_\_\_ Distance from nearest surface water \_\_\_\_\_

Pit Liner Thickness: \_\_\_\_\_ mil Below-Grade Tank: Volume \_\_\_\_\_ bbls; Construction Material \_\_\_\_\_

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐  
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐  
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐  
COMMENCE DRILLING OPNS. ☐ P AND A ☐  
CASING/CEMENT JOB ☒

OTHER: Spud date ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Spud date: 1/13/05

Casing detail:

1/13/05 Ran 13 3/8", 48#, H-40 csg & set @ 410'. Cmt'd w/1195 sxs C1 C cmt. Topped out at surface - visible. WOC - 21 hrs. Tested to 1500# for 45 min. - held okay.  
1/19/05 Ran 9 5/8", 36#, J-55 csg & set @ 2318'. Cmt'd w/550 sxs HLP & 300 sxs C1 C. TOC @ surf. Circ'd 100 sxs to surf. WOC - 22 hrs. Tested to 1500# for 45 min. - held okay. Cmt was visible at surf.  
2/22/05 Ran 5 1/2", 17#, N-80 csg & set @ 11500'. Cmt'd w/725 sxs C1 H cmt. TOC @ 8723'. DV tool set @ 8723'. Cmt'd w/900 sxs C1 H cmt. TOC @ 7430'. TOC determined by CBL (attached). WOC - 33 hrs. Tested to 2000# for 45 min. - held okay.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Jan Valkenburg TITLE Technical Coordinator DATE 1/17/06

Type or print name Charlotte Van Valkenburg E-mail address: Charlotv@KFOC.net Telephone No. 918-491-4314  
For State Use Only

APPROVED BY: \_\_\_\_\_ FOR RECORDS ONLY \_\_\_\_\_ DATE JAN 20 2006  
Conditions of Approval (if any): \_\_\_\_\_

Summary of Reservoir Data  
Second Bone Springs Lime @ 6,312' to 6,452'  
KFOC Mesa "11" Grande No. 2 Well  
2,661' FSL & 660' FWL Section 11-22S-26E  
Eddy County, New Mexico

Parameter	Value
net pay > 4% Density Porosity	64'
Avg Porosity	6.30%
Avg Water Saturation	22%
Initial Formation Pressure	2,931 psig@ 6,373'
Formation Temperature	119
Gas Gravity	0.7
API Oil Gravity	43.4
Formation Volume Factor @ Pi	1.47

Kaiser-Francis Oil Company  
Mesa "11" Grande 2  
Sec. 11-22S-26E  
Eddy Co., NM  
Application for Discovery Allowable and  
Creation of a New Pool C-109

**Kaiser-Francis Oil Company  
Drilling Procedure Summary**

**Mesa 11 Grande 2  
11-22S-26E  
Eddy Co., NM.**

**DRILLING CONTRACTOR:**

Grey Wolf – Rig 714 – See attached specifications.

**ESTIMATED FORMATION TOPS:**

Delaware	2355'	Lower Strawn	10056'
Cherry Canyon	2661'	Atoka	10320'
Brushy Canyon	4517'	Morrow Carbs	10683'
Bone Springs Carb.	4839'	Morrow A Sd	11013'
Bone Springs 1 <sup>st</sup> sd	6064'	Morrow B Sd	11075'
Bone Springs 2 <sup>nd</sup> sd	6657'	Morrow C Sd	11170'
Bone Springs 3 <sup>rd</sup> sd	8129'	Lower Morrow	11255'
Wolfcamp	8525'	Mississippi	11482'
Strawn	9946'		

**CASING PROGRAM:**

Hole Size	Casing	Depth	Cement	TOC
17 1/2"	13 3/8"	500'	545 sxs	Surface
12 1/4"	9 5/8"	2,600'	860 sxs	Surface
7 7/8"	5 1/2"	11,500'	315 sxs	9500'

Proposed cementing program attached. Will use Halliburton or equivalent.

**MUD PROGRAM: (SUBJECT TO CHANGES PENDING ON HOLE CONDITIONS)**

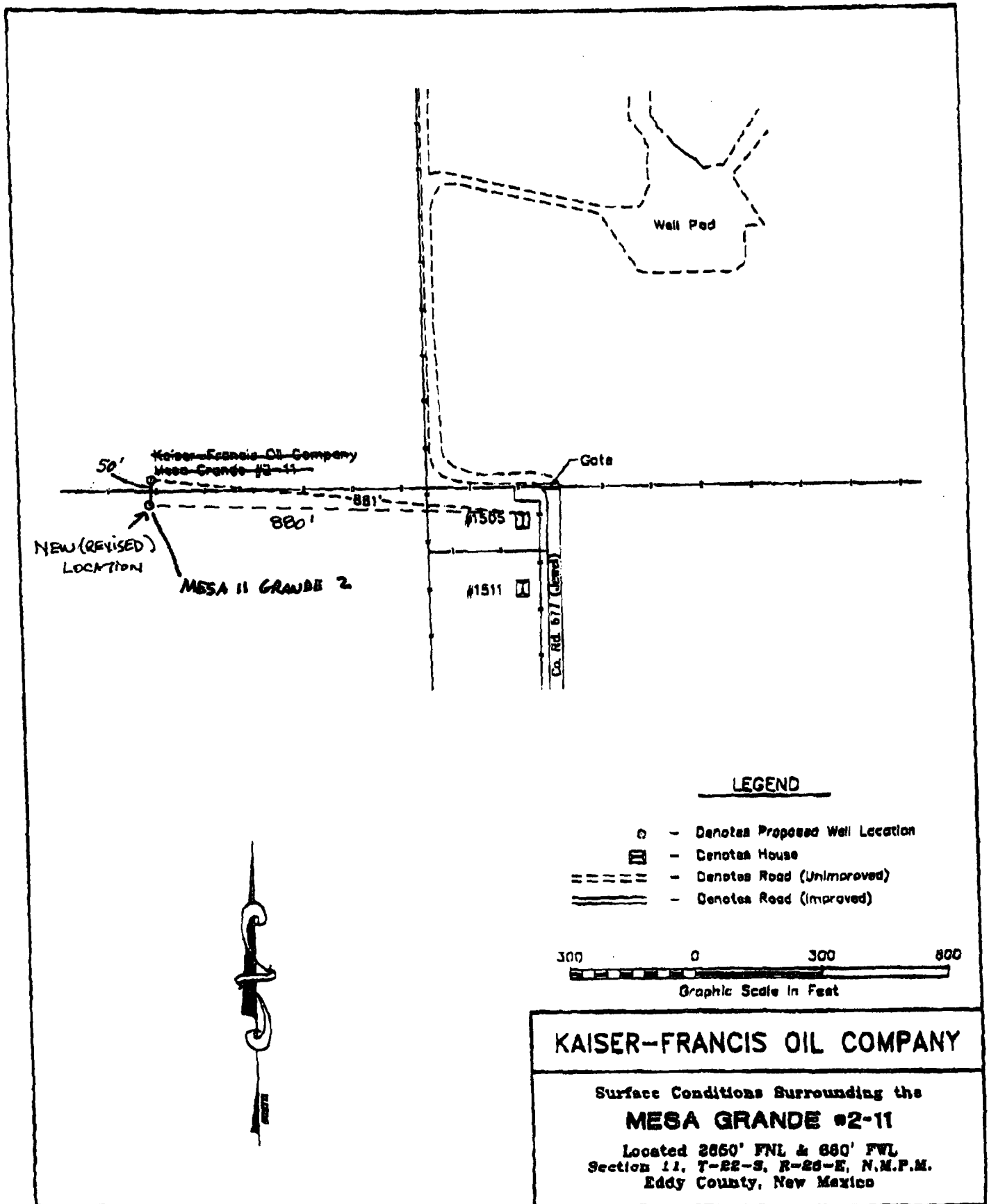
Depth	Mud Type	Weight
0-500'	Fresh Water/Spud	8.4 – 9.0
500'-2600'	Fresh Water w/LCM as needed	8.4 – 9.0
2600'-8500'	Fresh Water w/LCM as needed	8.4 – 9.2
8500'- TD	Brine 35+ vis, FL 6-8 across zones of interest	9.8 – 11.0

**HYDROGEN SULFIDE CONTINGENCY PLAN:**

This well/facility is not expected to have hydrogen sulfide in excess of 100 PPM, but due to the sensitive location, a contingency plan has been included with this permit. See attached.

**BLOWOUT PREVENTION PROGRAM:**

See attached.



FAXED *New Tyler*

**PROPOSED  
SPECIAL RULES AND REGULATIONS  
FOR THE  
EAST HAPPY VALLEY BONE SPRING POOL**

RULE 1. Each well completed or recompleted in the East Happy Valley Bone Spring Pool or in the Second Bone Spring limestone zone in the Bone Spring formation within one mile thereof between the depths of 6,312 feet and 6,452 feet as delineated by that open hole log for the Kaiser-Francis Oil Company Mesa Grande "11" Well No. 2 (API No. 30-015-33720) and not nearer to or within the limits of another designated Bone Spring oil pool, shall be spaced, drilled, operated and produced in accordance with the Special Rules hereinafter set forth.

RULE 2. Each well shall be located on a standard unit containing 160 acres, more or less, consisting of the W/2 W/2, E/2 W/2, W/2 E/2, or E/2 E/2 of a governmental half-section being a legal subdivision of the United States Public Lands Survey, provided however, nothing contained herein shall be construed as prohibiting the drilling of a well on each of the quarter-quarter sections in the unit.

RULE 3. The Director of the Oil Conservation Division, hereinafter referred to as the "Division", may grant an exception to the requirements of Rule 2 without notice and hearing when an application has been filed for a non-standard unit comprising one or more governmental quarter-quarter sections or lots, or the unorthodox size or shape of the tract is due to a variation in the legal subdivision of the United States Public Land Surveys. All operators offsetting the proposed non-standard unit shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all offset operators or if no offset operator has entered an objection to the formation of the non-standard unit within 30 days after the Director has received the application.

RULE 4. Each well shall be located no closer than 660 feet to any outer boundary of the spacing and proration unit and no closer than 10 feet to any quarter-quarter section line of a subdivision inner boundary.

RULE 5. The Division Director may grant an exception to the requirements of Rule 4 without hearing when an application has been filed for an unorthodox location necessitated by topographical conditions or the recompletion of a well previously drilled to another horizon. All operators offsetting the proposed location shall be notified of the application by registered or certified mail, and the application shall state that such notice has been furnished. The Director may approve the application upon receipt of written waivers from all operators offsetting the proposed location or if no objection to the unorthodox location has been entered within 20 days after the Director has received the application.

RULE 6. The allowable for a standard proration unit (158 through 162 acres) shall be based on a depth bracket allowable of 382 barrels per day, and in the event there is more than one well on a 160-acre proration unit, the operator may produce the allowable assigned to the unit from the wells on the unit in any proportion. The allowable assigned to a non-standard proration unit shall bear the same ratio to a standard allowable as the acreage in such non-standard unit bears to 160 acres.

RULE 7. The limiting gas-oil ratio for the East Happy Valley Bone Spring Pool shall be 4,000 cubic feet of gas per barrel of oil produced.