

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. _____

APPLICATION

Kaiser-Francis Oil Company applies for an order pooling all mineral interests in the Bone Spring formation underlying a horizontal spacing unit comprised of the E/2 of Section 32, Township 23 South, Range 34 East, N.M.P.M. and Lots 1, 2, and the S/2NE/4 (the NE/4) of Section 5, Township 24 South, Range 34 East, N.M.P.M., and in support thereof, states:

1. Applicant is an interest owner in the E/2 of Section 32 and the NE/4 of Section 5, and has the right to drill a well or wells thereon.

2. Applicant proposes to drill the following wells to depths sufficient to test the Bone Spring formation, and dedicate the E/2 of Section 32 and the NE/4 of Section 5, containing 479.76 acres, to the wells:

(a) The Bell Lake Unit South Well No. 234H, with a first take point in the SW/4NE/4 of Section 5 and a last take point in the NW/4NE/4 of Section 32; and

(b) The Bell Lake Unit South Well No. 236H, with a first take point in the SE/4NE/4 of Section 5 and a last take point in the NE/4NE/4 of Section 32.

The wells are in the Bell Lake; Bone Spring, South Pool (Pool Code 98264)

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation underlying the E/2 of Section 32 and the NE/4 of Section 5 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the wells or to otherwise commit their interests to

the wells, certain interest owners have failed or refused to join in dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the Bone Spring formation underlying the E/2 of Section 32 and the NE/4 of Section 5, pursuant to NMSA 1978 §70-2-17.

5. The pooling all mineral interests in the Bone Spring formation underlying the E/2 of Section 32 and the NE/4 of Section 5 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the Bone Spring formation underlying the E/2 of Section 32 and the NE/4 of Section 5;
- B. Designating applicant as operator of the wells;
- C. Considering the cost of drilling and completing the wells and allocating the cost among the wells' working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a cost plus 200% charge for the risk involved in drilling and completing the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



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