LARGE FORMAT EXHIBIT HAS BEEN REMOVED AND IS LOCATED IN THE NEXT FILE

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

APPLICATION OF KAISER-FRANCIS OIL COMPANY FOR AN UNORTHODOX GAS WELL LOCATION LEA COUNTY, NEW MEXICO.

CASE NO. 11842

CERTIFICATE OF MAILING AND COMPLIANCE WITH ORDER R-8054

STATE OF NEW MEXICO)

) SS.

COUNTY OF SANTA FE)

W. Thomas Kellahin, being first duly sworn, hereby certifies that he is an attorney for the Applicant and responsible for notification in this matter and that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on August 13, 1997, he caused to be mailed by certified mail return-receipt requested the attached notice of this hearing and a copy of the first amended application for the above referenced case, at least twenty days prior to the hearing of this case set for September 4, 1997, to the parties shown in said application and as evidenced by the attached copies of return receipt cards and/or receipts of certified mailing, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me this 1st day of October, 1997, by W. Thomas Kellahin.

Lynda Kellahin, Notary Public

Kellahin and Kellahin

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION RECOGNIZED SPECIALIST IN THE AREA OF NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

ATTORNEYS AT LAW EL PATIO BUILDING 117 NORTH GUADALUPE POST OFFICE BOX 2265 SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285 TELEFAX (505) 982-2047

August 11, 1997

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO: ALL INTERESTED PARTIES ENTITLED TO NOTICE OF THE HEARING OF THE FOLLOWING NEW MEXICO OIL CONSERVATION DIVISION CASE:

Re: Application of Kaiser-Francis Oil Company for an unorthodox gas well location, Lea County, New Mexico.

On behalf of Kaiser-Francis Oil Company, please find enclosed our a copy of its application for approval of an unorthodox gas well location for its State "8" Well No. 9 to be located 1980 feet FNL and 660 feet FEL (Unit H) of Section 8, T16S, R35E. NMPM. This case has been set for hearing on the New Mexico Oil Conservation Division Examiner's docket now scheduled for September 4, 1997. The hearing will be held at the Division hearing room located at 2040 South Pacheco, Santa Fe, New Mexico.

As an offset operator who may be affected by this application, we are notifying you of your right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application. Failure to appear at the hearing may preclude you from any involvement in this case at a later date.

Pursuant to the Division's Memorandum 2-90, you are further notified that if you desire to appear in this case, then you are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, August 29, 1997, with a copy delivered to the undersigned.

Nery truly yours.

W. Thomas Kellahin

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

1997

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IN THE MATTER OF THE APPLICATION OF KAISER-FRANCIS OIL COMPANY FOR AN UNORTHODOX GAS WELL, LEA COUNTY, NEW MEXICO

a Problem Division

CASE:

<u>APPLICATION</u>

Comes now KAISER-FRANCIS OIL COMPANY ("Kaiser-Francis") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for an unorthodox gas well location in order to drill its proposed State "8" Well No. 9 at an unorthodox well location 1980 feet from the North line and 660 feet from the East line (Unit H) Section 8, Township 16 South, Range 35 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Townsend-Morrow Gas Pool and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 8.

In support thereof, Applicant states:

1. Applicant, Kaiser-Francis, is the proposed operator of the State "8" Well No. 9 to be located 1980 feet from the North line and 660 East line (Unit H) Section 8, T16S, R35E, Lea County, New Mexico.

2. Kaiser-Francis proposes to drill this well to a depth sufficient to test for gas production from the Morrow formation and shallower formations.

3. The well location is within the current boundary of the Townsend-Morrow Gas Pool which is subject to General Rule 104: NMOCD Application Kaiser-Francis Oil Company Page 2.

> Rule 104.C(2)(b) well shall be located no closer than 1600 feet to the end boundary nor closer than 660 feet to the side boundary.

> A standard GPU in this pool contains 320 acres.

4. Kaiser-Francis proposes to dedicate the N/2 of Section 8 to the well if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

5. This proposed location is the optimum location in the N/2 of said Section 8 at which to drill to test for Morrow gas production and is necessary in order to protect this spacing unit from offset drainage.

6. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

7. Notification of this application has been sent to all adjoining and offsetting operators as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY_

W. Thomas Kellahin P. O. Box 2265 Santa Fe, New Mexico 87504 (505) 982-4285

EXHIBIT "A"

V-F Petroleum, Inc. One Marienfeld Place Suite 580 Midland, Texas 79701

Charles B. Gillespie, Jr. P. O. Box 8 Midland, Texas 79702-0008

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J & G Enterprises, Ltd P. O. Box 100 Artesia, New Mexico 88211-0100

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