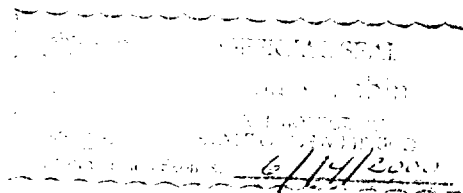


**LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE**



KELLAHIN AND KELLAHIN

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

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)

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.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin

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

RECEIVED

JUN 11 1997

Oil Conservation Division

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

CASE: _____

APPLICATION

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:

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

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

Is your RETURN ADDRESS completed on the reverse side?

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Kaiser-Francis Oil Co
Stove Canyon
September 4, 1997
8/13/97

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the date

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

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

4a. Article Number

2 357 871 303

4b. Service Type

- | | |
|---|------------------------------------|
| <input type="checkbox"/> Registered | <input type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

8-18-97

5. Received By: (Print Name)

Carol Rivers

6. Signature: (Addressee or Agent)

X (Signature)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

102595-97-8-0179

Domestic Return Receipt

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Kaiser-Francis Oil Co
Stove Canyon
September 4, 1997
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I also wish to receive the following services (for an extra fee):

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2. ☐ Restricted Delivery

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3. Article Addressed to:

J & G Enterprises, LTD
P.O. Box 100
Artesia, NM 88211-0100

4a. Article Number

2 357 871 305

4b. Service Type

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| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

8-19-97

5. Received By: (Print Name)

J & G Enterprises

6. Signature: (Addressee or Agent)

X (Signature)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

102595-97-8-0179

Domestic Return Receipt

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Kaiser-Francis Oil Co
Stove Canyon
September 4, 1997
8/13/97

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1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

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

4a. Article Number

2 357 871 304

4b. Service Type

- | | |
|---|------------------------------------|
| <input type="checkbox"/> Registered | <input type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

8-19-97

5. Received By: (Print Name)

Charles B. Gillespie, Jr.

6. Signature: (Addressee or Agent)

X (Signature)

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

102595-97-8-0179

Domestic Return Receipt

Thank you for using Return Receipt Service.

Thank you for using Return Receipt Service.