

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 interest owners in the Bone Spring formation underlying a horizontal spacing unit comprised of the SW/4 of Section 6 and the W/2 of Section 7, Township 24 South, Range 34 East, N.M.P.M., Lea County New Mexico, and in support thereof, states:

1. Applicant is an interest owner in the SW/4 of Section 6 and the W/2 of Section 7, and has the right to drill a well or wells thereon.
2. Applicant proposes to drill the Bell Lake Unit – South Block Well Nos. 207H, 208H, 209H, and 408H to depths sufficient to test the Bone Spring formation, with first take points in the N/2SW/4 of Section 6 and last take points in the S/2SW/4 of Section 7. Applicant will dedicate the SW/4 of Section 6 and the W/2 of Section 7 to the wells to form a standard 480 acre horizontal spacing unit in the Bone Spring formation (Bell Lake; Bone Spring, South Pool).
3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the Bone Spring formation in the SW/4 of Section 6 and the W/2 of Section 7 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 well or to otherwise commit their interests to the well, 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

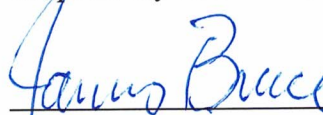
formation underlying the SW/4 of Section 6 and the W/2 of Section 7, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interest owners in the Bone Spring formation underlying the SW/4 of Section 6 and the W/2 of Section 7 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 interest owners in the Bone formation underlying the SW/4 of Section 6 and the W/2 of Section 7;
- B. Designating applicant as operator of the wells;
- C. Considering the cost of drilling, completing, and equipping the well, and allocating the cost thereof 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 200% charge for the risk involved in drilling, completing, and equipping the wells in the event a working interest owner elects not to participate in the wells.

Respectfully submitted,



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