

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 from the top of the First Bone Spring Sand to the base of the Bone Spring formation in a (proximity tract) horizontal spacing unit comprised of Lots 1-4 and the E/2W/2 (the W/2) of Section 31, Township 25 South, Range 33 East, N.M.P.M. and Lots 1-4 and the E/2W/2 (the W/2) of Section 6, Township 26 South, Range 33 East, N.M.P.M., and in support thereof, states:

1. Applicant is an interest owner in the W/2 of Section 31 and the W/2 of Section 6, and has the right to drill a well or wells thereon.

2. Applicant proposes to drill the following wells to a depth sufficient to test the Bone Spring formation, and dedicate the W/2 of Section 31 and the W/2 of Section 6 to the wells:

- (a) The Red Hills Well No. 701H to test the First Bone Spring zone; and
- (b) The Red Hills Well No. 201H to test the Second Bone Spring zone; and and

In addition, applicant proposes to drill the following wells in the unit:

- (c) The Red Hills Well No. 703H to test the First Bone Spring zone; and
- (d) The Red Hills Well No. 203H to test the Second Bone Spring zone.

The above two wells have first take points in the NE/4NW/4 of Section 31 and last take points in the SE/4SW/4 of Section 6.

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 W/2 of Section 31 and the W/2 of Section 6, as set forth above, 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 from the top of the First Bone Spring Sand to the base of the Bone Spring formation underlying the W/2 of Section 31 and the W/2 of Section 6, pursuant to NMSA 1978 §70-2-17.

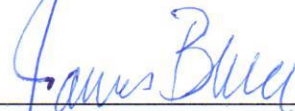
5. The pooling of all mineral interests in the Bone Spring formation underlying the W/2 of Section 31 and the W/2 of Section 6, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

- A. Pooling all mineral interests from the top of the First Bone Spring Sand to the base of the Bone Spring formation underlying the W/2 of Section 31 and the W/2 of Section 6;
- 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 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,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Kaiser-Francis Oil Company