

PLAN OF OPERATION/DEVELOPMENT

FOR CALENDAR YEAR 2009

BELL LAKE SOUTH UNIT (CR: NM68292X)

BELL LAKE NORTH UNIT (NO. 14-08-001-1066)

LEA COUNTY, NEW MEXICO

563

RECEIVED

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BUREAU OF LAND MANAGEMENT  
2909 W. 2<sup>nd</sup> St.  
ROSWELL, NEW MEXICO 88201  
ATTN: MINERALS

COMMISSIONER OF PUBLIC LANDS (3)  
STATE OF NEW MEXICO  
P.O. BOX 1148  
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION DIVISION (2)  
DEPARTMENT OF ENERGY & MINERALS  
STATE OF NEW MEXICO  
1220 S. SAINT FRANCIS DR.  
SANTA FE, NEW MEXICO 87505-4000

Gentlemen:

In compliance with Section 10 of the Bell Lake Agreement dated May 12, 1953, Kaiser-Francis, as Unit Sub-Operator, hereby submits for approval a Plan of Operation/Development for the year 2009.

SUMMARY OF 2008 OPERATIONS

The participating area "A" produced gas and liquids during 2008 as shown below:

<u>Participating Area "A"</u>	<u>For Year Through 12/31</u>		<u>Daily AVG.</u>	
	<u>MCF</u>	<u>Bbls</u>	<u>MCF</u>	<u>Bbls</u>
Atoka	73,650	532	201.8	1.5
Morrow	702,772	411	1925.4	1.1
Bone Springs	4,365	1,156	12.0	3.2
Cherry Canyon	4,365	997	12.0	2.7
Delaware	65,263	7,537	178.8	20.6

<u>Participating Area "B"</u>	<u>For Year Through 12/31</u>		<u>Daily AVG.</u>	
	<u>MCF</u>	<u>Bbls</u>	<u>MCF</u>	<u>Bbls</u>
Morrow	314,696	444	862.2	1.2
Devonian	411,828	248	1128.3	0.7
Delaware	1,582	1,010	4.3	2.8

#### ACTIVITY IN 2008

In "Area A" (South Bell Lake Unit) Kaiser Francis Oil Company farmed out acreage to Bold Energy which drilled the SBLU #23 well to the Morrow, which found depleted pay and was plugged back to the Delaware where it is producing. Bold drilled and completed the SBLU #25 to the Morrow and made a successful completion which in 2008 was TA'd due to mechanical issues. Bold Energy also drilled the SBLU #27 as a Delaware test (twin to the #25) which is producing. Bold Energy then sold in 6/08 to Oxy which drilled the SBLU #28 as a Delaware offset to the SBLU #27. Oxy is currently drilling the SBLU #32 as a replacement Morrow test for the TA'd #25.

Kaiser Francis Oil Company drilled the SBLU #26 as an offset to the Bold Energy SBLU #25 and it is producing from the Morrow. Kaiser Francis Oil Company plugged back the TA'd SBLU #19 to the Bone Springs, which failed to produce at commercial rates in 2006. Chaparral, who owns the rights above 9,000', has taken over operations of the well in order to retest the Bone Springs which is currently shut-in pending additional work before testing the uphole (above 9,000') Delaware zones.

In "Area B" (North Bell Lake Unit) Devon's NBLU #22 well is still producing gas from the Morrow. The Devon operated NBLU #21 has

been recompleted to the Delaware after failing to produce commercial oil from the Bone Springs. The Devon operated NBLU #20 is essentially shut-in waiting on recompletion to the Delaware. Apache has recompleted the Amerada-Hess drilled NBLU 3-6 from the Ellenberger to the Devonian in 2008. Apache in December abandoned the Morrow at the Amerada-Hess drilled NBLU 2-5 which had previously been plugged back from the Ellenberger.

#### DEVELOPMENT IN 2009

Oxy is spudding the SBLU #29 as another Delaware offset to the SBLU #27 and #28. Oxy has plans to drill the SBLU #33 as a fourth Delaware producer in the SW/4 of Section 5. Pending results of the now drilling Oxy #32, Kaiser Francis Oil Company plans to drill an offset in SE/4 of Section 6 to the Morrow/Atoka in 2009. Pending results of the Oxy #29, Kaiser Francis Oil Company will drill one or two Delaware tests in the NW/4 of Section 5 as offsets.

Kaiser Francis Oil Company has a permit application pending BLM approval for re-entry of the SBLU #16 well to test the Delaware as an offset to the Oxy SBLU #28. Additionally, we plan to plug back the SBLU #18 to test the Delaware this year.

Apache will test the Delaware in the NBLU 2-5. Kaiser Francis Oil Company will begin re-entry operations at the NBLU 4-15 in 2/09 to complete this well for SWD service in the Delaware to initially dispose of water being produced at the Apache operated NBLU 3-6 and 2-5.

#### OFFSET OBLIGATIONS

Unit owners will take appropriate action within their control to prevent drainage of unitized substances from lands subject to the Bell Lake Unit Agreement or, pursuant to applicable regulations, fair and reasonable compensatory royalty will be paid as provided in Section 18 of said Agreement. There have been no wells drilled in recent years offsetting the South Bell Lake Unit.

#### MODIFICATION

It is understood that portions of the Plan of Operation/Development outlined above are dependent upon certain information to be obtained subsequent to work done in the past as well as other contingencies, and for these reasons, this Plan of Operation/Development may be modified from time to time, with like approval to meet changing conditions.

#### EFFECTIVE DATE

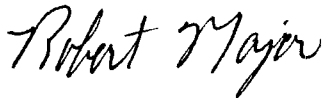
This Plan of Operation/Development shall be effective upon approval by the Supervisor, Commissioner, and Division.

Date: February 6, 2009

TERM

This Plan of Operation/Development is submitted for the period ending December 31, 2008. Subsequent to that date, another Plan of Operation/Development will be submitted for approval.

Submitted by:



Robert Major  
Production Records Manager  
Kaiser-Francis Oil Company  
Bell Lake South Unit Sub-Operator  
Tulsa, Oklahoma

Approved:

\_\_\_\_\_  
Bureau of Land Management

\_\_\_\_\_  
Date

\_\_\_\_\_  
Commissioner of Public Lands

\_\_\_\_\_  
Date

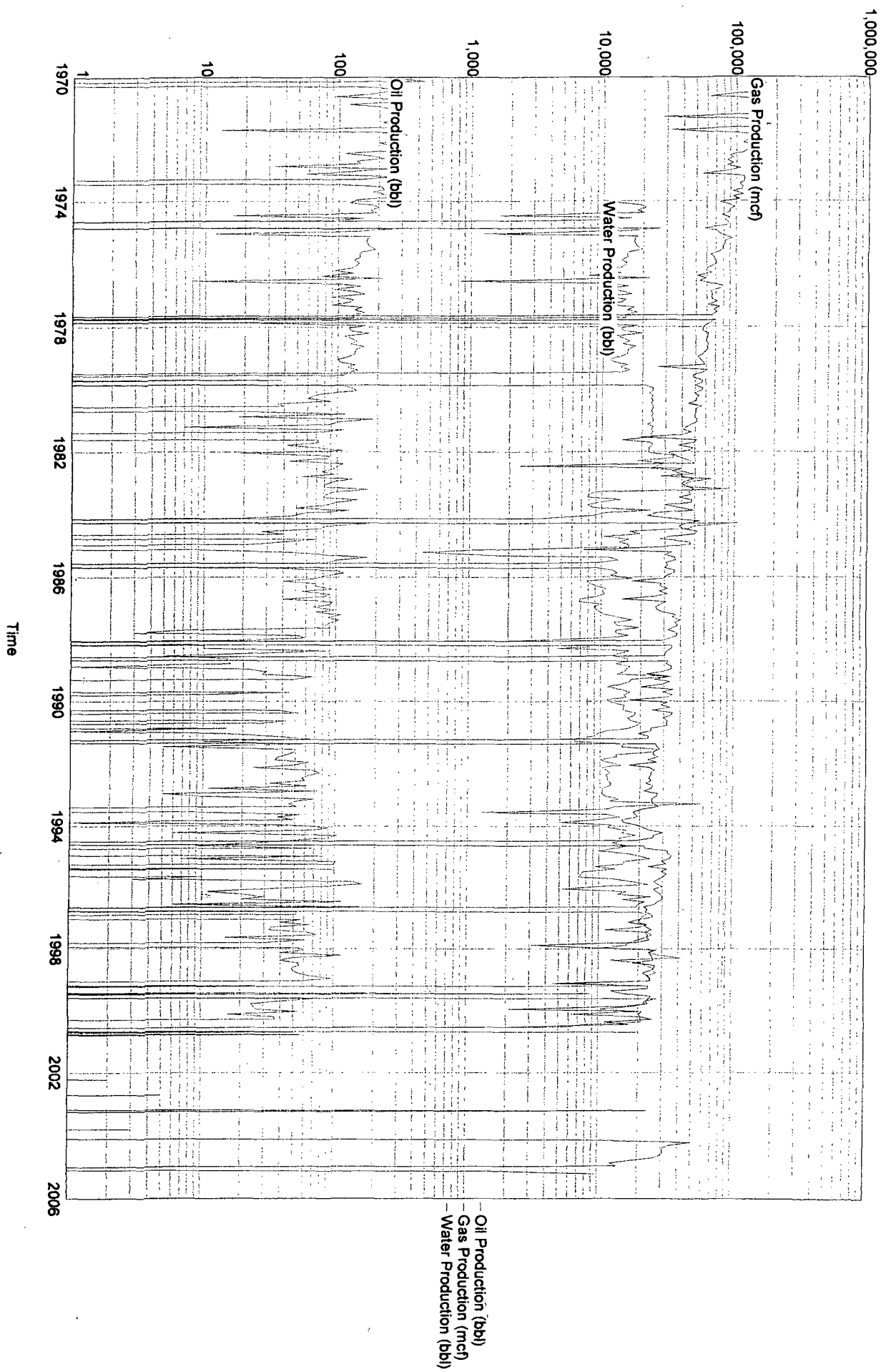
\_\_\_\_\_  
New Mexico Oil Conservation Division

\_\_\_\_\_  
Date

Lease Name: BELL LAKE N 2-6  
County, State: LEA, NM  
Operator: CONOCOPHILLIPS  
Field: UNKNOWN  
Reservoir:  
Location: 6 23S 34E

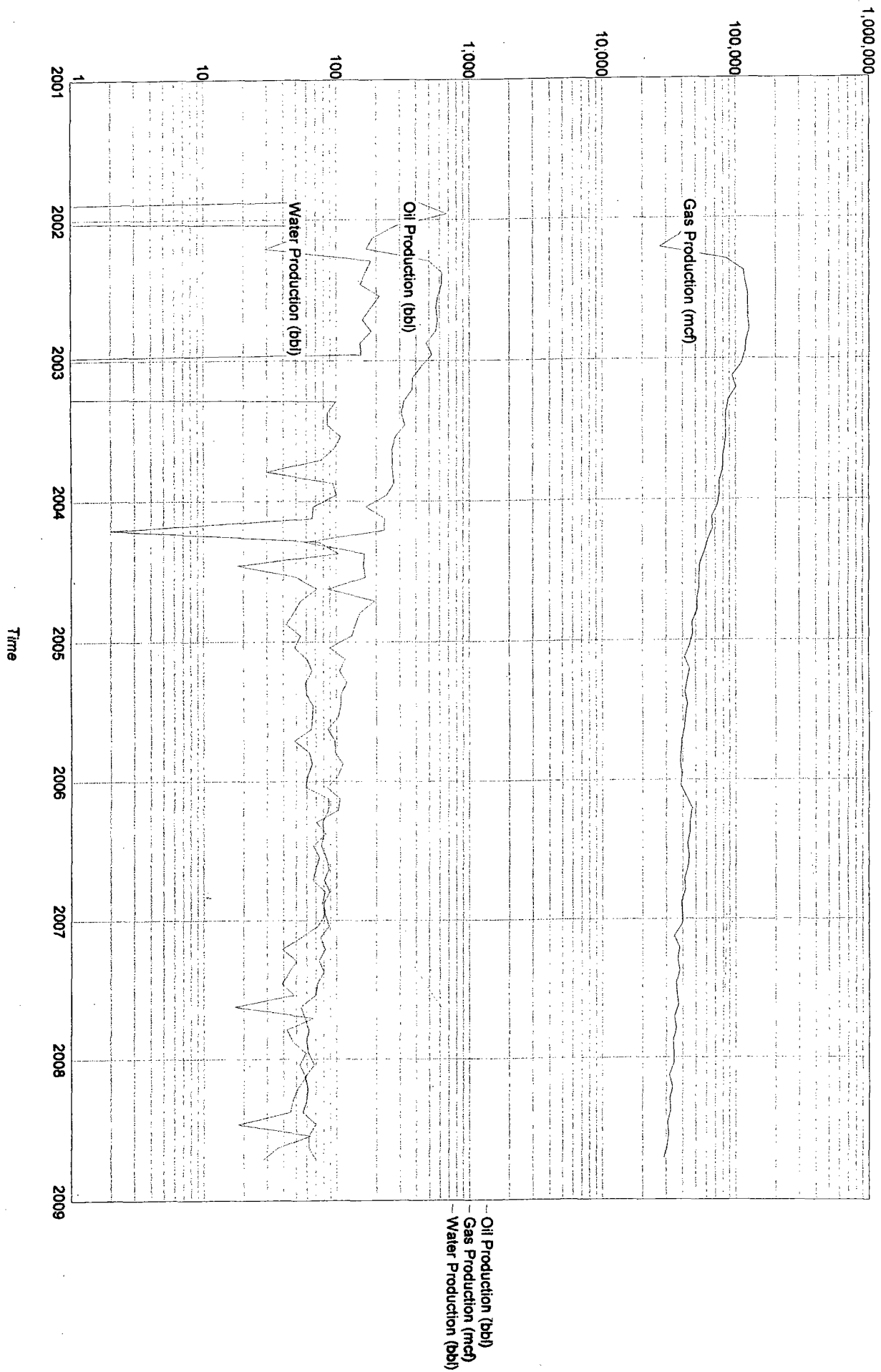
BELL LAKE N 2-6 - UNKNOWN

Production Rates



Lease Name: BELL LAKE UNIT 22  
County, State: LEA, NM  
Operator: DEVON ENERGY CO  
Field: Unknown Field  
Reservoir:  
Location: 31 22S 34E

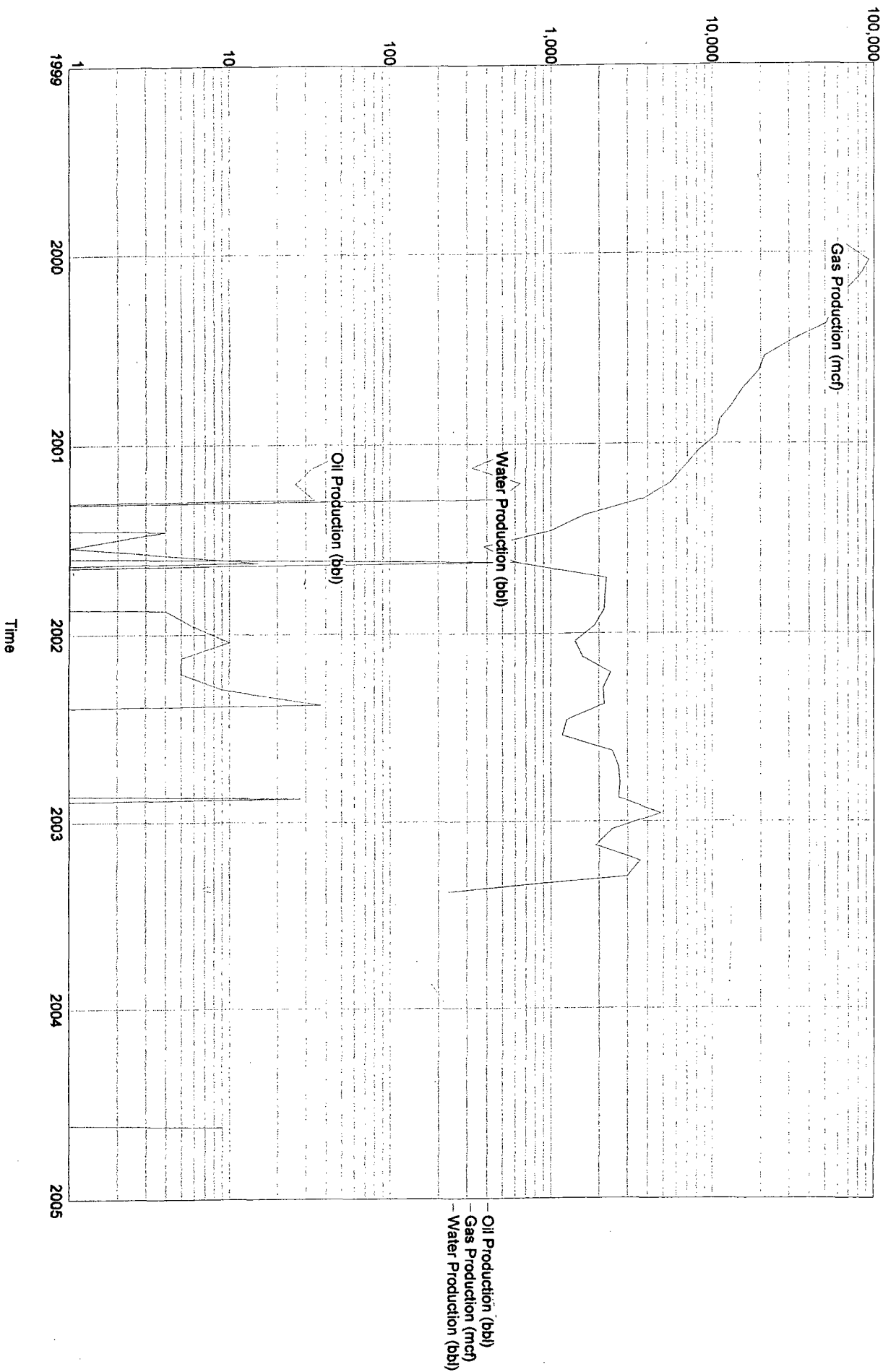
BELL LAKE UNIT 22 - Unknown Field



Lease Name: BELL LAKE UNIT 20  
County, State: LEA, NM  
Operator: DEVON SFS OPERA  
Field: Unknown Field  
Reservoir:  
Location: 32 22S 34E

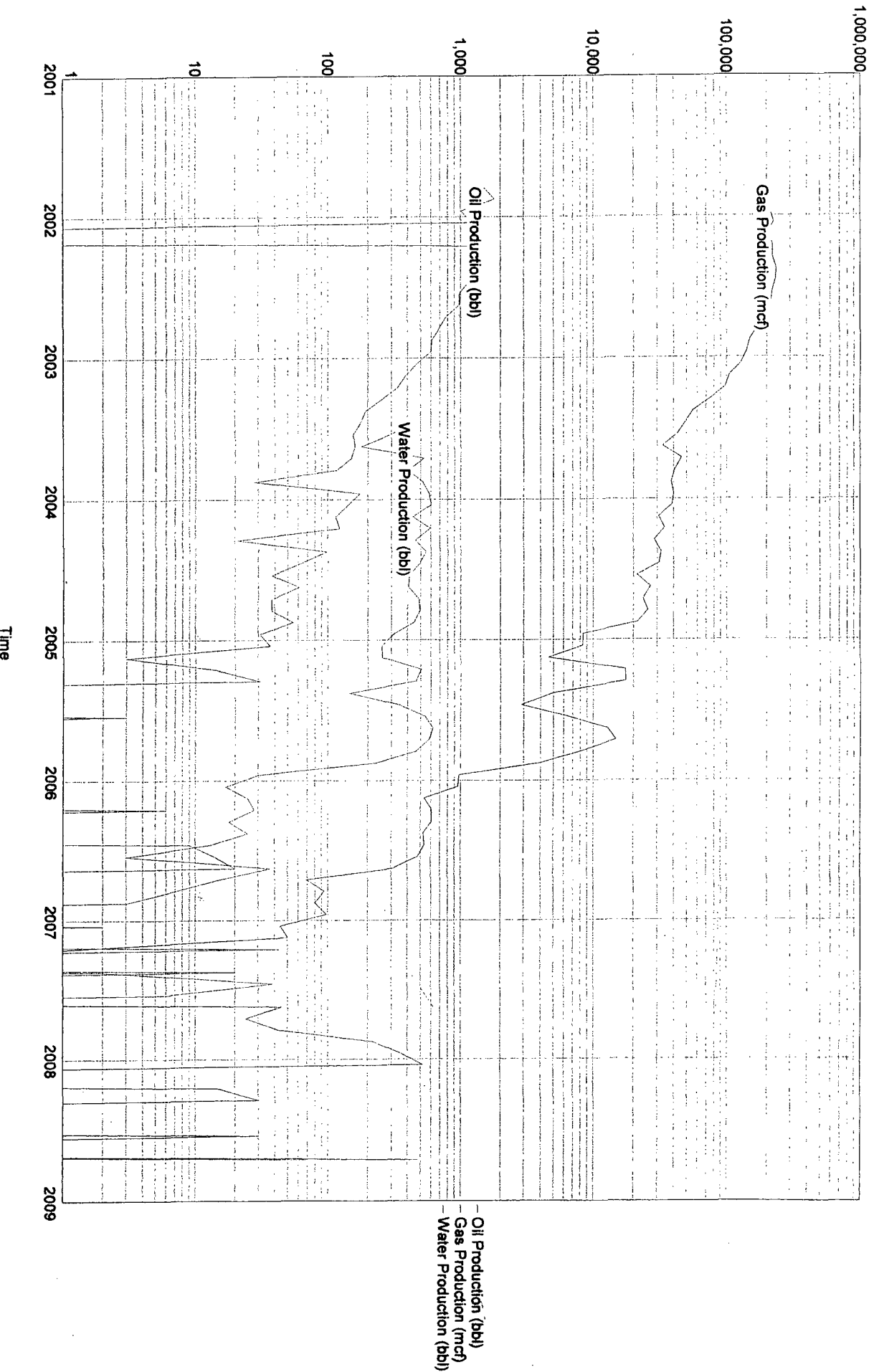
BELL LAKE UNIT 20 - Unknown Field

Production Rates



Lease Name: BELL LAKE UNIT 21      APO  
County, State: LEA, NM  
Operator: DEVON SFS OPERA  
Field: Unknown Field  
Reservoir:  
Location: 32 22S 34E

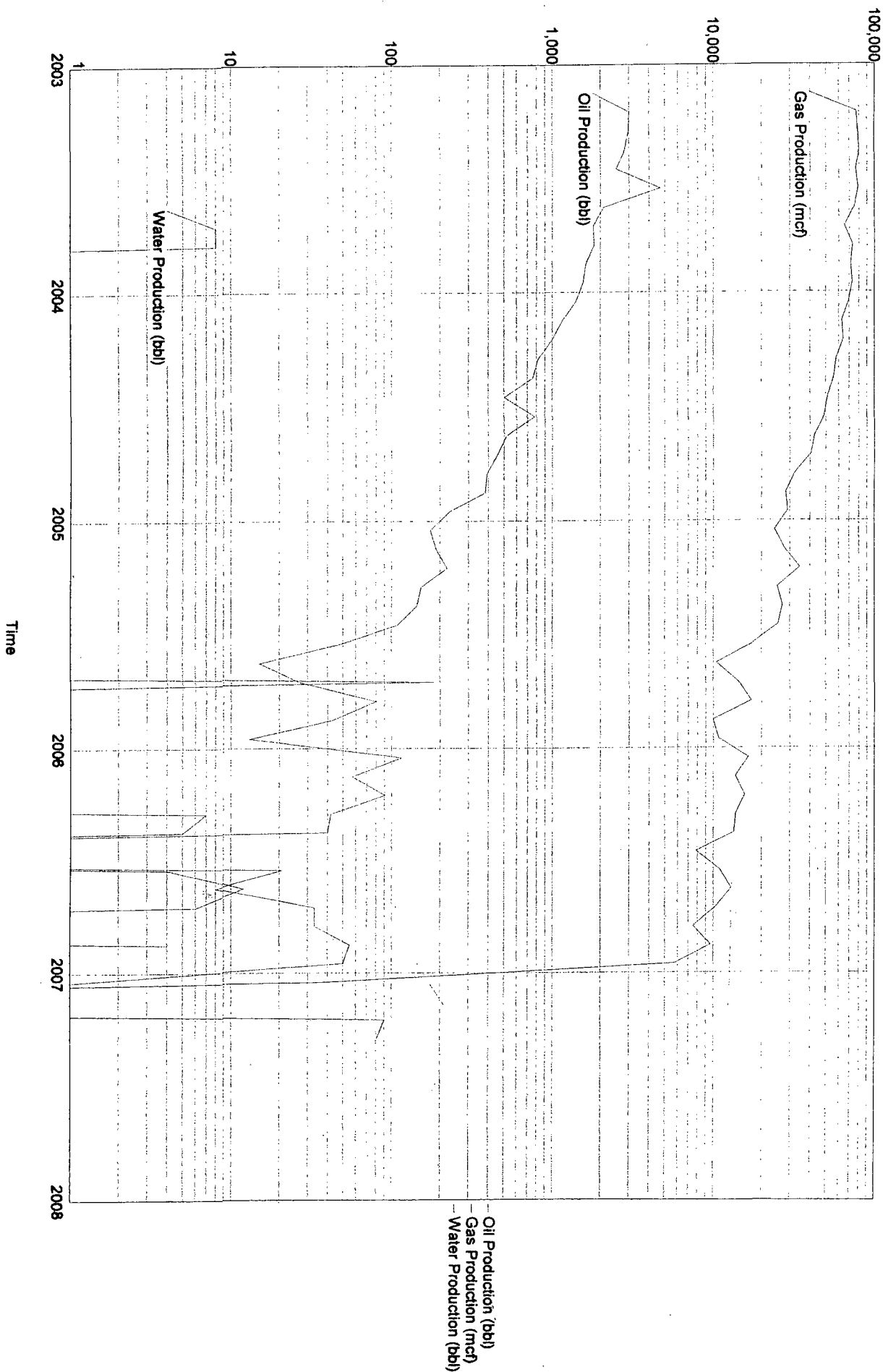
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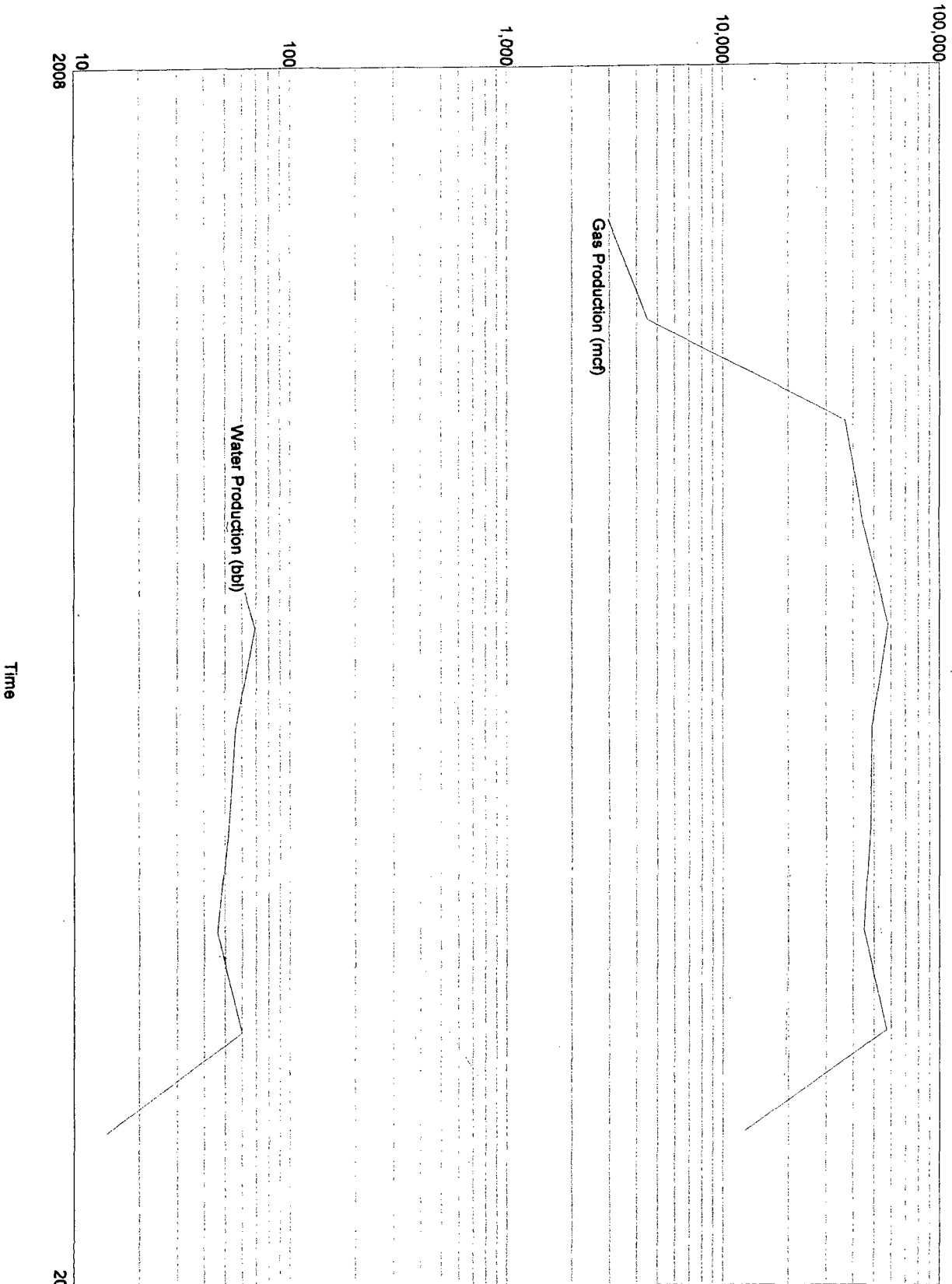
Lease Name: BELL LAKE N 2-5  
County, State: LEA, NM  
Operator: APACHE CORP  
Field: BELL LAKE  
Reservoir: MORROW  
Location: 5 23S 34E

BELL LAKE N 2-5 - BELL LAKE



Lease Name: BELL LAKE UNIT 26  
 County, State: LEA, NM  
 Operator: KAISER-FRANCIS  
 Field: Unknown Field  
 Reservoir:  
 Location: 6 24S 34E

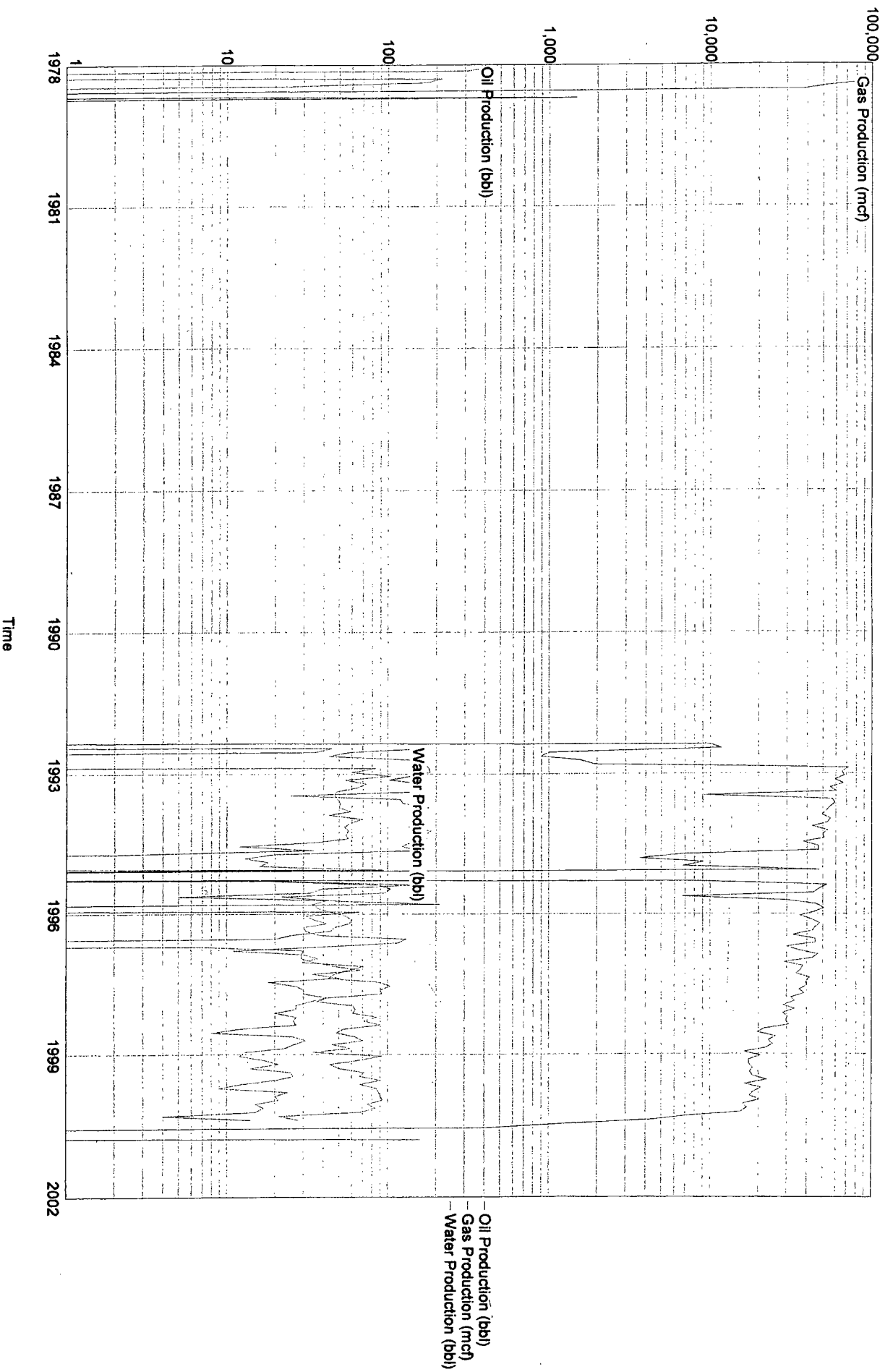
# BELL LAKE UNIT 26 - Unknown Field



Production Rates

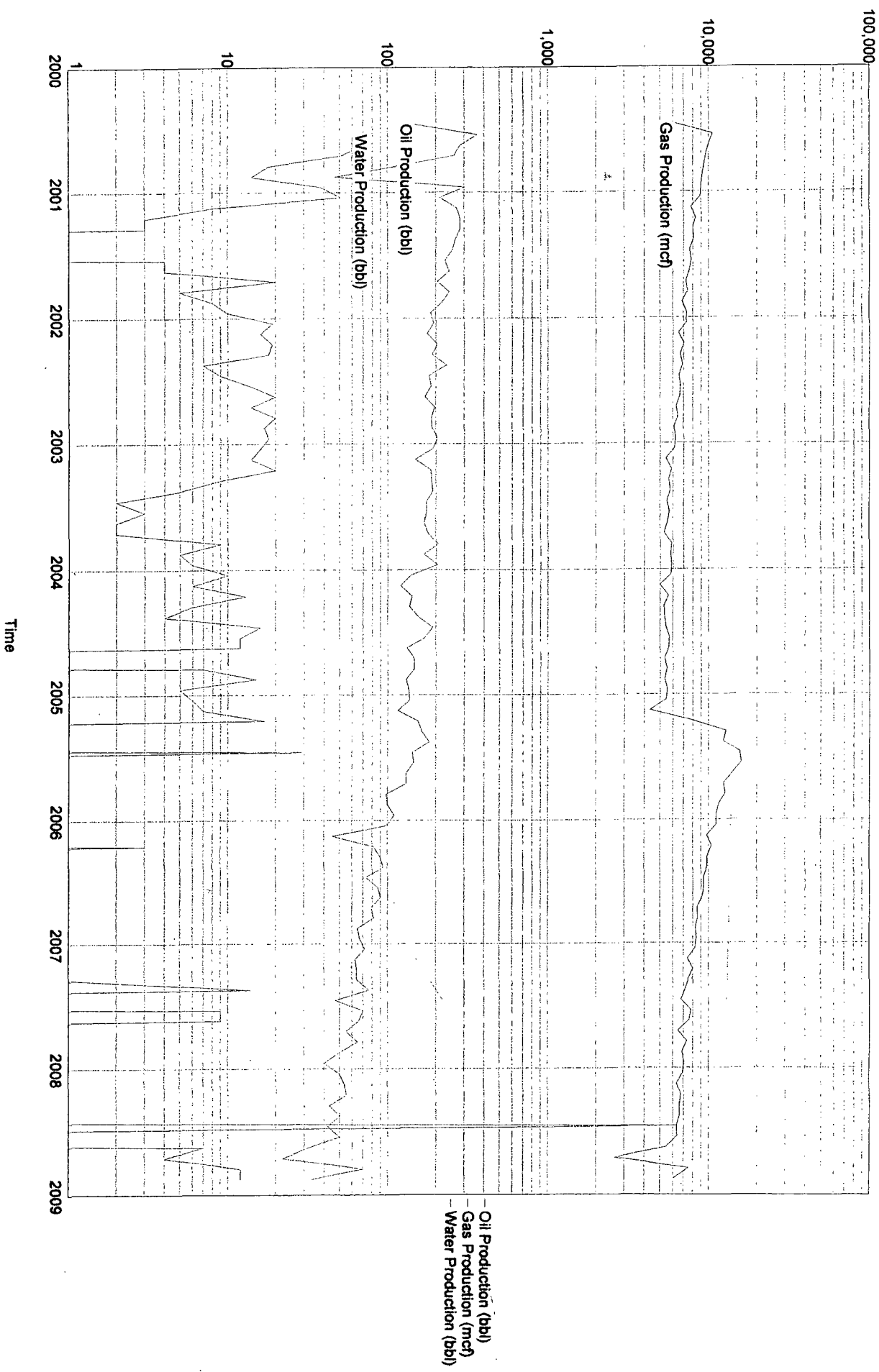
Lease Name: BELL LAKE S 3 18  
County/ State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: MORROW  
Location: 36 23S 33E

BELL LAKE S 3 18 - BELL LAKE



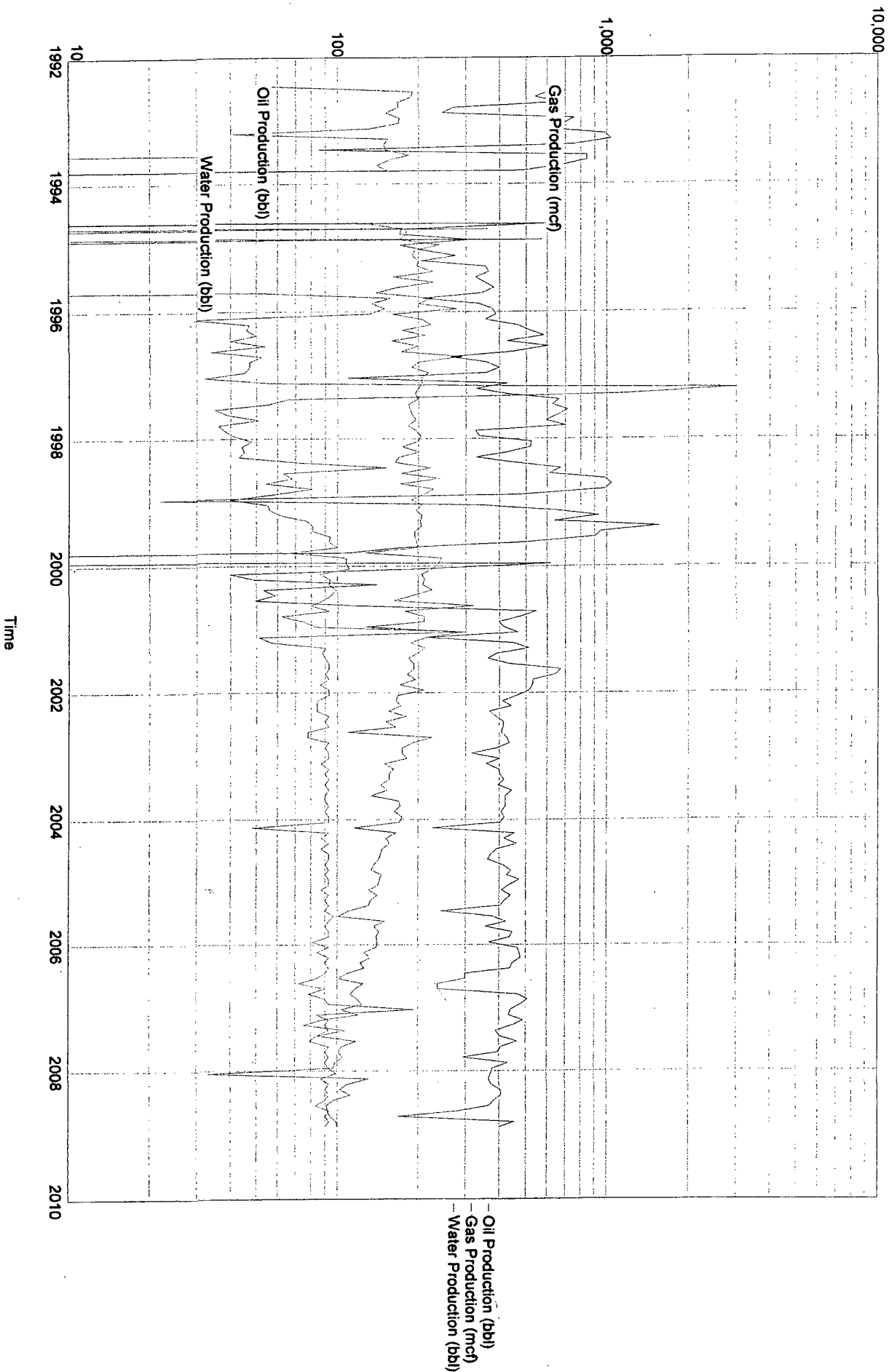
Lease Name: BELL LAKE S 3 14  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: ATOKA  
Location: 5 24S 34E

BELL LAKE S 3 14 - BELL LAKE



Lease Name: BELL LAKE S 3 (BONE SPRINGS)  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: BONE SPRINGS  
Location: 6 24S 34E

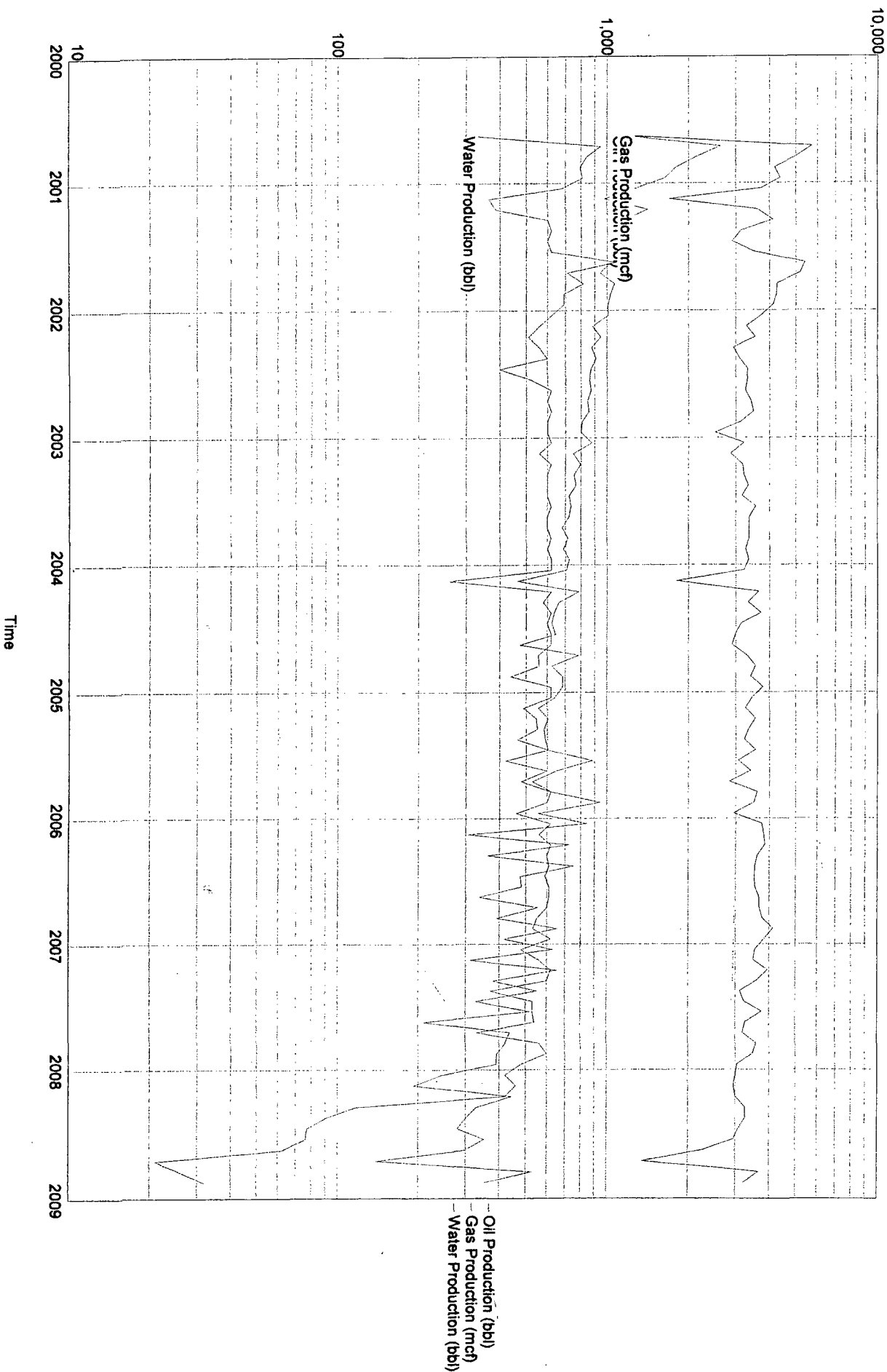
BELL LAKE S 3 (BONE SPRINGS) - BELL LAKE



Lease Name: BELL LAKE S 20-6  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: DELAWARE BRU  
Location: 6 24S 34E

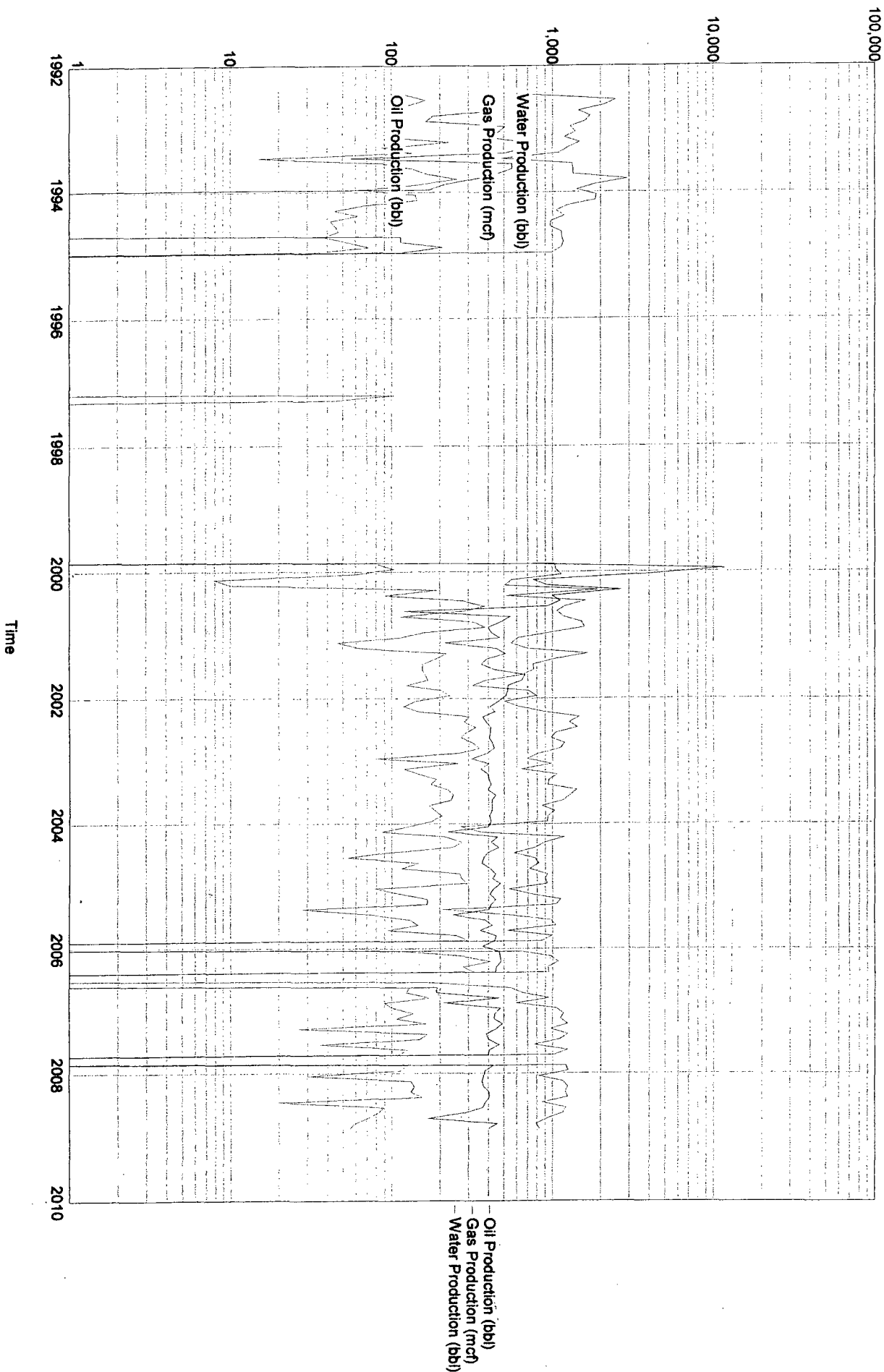
BELL LAKE S 20-6 - BELL LAKE

Production Rates



Lease Name: BELL LAKE S 1A&12 (CHERRY CANY  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: CHERRY CANYO  
Location: 31 23S 34E

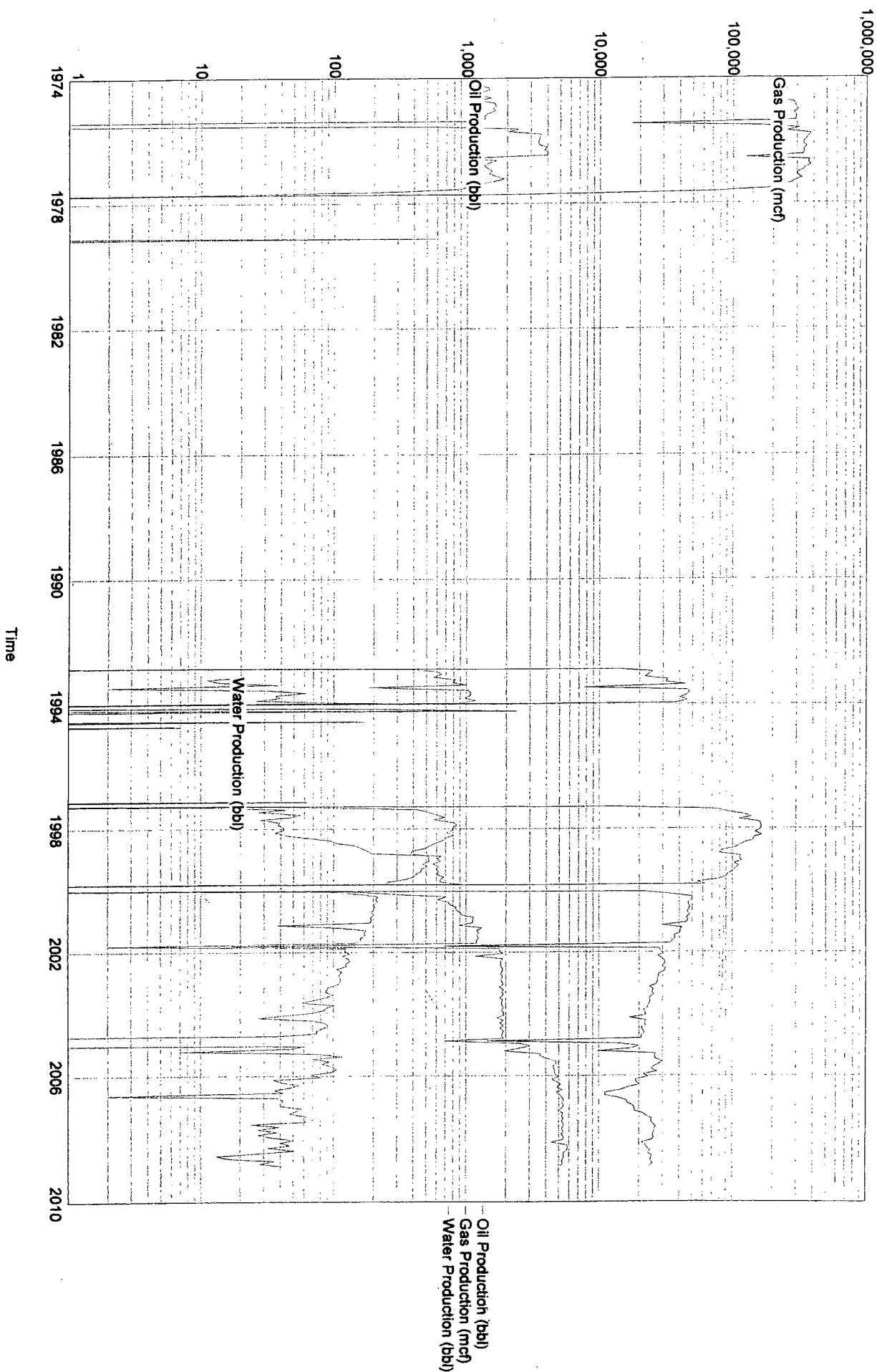
BELL LAKE S 1A&12 (CHERRY CANY - BELL LAKE



Lease Name: BELL LAKE S 1 4  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: MORROW  
Location: 6 24S 34E

BELL LAKE S 1 4 - BELL LAKE

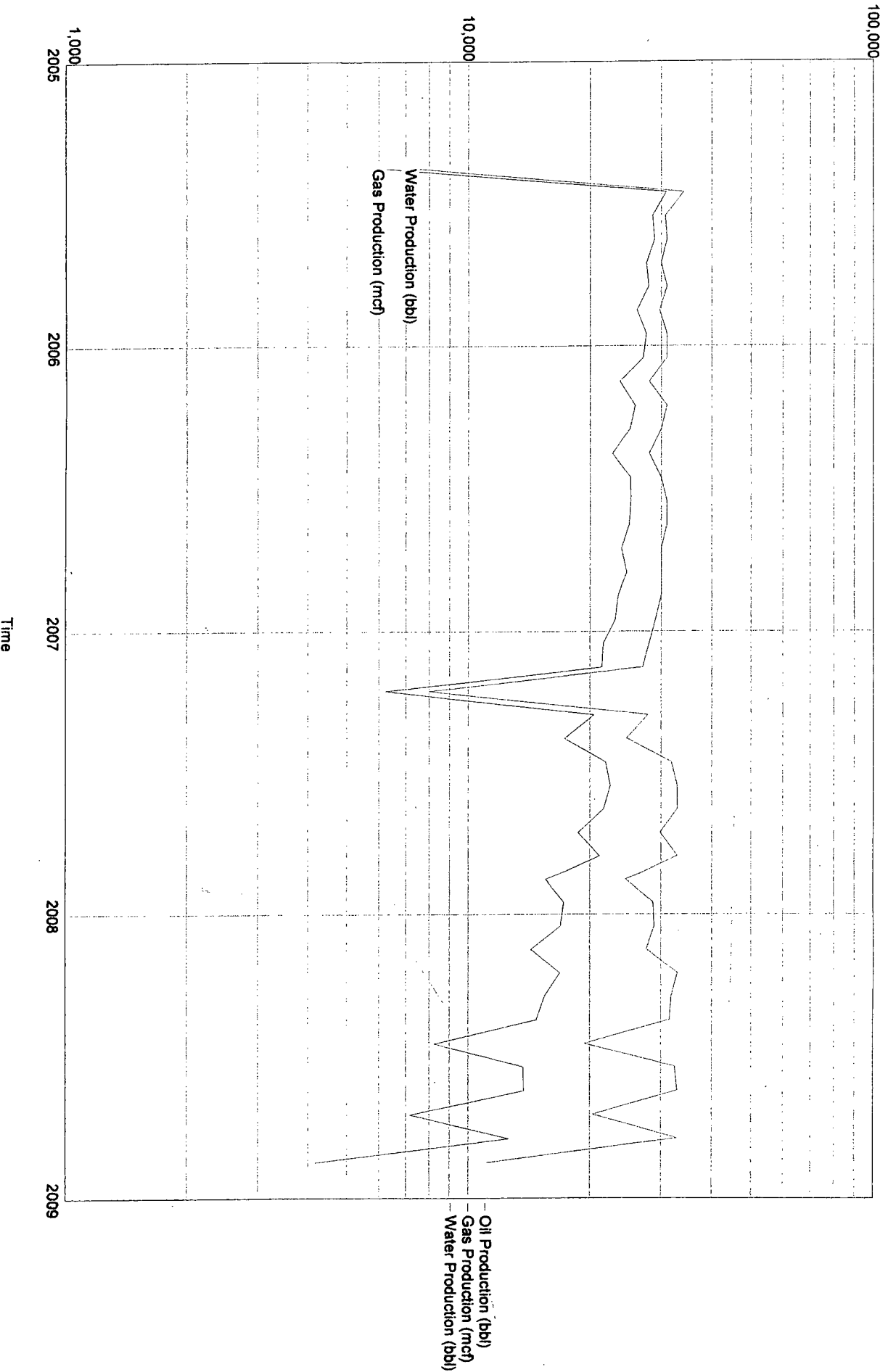
Production Rates





Lease Name: BELL LAKE N 2-6  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: DEVONIAN  
Location: 6 23S 34E

BELL LAKE N 2-6 - BELL LAKE



Lease Name: BELL LAKE 21-6  
County, State: LEA, NM  
Operator: KAISER-FRANCIS  
Field: BELL LAKE  
Reservoir: DELAWARE  
Location: 6 24S 34E

BELL LAKE 21-6 - BELL LAKE

