

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

**IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION FOR  
THE PURPOSE OF CONSIDERING:**

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

**Case No. 20291**

**VERIFIED STATEMENT OF MICHAEL MAXEY**

Michael Maxey, being duly sworn upon his oath, deposes and states:

1. I am a landman for Kaiser-Francis Oil Company ("KFOC"), and have personal knowledge of the matters stated herein. I have been qualified by the Division as an expert petroleum landman.

2. The following information is submitted in support of the compulsory pooling application filed herein:

(a) The purpose of this application is to force pool working interest owners into the Bone Spring horizontal spacing unit described below, and in wells to be drilled in the unit.

(b) No opposition is expected because the interest owners being pooled have been contacted regarding the proposed well, but have failed or refused to voluntarily commit their interests to the well.

(c) A Midland Map Co. plat outlining the unit being pooled is attached hereto as Attachment A. KFOC seeks an order approving a 320.00 acre horizontal spacing unit in the Bone Spring formation comprised of the N/2 N/2 of Section 24, Township 23 South Range 28E East and the N/2 N/2 of Section 19, Township 23 South Range 29E East, NMPM. Applicant further seeks the pooling of all mineral interests in the Pool Code: 15011 Pool Name: Culebra Bluff; Bone Spring, South Pool; to be dedicated to the Mosaic Federal 2419 3BS Well No. 1H. The well is a horizontal well with first take point in NW/4 NW/4 of Section 24 and final take point in NE/4 NE/4 of Section 19. A C-102 for the well is attached as Attachment B. There is no depth severance in the Bone Spring formation.

(d) The parties being pooled and their interests are set forth in Attachment C. Their current and correct addresses are also set forth.

(e) There was one unlocatable interest owner.

EXHIBIT |

(f) Attachment D contains a summary of contacts or attempted contacts with the interest owners, together with copies of the proposal letters sent to the interest owners.

(g) KFOC has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed wells.

(h) KFOC has the right to pool the overriding royalty owners in the well unit.

(i) Attachment E contains the Authorizations for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and are comparable to the costs of other wells of similar depth and length drilled in this area of Eddy County.

(j) KFOC requests overhead and administrative rates of \$8,000.00/month for a drilling well and \$800.00/month for a producing well. These rates are fair, and are comparable to the rates charged by other operators for wells of this type in this portion of Lea County. They are also the rates set forth in the Joint Operating Agreement for the well unit. KFOC requests that these rates be adjusted periodically as provided in the COPAS Accounting Procedure.

(k) KFOC requests that the maximum cost plus 200% risk charge be assessed against non-consenting working interest owners.

(l) KFOC requests that it be designated operator of the well.

(m) The attachments to this affidavit were prepared by me, or compiled from company business records.

(n) The granting of this application is in the interests of conservation and the prevention of waste.

VERIFICATION

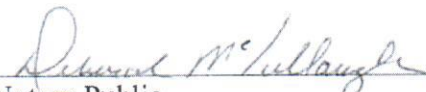
STATE OF OKLAHOMA                    )  
                                                  ) ss.  
COUNTY OF Tulsa                    )

Michael Maxey, being duly sworn upon his oath, deposes and states that: He is a landman for Kaiser-Francis Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.

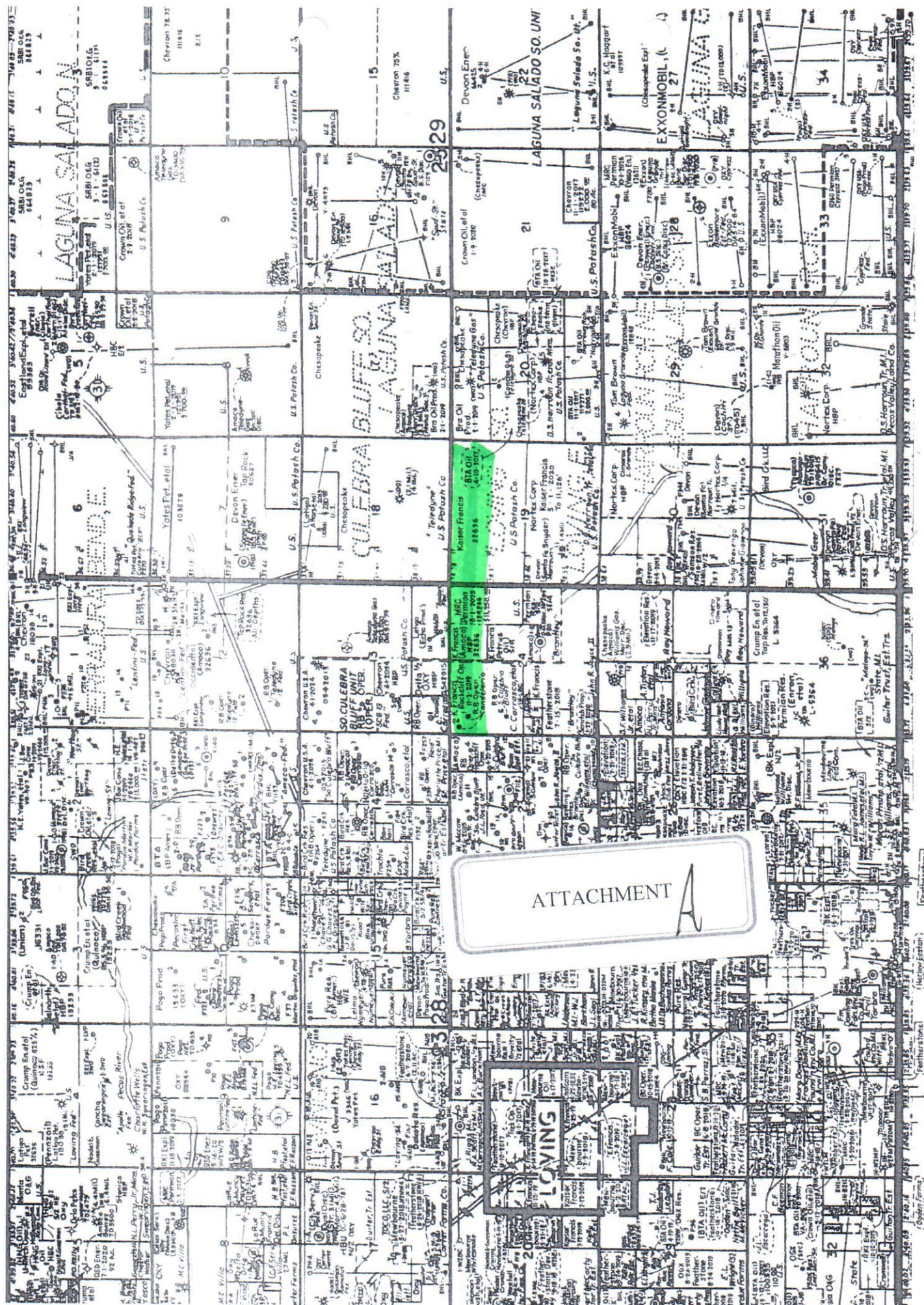
  
\_\_\_\_\_  
Michael Maxey

SUBSCRIBED AND SWORN TO before me this 17th day of April, 2019 by Michael Maxey.

My Commission Expires: 12-15-22

  
\_\_\_\_\_  
Notary Public





District I  
1625 N. French Dr., Hobbs, NM 88240  
Phone: (575) 393-6161 Fax: (575) 393-0720  
District II  
511 S. First St., Artesia, NM 88210  
Phone: (575) 748-1283 Fax: (575) 748-9720  
District III  
1000 Rio Brazos Road, Aztec, NM 87410  
Phone: (505) 334-6178 Fax: (505) 334-6170  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505  
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-102  
Revised August 1, 2011  
Submit one copy to appropriate  
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

|                            |                                               |                          |
|----------------------------|-----------------------------------------------|--------------------------|
| <sup>1</sup> API Number    | <sup>2</sup> Pool Code                        | <sup>3</sup> Pool Name   |
| <sup>4</sup> Property Code | <sup>5</sup> Property Name                    | <sup>6</sup> Well Number |
| <sup>7</sup> OGRID No.     | <sup>8</sup> Operator Name                    | <sup>9</sup> Elevation   |
| 12361                      | MOSAIC FED 2419 3BS<br>KAISER-FRANCIS OIL CO. | 1H<br>2986.6             |

" Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D             | 24      | 23 S     | 28 E  |         | 1105          | NORTH            | 186           | WEST           | EDDY   |

" Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A             | 19      | 23 S     | 29 E  |         | 660           | NORTH            | 100           | EAST           | EDDY   |

|                               |                               |                                  |                         |
|-------------------------------|-------------------------------|----------------------------------|-------------------------|
| <sup>12</sup> Dedicated Acres | <sup>13</sup> Joint or Infill | <sup>14</sup> Consolidation Code | <sup>15</sup> Order No. |
|                               |                               |                                  |                         |

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>NW CORNER SEC. 24<br/>LAT. = 32.2981493°N<br/>LONG. = 104.0491721°W<br/>NMSP EAST (FT)<br/>N = 472300.17<br/>E = 587802.40<br/>S89°53'21"E 2709.10 FT</p> <p>N/4 CORNER SEC. 24<br/>LAT. = 32.2981153°N<br/>LONG. = 104.0404065°W<br/>NMSP EAST (FT)<br/>N = 472294.89<br/>E = 580510.87<br/>S89°53'30"E 2709.21 FT</p> <p>NE CORNER SEC. 24<br/>LAT. = 32.2980805°N<br/>LONG. = 104.0316408°W<br/>NMSP EAST (FT)<br/>N = 472209.73<br/>E = 583219.44<br/>S88°41'19"E 2536.58 FT</p> <p>W/4 CORNER SEC. 24<br/>LAT. = 32.2909391°N<br/>LONG. = 104.0491454°W<br/>NMSP EAST (FT)<br/>N = 469877.11<br/>E = 587817.29<br/>S88°40'42"E 2995.72 FT</p> <p>MOSAIC FED 2419 3BS 1H<br/>ELEV. = 2988.6'<br/>LAT. = 32.2951106°N (NAD27)<br/>LONG. = 104.0485599°W<br/>NMSP EAST (FT)<br/>N = 471195.07<br/>E = 587594.49</p> <p>W/4 CORNER SEC. 19<br/>LAT. = 32.2959082°N<br/>LONG. = 104.0153646°W<br/>NMSP EAST (FT)<br/>N = 471514.02<br/>E = 598250.98<br/>S88°40'42"E 2995.72 FT</p> <p>E/4 CORNER SEC. 24<br/>LAT. = 32.2907641°N<br/>LONG. = 104.0317009°W<br/>NMSP EAST (FT)<br/>N = 469828.14<br/>E = 593208.37</p> <p>E/4 CORNER SEC. 19<br/>LAT. = 32.2903789°N<br/>LONG. = 104.0150424°W<br/>NMSP EAST (FT)<br/>N = 469502.90<br/>E = 598358.51</p> <p>NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27). LISTED NEW MEXICO STATE PLANE EAST COORDINATES ARE GRID (NAD27). BASIS OF BEARING AND DISTANCES USED ARE NEW MEXICO STATE PLANE EAST (NAD83). COORDINATES MODIFIED TO THE SURFACE. ELEVATION VALUES ARE NAVD 88.</p> <p>FIRST TAKE POINT<br/>660' PNL, 100' PNL<br/>LAT. = 32.2963347°N<br/>LONG. = 104.0488421°W<br/>NMSP EAST (FT)<br/>N = 471840.11<br/>E = 587906.12</p> <p>SW CORNER SEC. 24<br/>LAT. = 32.2836823°N<br/>LONG. = 104.0489836°W<br/>NMSP EAST (FT)<br/>N = 467037.37<br/>E = 587873.67</p> <p>S/4 CORNER SEC. 24<br/>LAT. = 32.2834960°N<br/>LONG. = 104.0405275°W<br/>NMSP EAST (FT)<br/>N = 467045.02<br/>E = 590487.75</p> <p>SE CORNER SEC. 24<br/>LAT. = 32.2837543°N<br/>LONG. = 104.0317543°W<br/>NMSP EAST (FT)<br/>N = 466980.51<br/>E = 593199.32</p> <p>S/4 CORNER SEC. 19<br/>LAT. = 32.2832547°N<br/>LONG. = 104.0234780°W<br/>NMSP EAST (FT)<br/>N = 466903.67<br/>E = 595757.26</p> <p>SC CORNER SEC. 19<br/>LAT. = 32.2830325°N<br/>LONG. = 104.0150358°W<br/>NMSP EAST (FT)<br/>N = 466930.48<br/>E = 598366.47</p> |  | <p><b>" OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unless mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>E-mail Address _____</p> <p><b>" SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>JANUARY 30, 2019</p> <p>Date of Survey 12797</p> <p>Signature and Seal of Professional Surveyor: </p> <p>Certificate Number: E. JARAMILLO, PLS 12797</p> <p>SURVEY NO. 6881</p> |
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ATTACHMENT B

Pooling Respondent list for Pooling the N/2 N/2 of Section 24-23S-28E and the N/2 N/2 of Section 19-23S-29E; Eddy Co., NM

Mosaic Federal 2419 3BS #1H

|                                                                                                                                   |          |
|-----------------------------------------------------------------------------------------------------------------------------------|----------|
| Chevron North America Exploration and Production Co.<br>Attn: Mr. Irvin R. Gutierrez<br>1400 Smith Street<br>Houston, Texas 77002 | 59 acres |
|-----------------------------------------------------------------------------------------------------------------------------------|----------|

|                                                                                                             |         |
|-------------------------------------------------------------------------------------------------------------|---------|
| MRC Permian LKE Company, LLC<br>Attn: Mr. Chris Carlton<br>5400 LBJ Freeway, Suite 1500<br>Dallas, TX 75240 | Dismiss |
|-------------------------------------------------------------------------------------------------------------|---------|

|                                                                                                                      |        |
|----------------------------------------------------------------------------------------------------------------------|--------|
| TLW Investments, LLC<br>1601 NW Expressway<br>Oklahoma City, OK 73118<br>(came back undeliverable / address unknown) | 1 acre |
|----------------------------------------------------------------------------------------------------------------------|--------|

ATTACHMENT C

February 1, 2019

Sent by Certified Mail

MRC Permian LKE Company, LLC  
Attn: Mr. Chris Carlton  
5400 LBJ Freeway, Suite 1500  
Dallas, TX 75240

Re: Mosaic Fed 2419 3855 #1H  
N/2 N/2 Section 24-23S-28E and N/2 N/2 Section 19-23S-29E  
Eddy Co., NM

Chris:

Kaiser-Francis Oil Company hereby proposes the drilling of a 19,880' MD / 9571' TVD horizontal 3<sup>rd</sup> Bone Spring test well, covering the referenced 2.0 mile well path. The well will have an approximate surface location of 1,105' FNL and 186' FWL of Section 24-23S-28E, and a terminus of approximately 660' FNL and 100' FEL of Section 19-23S-29E.

AFE costs are estimated to be \$3,063,379 DHC and \$10,207,474 CWC. Two copies of the AFE are enclosed.

Should you wish to participate in the well, please execute and return one copy of the AFE, along with a reply letter indicating your desire to participate, and we will in turn send you a JOA for your review and approval.

We plan to file for pooling with the NMOCDC soon, therefore, a prompt answer regarding our proposal would be greatly appreciated.

Should you have any questions, I can be reached at the above number, extension 424.

Respectfully,



Michael D. Maxey, Landman  
Kaiser-Francis Oil Company

ATTACHMENT 

**Kaiser-Francis Oil Company**  
Authority for Expenditure

Operation: Kaiser-Francis Oil Company Date: 1/18/2019  
Well Name: Monaca Fer 2419 305 #1H Field:  
Location: Eddy County County / Pin  
State: New Mexico  
Preparer: RJC/CJ/DZ

Depth: 15800 MTD 9571 TWD  
Remarks: 3rd Bone Spring  
Objective: Kill and complete 3rd Bone Spring

| Job Code | Description                                       | Drilling                                 | Completion  | Equipment | Total        |
|----------|---------------------------------------------------|------------------------------------------|-------------|-----------|--------------|
| 500/000  | Location / Road Expense / Fire Pit Construction   | \$67,000                                 | \$14,000    | \$40,000  | \$121,000    |
| 501/000  | Cond. Risk Policy, Monaca Hole Services           | \$26,000                                 |             |           | \$26,000     |
| 502/000  | Location Damages                                  |                                          | \$8,000     |           | \$8,000      |
| 504/004  | Turnkey @ Completion Rig per foot                 |                                          |             |           | \$0          |
| 505/005  | Daywork 28 Days at                                | \$679,000                                |             |           | \$679,000    |
| 506/006  | Caldera Tending & Related Services                |                                          | \$240,000   |           | \$240,000    |
| 507/007  | Drilling Services                                 | \$331,800                                |             |           | \$331,800    |
| 508/008  | Drilling Services                                 | \$276,200                                |             |           | \$276,200    |
| 509/009  | Rits & Headers                                    | \$75,000                                 |             |           | \$75,000     |
| 510/010  | Fuel/Power                                        | \$119,000                                |             |           | \$119,000    |
| 512/012  | Drilling Water / Completion Fluid                 | \$291,250                                |             |           | \$291,250    |
| 514/014  | Mud & Chemicals                                   | \$150,000                                |             |           | \$150,000    |
| 515/015  | Closed Loop System / Mud & Cutting Disposal / SWD | \$360,000                                |             |           | \$360,000    |
| 516/016  | Surface Equipment Rental / Inspection             | \$155,000                                |             |           | \$155,000    |
| 517/017  | Downhole Equipment Rental / Inspection            | \$201,440                                |             |           | \$201,440    |
| 518/018  | Transportation & Loading                          | \$33,500                                 |             |           | \$33,500     |
| 520/020  | OST, Coring & Analysis                            | \$30,000                                 |             |           | \$30,000     |
| 522/022  | OH Log / OH Log / Performing / Sideline / Plugs   |                                          | \$350,000   |           | \$350,000    |
| 524/024  | Mud Logging / Geosteering / LWD                   | \$36,000                                 |             |           | \$36,000     |
| 526/026  | Geosteering & Seismic                             | \$167,500                                |             |           | \$167,500    |
| 528/028  | Geosteering Equipment                             | \$59,500                                 |             |           | \$59,500     |
| 530/030  | Plug & Abandon                                    |                                          |             |           | \$0          |
| 532/032  | Stimulation                                       | \$4,420,000                              |             |           | \$4,420,000  |
| 534/034  | Geological & Engineering                          | \$13,000                                 |             |           | \$13,000     |
| 536/036  | Super-Nilon                                       | \$130,000                                |             |           | \$130,000    |
| 538/038  | Miscellaneous Contract Labor                      | \$30,000                                 |             |           | \$30,000     |
| 540/040  | Prof Fees & Abstracts                             |                                          | \$45,500    |           | \$45,500     |
| 542/042  | Liability Insurance / Bonds                       |                                          |             |           | \$0          |
| 544/044  | Drilling Overhead / Completion Overhead           |                                          |             |           | \$0          |
| 546/046  | Miscellaneous & Unforeseen                        | \$11,200                                 | \$4,300     |           | \$15,500     |
| 548/048  | Total Intangible Drilling & Completion            | \$108,210                                | \$11,955    | \$3,760   | \$123,925    |
| 550/050  | Targeted Well and Lease Equipment Costs           | \$2,507,250                              | \$6,851,255 | \$18,750  | \$9,377,255  |
| 700      | Conductor                                         |                                          |             |           | \$0          |
| 701      | Surface Casing                                    | 13-3/8" 145.48 pcf STC                   | 500         | \$21,500  | \$21,500     |
| 702      | Intermediate Casing                               | 10-1/4" 75.5 40.5 pcf STC (10 to 11.25') | 2700        | \$81,200  | \$81,200     |
| 703      | Intermediate Casing                               |                                          |             |           | \$0          |
| 704      | Drilling Unit (DCU)                               |                                          |             |           | \$0          |
| 705      | Production Casing (ACP)                           |                                          |             |           | \$0          |
| 706      | Production Casing (ACP)                           |                                          |             |           | \$0          |
| 710      | Tubing                                            | 5-1/2" DB P110 68C0                      | 2043        | \$384,574 | \$384,574    |
| 711/720  | Wellhead Equip. BCP/ACP                           | 2 7/8" 8.58 1.80 EUE to ACP              | 9600        | \$52,800  | \$52,800     |
| 724      | Packers & Downhole Equipment                      |                                          | \$45,000    |           | \$45,000     |
| 726      | Rods & Pumps                                      |                                          |             |           | \$0          |
| 737      | Line Pipe / Fittings / Pipeline                   |                                          |             |           | \$0          |
| 747      | Valves                                            |                                          |             |           | \$0          |
| 752      | Trunks & Walkways                                 |                                          |             |           | \$0          |
| 755      | Heaters / Treaters / Separator / VNU              |                                          |             |           | \$0          |
| 765      | Artificial Lift / Compressor                      |                                          |             |           | \$0          |
| 770      | Gas Lift Unit / Dohy / Line Heater / Fire         |                                          |             |           | \$0          |
| 775/776  | Transportation and Freight BCP/ACP                |                                          |             |           | \$0          |
| 777/778  | Inspection and Maintenance BCP/ACP                |                                          |             |           | \$0          |
| 779/779  | Non-Convertible Equipment BCP/ACP                 |                                          |             |           | \$0          |
| 780/780  | Total Well and Lease Equipment                    | \$4,155                                  | \$4,990     | \$15,500  | \$24,645     |
| 781/781  | Total Drilling and Completion Cost                | \$5,663,279                              | \$6,855,845 | \$488,250 | \$13,007,374 |

**WOC APPROVALS**

Drilling \_\_\_\_\_  
Completion \_\_\_\_\_  
Lead \_\_\_\_\_  
Geology \_\_\_\_\_  
Recon/Int \_\_\_\_\_  
Asset Manager \_\_\_\_\_  
Chief Operating Officer \_\_\_\_\_

**FAIR PLAY APPROVALS**

Signature \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Position \_\_\_\_\_  
Company \_\_\_\_\_  
Date \_\_\_\_\_

ATTACHMENT E