

CASE NO. 20966

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

EXHIBITS

1. Landman's Affidavit
2. Geologist's Affidavit
3. Affidavit of Notice
4. Pooling Checklist
5. Application and Proposed Ad

**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, LEA
COUNTY, NEW MEXICO.**

Case No. 20966

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 639.00 horizontal spacing unit in the Bone Spring formation comprised of Lots 1, 2, 3 and 4 and E/2 W/2 (the W/2) of Section 31, Township 25 South Range 33 East, NMPM and Lots 1, 2, 3 and 4 and E/2 W/2 (the W/2) of Section 6, Township 26 South, Range 33 East, NMPM. Applicant further seeks the pooling of all mineral interests in:

(i) Pool Code: 97903 Pool Name: WC-025 G-08 S253235G; Lower Bone Spring, to be dedicated to the Red Hills Well No. 201H, 203H, 701H, and 703H; and

EXHIBIT |

The 701H and 201H wells are horizontal wells with first take points in Lot 1 of Section 31 and final take points in Lot 4 of Section 6. C-102s for the wells are attached as Attachment B-1.

The 703H and 203H wells are horizontal wells with first take points in NE/4 NW/4 of Section 31 and final take points in SE/4 SW/4 of Section 6. C-102s for the wells are attached as Attachment B-2.

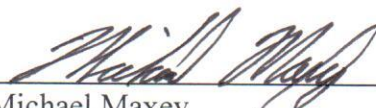
There is no depth severance in the Bone Spring formation.

- (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 are no unlocatable interest owners.
- (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 wells. The estimated cost of the wells set forth therein are fair and reasonable, and are comparable to the costs of other wells of similar depth and length drilled in this area of Lea 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 wells.
- (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.



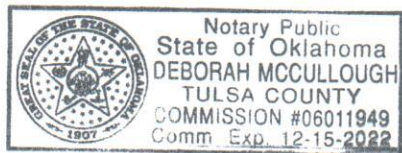
Michael Maxey

SUBSCRIBED AND SWORN TO before me this 5th day of December, 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
811 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

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name RED HILLS			⁶ Well Number 701H
⁷ OGRID No. 12361		⁸ Operator Name KAISER-FRANCIS OIL CO.			⁹ Elevation 3430.0

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	31	25 S	33 E		300	NORTH	475	WEST	LEA

¹¹ 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
4	6	26 S	33 E		100	SOUTH	400	WEST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

¹⁷ OPERATOR CERTIFICATION

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

ATTACHMENT B-1

Printed Name

E-mail Address

¹⁸ SURVEYOR CERTIFICATION

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.

OCTOBER 24, 2019

Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number: 12789

Survey No. 7565

5

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
District II
811 S. First St., Artesia, NM 88210
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Energy, Minerals & Natural Resources Department
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Santa Fe, NM 87505

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Revised August 1, 2011
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
⁴ Property Code	⁵ Property Name RED HILLS	
⁷ OGRID No. 12361	⁸ Operator Name KAISER-FRANCIS OIL CO.	⁶ Well Number 201H
		⁹ Elevation 3430.3

¹⁰ Surface Location

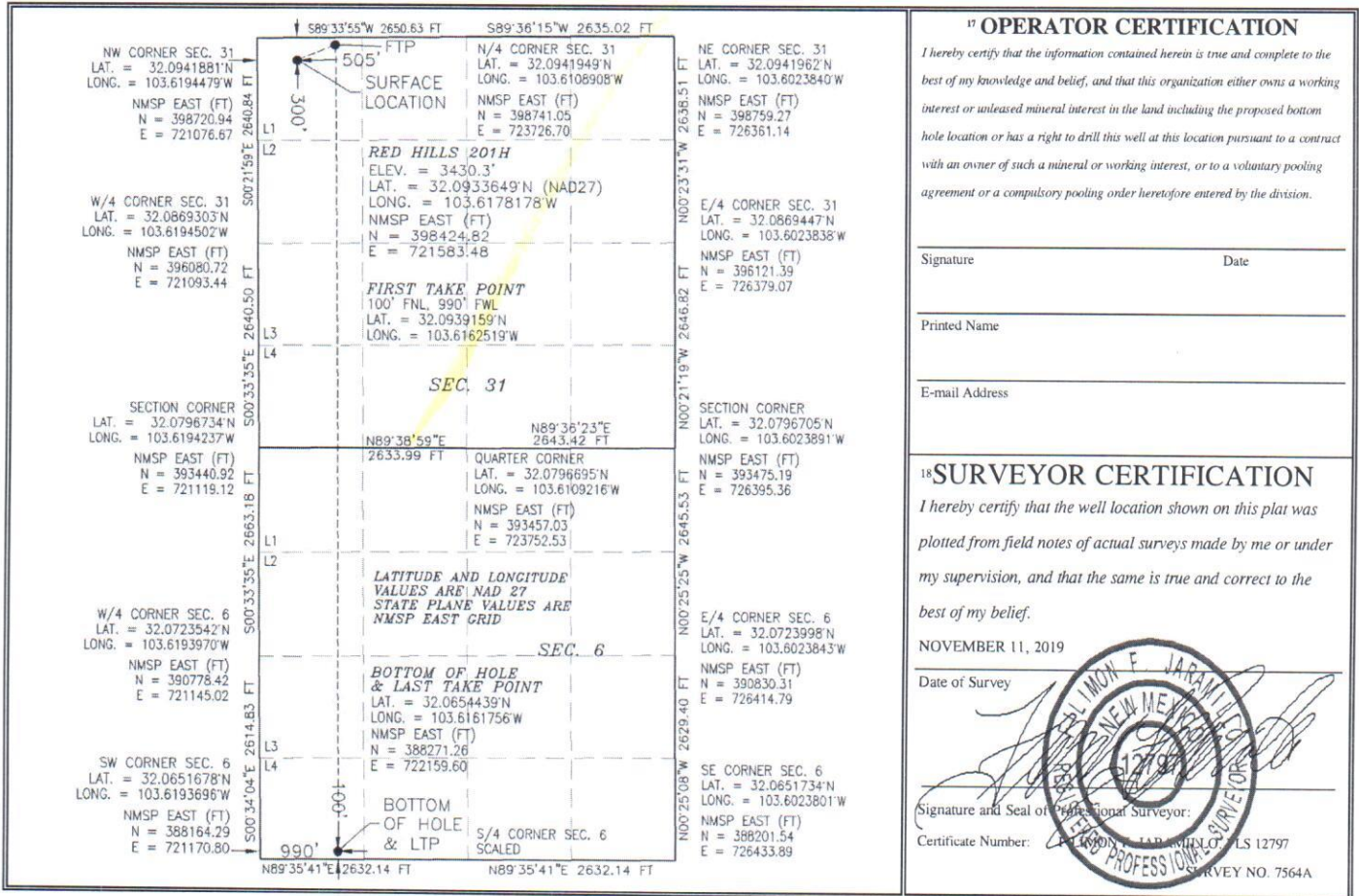
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	31	25 S	33 E		300	NORTH	505	WEST	LEA

¹¹ 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
4	6	26 S	33 E		100	SOUTH	990	WEST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.



¹⁷ OPERATOR CERTIFICATION

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 unleased 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.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

¹⁸ SURVEYOR CERTIFICATION

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.

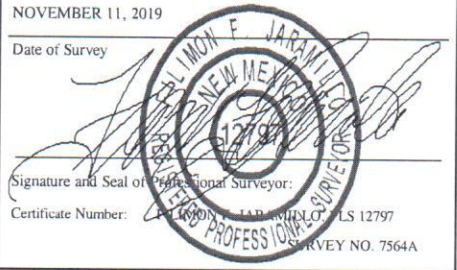
NOVEMBER 11, 2019

Date of Survey _____

Signature and Seal of Professional Surveyor: _____

Certificate Number: _____

Survey No. 7564A



District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720
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Form C-102
Revised August 1, 2011
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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code		³ Pool Name	
⁴ Property Code		⁵ Property Name RED HILLS			⁶ Well Number 703H
⁷ OGRID No. 12361		⁸ Operator Name KAISER-FRANCIS OIL CO.			⁹ Elevation 3425.0

¹⁰ Surface Location

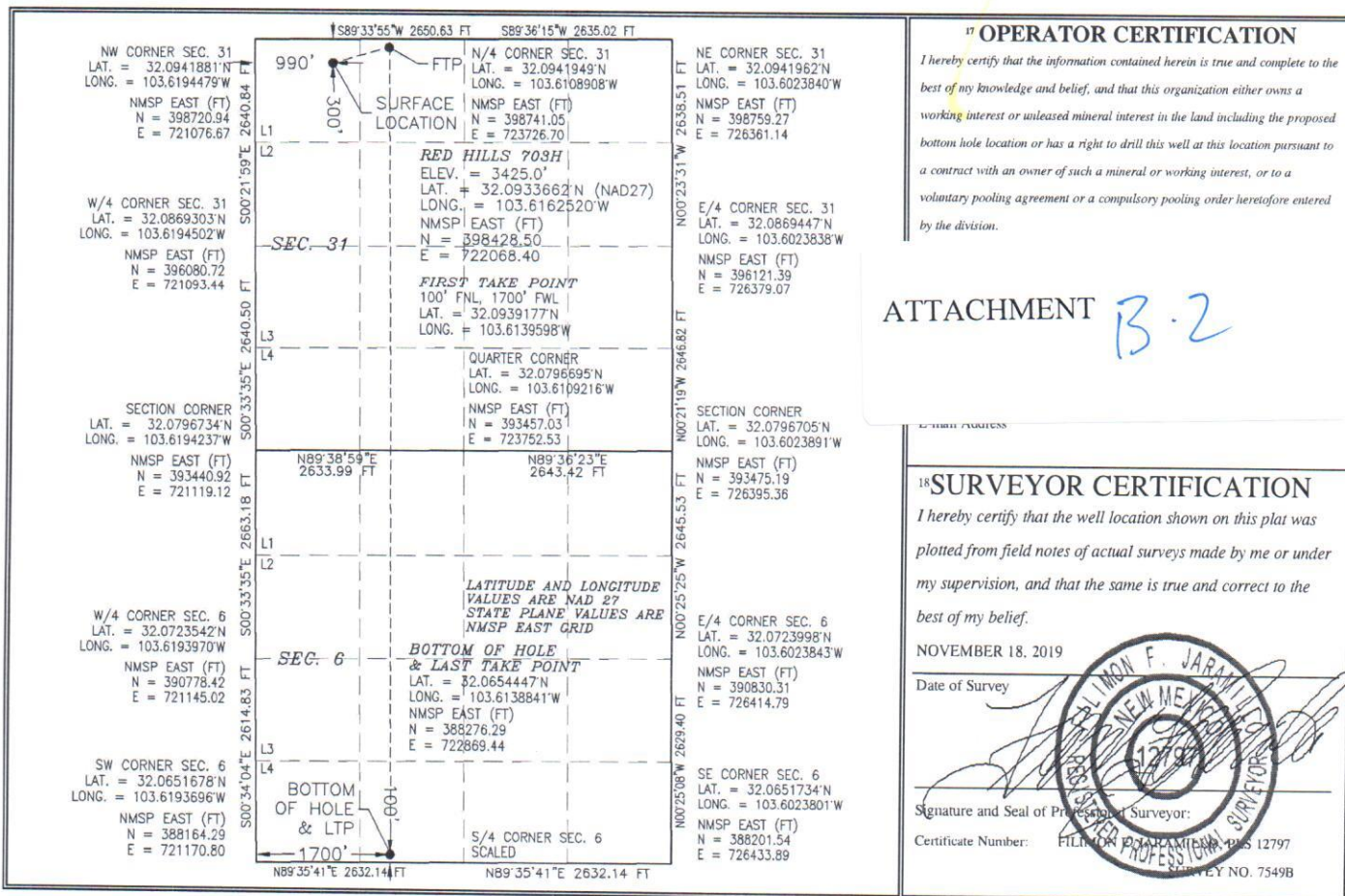
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	31	25 S	33 E		300	NORTH	990	WEST	LEA

¹¹ 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
N	6	26 S	33 E		100	NORTH	1700	WEST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.



¹⁷ OPERATOR CERTIFICATION
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 unleased 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.

ATTACHMENT B.2

¹⁸ SURVEYOR CERTIFICATION
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.
NOVEMBER 18, 2019
Date of Survey
Signature and Seal of Professional Surveyor:
Certificate Number: 12789
FILING BY EXAMINER: 11/18/19 12:57 PM
SURVEY NO. 7549B

1

District I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
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Form C-102
Revised August 1, 2011
Submit one copy to appropriate
District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code	³ Pool Name
⁴ Property Code	⁵ Property Name RED HILLS	
⁷ OGRID No. 12361	⁸ Operator Name KAISER-FRANCIS OIL CO.	
		⁶ Well Number 203H
		⁹ Elevation 3425.1

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	31	25 S	33 E		300	NORTH	1020	WEST	LEA

¹¹ 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
O	6	26 S	33 E		100	SOUTH	2240	WEST	LEA

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.

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¹⁷ OPERATOR CERTIFICATION

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 unleased 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.

Signature _____ Date _____

Printed Name _____

E-mail Address _____

¹⁸ SURVEYOR CERTIFICATION

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.

NOVEMBER 18, 2019

Date of Survey _____

Signature and Seal of Professional Surveyor _____

Certificate Number: **FILIMON F. JARAMILA, PLS 12797**

SURVEY NO. 7547B

NMOCD Case #20966
Attachment C

Atlas OBO Energy, LP
3501 Allen Parkway
Houston, TX 77019

3.758686% WI

West Texas Gas, Inc.
D/B/A WTG Exploration Inc.
401 W. Wadley Avenue
Midland, TX 79705-5339

5.619718% WI

COG Operating LLC
Concho Oil & Gas, LLC
Attn: Mr. Luke Bedrick
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

25.0522531% WI

Atlas OBO Energy, LP has 15% of the SW/4 of Section 31-25S-33E
West Texas Gas, Inc. has 7.5% of the SW/4 of Section 31-25S-33E
Kaiser-Francis Oil Company has 77.5% of the SW/4 of Section 31-25S-33E

COG Operating LLC and Concho Oil & Gas LLC have 100% of the NW/4 of Section 31-25S-33E

West Texas Gas, Inc. has 7.5% of the W/2 of Section 6-26S-33E
Kaiser-Francis Oil Company has 92.5% of the W/2 of Section 6-26S-33E

ATTACHMENT

C

September 19, 2019

Sent by Certified Mail

COG Operating LLC
Attn: Mr. Luke Bedrick
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

Re: Red Hills 201H
W/2 of Section 31-25S-33E and
W/2 of Section 6-26S-33E
Lea Co., NM

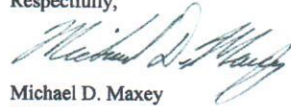
Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of an 11,000' TVD / 21,660' TMD 2nd Bone Spring Formation test well. FTP 100' FNL and 1,050' FWL of Section 31-25S-33E and LTP 100' FSL and 1,050' FWL of Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,025,009 initial drilling costs and \$11,136,869 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey
Landman

ATTACHMENT

P

September 19, 2019

Sent by Certified Mail

COG Operating LLC
Attn: Mr. Luke Bedrick
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

Re: Red Hills 203H
W/2 of Section 31-25S-33E and
W/2 of Section 6-26S-33E
Lea Co., NM

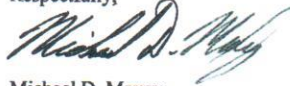
Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of an 11,000' TVD / 21,660' TMD 2nd Bone Spring Formation test well. FTP 100' FNL and 2,240' FWL of Section 31-25S-33E and LTP 100' FSL and 2,240' FWL of Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,025,009 initial drilling costs and \$11,137,919 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey
Landman

11

September 19, 2019

Sent by Certified Mail

COG Operating LLC
Attn: Mr. Luke Bedrick
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

Re: Red Hills 701H
W/2 of Section 31-25S-33E and
W/2 of Section 6-26S-33E
Lea Co., NM

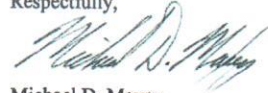
Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 10,300' TVD / 20,960' TMD 1st Bone Spring Formation test well. FTP 100' FNL and 400' FWL of Section 31-25S-33E and LTP 100' FSL and 400' FWL of Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,014,159 initial drilling costs and \$11,128,277 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey
Landman

September 19, 2019

Sent by Certified Mail

COG Operating LLC
Attn: Mr. Luke Bedrick
One Concho Center
600 W. Illinois Avenue
Midland, TX 79701

Re: Red Hills 703H
W/2 of Section 31-25S-33E and
W/2 of Section 6-26S-33E
Lea Co., NM

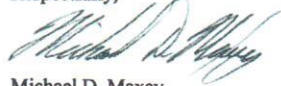
Ladies and Gentlemen:

Kaiser-Francis Oil Company ("Kaiser-Francis" hereinafter) hereby proposes the drilling of a 10,300' TVD / 20,960' TMD 1st Bone Spring Formation test well. FTP 100' FNL and 1,600' FWL of Section 31-25S-33E and LTP 100' FSL and 1,600' FWL of Section 6-26S-33E, all in Lea Co., NM.

Costs are estimated to be \$4,014,159 initial drilling costs and \$11,144,027 total well costs for a completed producer. Two copies of the AFE are enclosed for your review. Should you wish to participate in the well, please execute and return one copy of the AFE, and send that back to us, along with your Well Information Requirements. We do plan to file for Force Pooling with the NMOCD soon, so let us know when you elect to participate whether you want to be supplied a JOA for execution or whether you prefer to be pooled.

Should you have any questions, I can be reached at the above number, extension 4424.

Respectfully,



Michael D. Maxey
Landman

Kaiser-Francis Oil Company
Authority for Expenditure

Operator: Kaiser-Francis Oil Company	Date: 9/11/2019
Well Name: Red Hills 203H	Field: Red Hills
Prospect: Red Hills	County / Psh: Lea
Location: FTP 100' FNL 2240' FWL SECTION 31 T25S R33E, LTP 100' FSL 2240' FWL SECTION 6 T26S R33E	State: NM
Depth: 21660 MD 11000 TVD	Preparer: CJ/DZ
Horizon: 2nd Bone Springs	
Objective: Drill and Complete 2 Mile 2nd Bone Springs	

JIB Code	Intangible Drilling and Completion Costs	Drilling	Completion	Eqpt/Const	Total
500/600	Location / Road Expense / Frac Pit Construction	\$96,250	\$14,000	\$40,000	\$150,250
501/**	Cond, Rat Hole, Mouse Hole Services	\$24,774			\$24,774
502/602	Location Damages	\$20,000			\$20,000
503/603	Environmental, Regulatory, and Permitting	\$40,000			\$40,000
504/604	Turnkey Completion Rig		\$8,000		\$8,000
	Footage @ per foot				\$0
	Daywork 26 days at \$25,000	\$650,000			\$650,000
505/605	Coiled Tubing & Related Services		\$360,000		\$360,000
506/606	Rig Mob / Demob	\$140,000			\$140,000
507/**	Directional Drilling Services	\$410,000			\$410,000
508/608	Bits & Reamers	\$95,500			\$95,500
510/610	Fuel/Power	\$143,000			\$143,000
512/612	Drilling Water / Completion Fluid	\$65,000	\$980,000		\$1,045,000
514/614	Mud & Chemicals	\$160,000	\$35,000		\$195,000
515/615	Closed Loop System / Mud & Cuttings Disposal / SWD	\$275,000	\$37,500		\$312,500
516/616	Surface Equipment Rental / Inspection	\$455,910	\$269,300		\$725,210
517/617	Downhole Equipment Rental / Inspection	\$69,000	\$124,000		\$193,000
518/618	Transportation & Loading	\$6,000	\$50,000		\$56,000
520/**	DST, Coring & Analysis				\$0
521/621	Downhole tools: Whipstocks, Liner Hangers, Frac Plugs		\$84,000		\$84,000
522/622	OH Logs / CH Logs / Perforating / Slickline		\$308,000		\$308,000
523/**	Mud Logging / Geosteering / LWD	\$39,000			\$39,000
524/624	Cementing & Squeezing	\$208,000			\$208,000
526/626	Casing Crews & Equipment	\$44,000			\$44,000
528/628	Plug & Abandon				\$0
***/630	Stimulation		\$3,850,000		\$3,850,000
532/632	Geological & Engineering		\$13,000		\$13,000
534/634	Supervision	\$124,000	\$51,750		\$175,750
536/636	Miscellaneous Contract Labor	\$25,000	\$42,500	\$35,000	\$102,500
538/638	Prof. Fees & Abstracts	\$10,000			\$10,000
541/641	Liability Insurance / Bonds				\$0
542/642	Drilling Overhead / Competition Overhead	\$10,400	\$6,300		\$16,700
544/644	Miscellaneous & Unforeseen	\$190,944	\$311,668	\$3,750	\$506,362
	Total Intangible Drilling & Completion	\$3,301,778	\$6,545,018	\$78,750	\$9,925,546

JIB Code	Tangible Well and Lease Equipment Costs	Drilling	Completion	Eqpt/Const	Total
700	Conductor				\$0
701	Surface Casing 13 3/8 54.5# J-55 BTC 1000	\$45,500			\$45,500
702	Intermediate Casing 9 5/8 40# P-110HC LTC 5000	\$167,500			\$167,500
702	Intermediate Casing				\$0
704	Drilling Liner (BCP)				\$0
703	Production Liner (ACP)				\$0
706	Production Casing (ACP) 5-1/2" P110 20 ppf GBCD 21660	\$387,401			\$387,401
710	Tubing 2 7/8" 6.5# Cr13 10700		\$58,850		\$58,850
721/720	Wellhead Equip. BCP/ACP	\$85,000	\$45,000		\$130,000
724	Packers & Downhole Equipment				\$0
726	Rods & Pumps				\$0
737	Line Pipe / Fittings / Pipeline			\$30,000	\$30,000
738	Automation/SCADA/Misc Electrical Equipment			\$85,000	\$85,000
747	Valves			\$30,000	\$30,000
752	Tanks & Walkways			\$90,000	\$90,000
765	Heaters / Treaters / Separator / VRU			\$75,000	\$75,000
768	Artificial Lift / Compressor				\$0
770	Gas Sales Unit / Dehy / Line Heater / Flare			\$5,000	\$5,000
775/774	Transportation and Freight BCP/ACP	\$10,000	\$2,000	\$45,000	\$57,000
777/776	Inspect/Test Tubulars BCP/ACP	\$4,400			\$4,400
779/778	Non-Controllable Equipment BCP/ACP	\$23,430	\$5,293	\$18,000	\$46,723
	Total Well and Lease Equipment	\$723,231	\$111,143	\$378,000	\$1,212,374

Total Drilling and Completion Cost	\$4,025,009	\$6,656,160	\$456,750	\$11,137,919
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KFOC APPROVALS	PARTNER APPROVAL
Robert Sandford (918) 491-4201 Drilling	
David Zerger (918) 491-4350 Completion	Signature
Michael Maxey (918) 491-4424 Land	Printed Name
Chris Miller (918) 491-4443 Geology	Position
Blake Humphries (918) 491-4455 Reservoir	Company
Mike Raines (918) 491-4658 Asset Manager	Date
Tom Redman (918) 491-4506 Chief Operating Officer	

15

Kaiser-Francis Oil Company
Authority for Expenditure

Operator: Kaiser-Francis Oil Company	Date: 9/11/2019
Well Name: Red Hills 701H	Field: Red Hills
Prospect: Red Hills	County / Psh: Lea
Location: FTP 100' FNL 400' FWL SECTION 31 T25S R33E, LTP 100' FSL 400' FWL SECTION 6 T26S R33E	State: NM
Depth: 20960 MD 10300 TVD	Preparer: CJ/DZ
Horizon: 1st Bone Springs	

Objective: Drill and Complete 2 Mile 1st Bone Springs

JIB Code	Intangible Drilling and Completion Costs	Drilling	Completion	Eqpt/Const	Total
500/600	Location / Road Expense / Frac Pit Construction	\$96,250	\$14,000	\$40,000	\$150,250
501/**	Cond, Rat Hole, Mouse Hole Services	\$24,774			\$24,774
502/602	Location Damages	\$20,000			\$20,000
503/603	Environmental, Regulatory, and Permitting	\$40,000			\$40,000
504/604	Turnkey Completion Rig		\$8,000		\$8,000
	Footage @ per foot				\$0
	Daywork 26 days at \$25,000	\$650,000			\$650,000
505/605	Coiled Tubing & Related Services		\$360,000		\$360,000
506/606	Rig Mob / Demob	\$140,000			\$140,000
507/**	Directional Drilling Services	\$410,000			\$410,000
508/608	Bits & Reamers	\$95,500			\$95,500
510/610	Fuel/Power	\$143,000			\$143,000
512/612	Drilling Water / Completion Fluid	\$65,000	\$980,000		\$1,045,000
514/614	Mud & Chemicals	\$160,000	\$20,000		\$180,000
515/615	Closed Loop System / Mud & Cuttings Disposal / SWD	\$275,000	\$37,500		\$312,500
516/616	Surface Equipment Rental / Inspection	\$455,910	\$289,300		\$745,210
517/617	Downhole Equipment Rental / Inspection	\$69,000	\$103,000		\$172,000
518/618	Transportation & Loading	\$6,000	\$50,000		\$56,000
520/**	DST, Coring & Analysis				\$0
521/621	Downhole tools: Whipstocks, Liner Hangers, Frac Plugs		\$84,000		\$84,000
522/622	OH Logs / CH Logs / Perforating / Slickline		\$308,000		\$308,000
523/**	Mud Logging / Geosteering / LWD	\$39,000			\$39,000
524/624	Cementing & Squeezing	\$208,000			\$208,000
526/626	Casing Crews & Equipment	\$44,000			\$44,000
528/628	Plug & Abandon				\$0
**/630	Stimulation		\$3,850,000		\$3,850,000
532/632	Geological & Engineering		\$13,000		\$13,000
534/634	Supervision	\$124,000	\$51,750		\$175,750
536/636	Miscellaneous Contract Labor	\$25,000	\$42,500	\$35,000	\$102,500
538/638	Prof. Fees & Abstracts	\$10,000			\$10,000
541/641	Liability Insurance / Bonds				\$0
542/642	Drilling Overhead / Competition Overhead	\$10,400	\$6,300		\$16,700
544/644	Miscellaneous & Unforeseen	\$190,944	\$310,868	\$3,750	\$505,562
	Total Intangible Drilling & Completion	\$3,301,778	\$6,528,218	\$78,750	\$9,908,746

JIB Code	Tangible Well and Lease Equipment Costs	Drilling	Completion	Eqpt/Const	Total
700	Conductor				\$0
701	Surface Casing 13 3/8 54.5# J-55 BTC 1000	\$45,500			\$45,500
702	Intermediate Casing 9 5/8 40# P-110HC LTC 5000	\$167,500			\$167,500
702	Intermediate Casing				\$0
704	Drilling Liner (BCP)				\$0
703	Production Liner (ACP)				\$0
706	Production Casing (ACP) 5-1/2" P110 20 ppf GBCD 20960	\$376,551			\$376,551
710	Tubing 2 7/8" 6.5# L80 10000		\$55,000		\$55,000
721/720	Wellhead Equip. BCP/ACP	\$85,000	\$45,000		\$130,000
724	Packers & Downhole Equipment		\$21,000		\$21,000
726	Rods & Pumps				\$0
737	Line Pipe / Fittings / Pipeline			\$30,000	\$30,000
738	Automation/SCADA/Misc Electrical Equipment			\$85,000	\$85,000
747	Valves			\$30,000	\$30,000
752	Tanks & Walkways			\$90,000	\$90,000
765	Heaters / Treaters / Separator / VRU			\$75,000	\$75,000
768	Artificial Lift / Compressor				\$0
770	Gas Sales Unit / Dehy / Line Heater / Flare			\$5,000	\$5,000
775/774	Transportation and Freight BCP/ACP	\$10,000	\$2,000	\$45,000	\$57,000
777/776	Inspect/Test Tubulars BCP/ACP	\$4,400			\$4,400
779/778	Non-Controllable Equipment BCP/ACP	\$23,430	\$6,150	\$18,000	\$47,580
	Total Well and Lease Equipment	\$712,381	\$129,150	\$378,000	\$1,219,531

Total Drilling and Completion Cost	\$4,014,159	\$6,657,368	\$456,750	\$11,128,277
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KFOC APPROVALS	PARTNER APPROVAL
Robert Sandford (918) 491-4201 Drilling	_____
David Zerger (918) 491-4350 Completion	Signature _____
Michael Maxey (918) 491-4424 Land	Printed Name _____
Chris Miller (918) 491-4443 Geology	Position _____
Blake Humphries (918) 491-4455 Reservoir	Company _____
Mike Raines (918) 491-4658 Asset Manager	Date _____
Tom Redman (918) 491-4506 Chief Operating Officer	

16

Kaiser-Francis Oil Company
Authority for Expenditure

Operator: Kaiser-Francis Oil Company	Date: 9/11/2019
Well Name: Red Hills 703H	Field: Red Hills
Prospect: Red Hills	County / Psh: Lea
Location: FTP 100' FNL 1600' FWL SECTION 31 T25S R33E, LTP 100' FSL 1600' FWL SECTION 6 T26S R33E	State: NM
Depth: 20960 MD 10300 TVD	Preparer: CJ/DZ
Horizon: 1st Bone Springs	

Objective: Drill and Complete 2 Mile 1st Bone Springs

JIB Code	Intangible Drilling and Completion Costs	Drilling	Completion	Eqpt/Const	Total
500/600	Location / Road Expense / Frac Pit Construction	\$96,250	\$14,000	\$40,000	\$150,250
501/**	Cond, Rat Hole, Mouse Hole Services	\$24,774			\$24,774
502/602	Location Damages	\$20,000			\$20,000
503/603	Environmental, Regulatory, and Permitting	\$40,000			\$40,000
504/604	Turnkey Completion Rig		\$8,000		\$8,000
	Footage @ per foot				\$0
	Daywork 26 days at \$25,000	\$650,000			\$650,000
505/605	Coiled Tubing & Related Services		\$360,000		\$360,000
506/606	Rig Mob / Demob	\$140,000			\$140,000
507/**	Directional Drilling Services	\$410,000			\$410,000
508/608	Bits & Reamers	\$95,500			\$95,500
510/610	Fuel/Power	\$143,000			\$143,000
512/612	Drilling Water / Completion Fluid	\$65,000	\$980,000		\$1,045,000
514/614	Mud & Chemicals	\$160,000	\$35,000		\$195,000
515/615	Closed Loop System / Mud & Cuttings Disposal / SWD	\$275,000	\$37,500		\$312,500
516/616	Surface Equipment Rental / Inspection	\$455,910	\$289,300		\$745,210
517/617	Downhole Equipment Rental / Inspection	\$69,000	\$103,000		\$172,000
518/618	Transportation & Loading	\$6,000	\$50,000		\$56,000
520/**	DST, Coring & Analysis				\$0
521/621	Downhole tools: Whipstocks, Liner Hangers, Frac Plugs		\$84,000		\$84,000
522/622	OH Logs / CH Logs / Perforating / Slickline		\$308,000		\$308,000
523/**	Mud Logging / Geosteering / LWD	\$39,000			\$39,000
524/624	Cementing & Squeezing	\$208,000			\$208,000
526/626	Casing Crews & Equipment	\$44,000			\$44,000
528/628	Plug & Abandon				\$0
530/630	Stimulation		\$3,850,000		\$3,850,000
532/632	Geological & Engineering		\$13,000		\$13,000
534/634	Supervision	\$124,000	\$51,750		\$175,750
536/636	Miscellaneous Contract Labor	\$25,000	\$42,500	\$35,000	\$102,500
538/638	Prof. Fees & Abstracts	\$10,000			\$10,000
541/641	Liability Insurance / Bonds				\$0
542/642	Drilling Overhead / Competition Overhead	\$10,400	\$6,300		\$16,700
544/644	Miscellaneous & Unforeseen	\$190,944	\$311,618	\$3,750	\$506,312
	Total Intangible Drilling & Completion	\$3,301,778	\$6,543,968	\$78,750	\$9,924,496

JIB Code	Tangible Well and Lease Equipment Costs	Drilling	Completion	Eqpt/Const	Total
700	Conductor				\$0
701	Surface Casing 13 3/8 54.5# J-55 BTC 1000	\$45,500			\$45,500
702	Intermediate Casing 9 5/8 40# P-110HC LTC 5000	\$167,500			\$167,500
702	Intermediate Casing				\$0
704	Drilling Liner (BCP)				\$0
703	Production Liner (ACP)				\$0
706	Production Casing (ACP) 5-1/2" P110 20 ppf GBCD 20960	\$376,551			\$376,551
710	Tubing 2 7/8" 6.5# L80 10000		\$55,000		\$55,000
721/720	Wellhead Equip. BCP/ACP	\$85,000	\$45,000		\$130,000
724	Packers & Downhole Equipment		\$21,000		\$21,000
726	Rods & Pumps				\$0
737	Line Pipe / Fittings / Pipeline			\$30,000	\$30,000
738	Automation/SCADA/Misc Electrical Equipment			\$85,000	\$85,000
747	Valves			\$30,000	\$30,000
752	Tanks & Walkways			\$90,000	\$90,000
765	Heaters / Treators / Separator / VRU			\$75,000	\$75,000
768	Artificial Lift / Compressor				\$0
770	Gas Sales Unit / Dehy / Line Heater / Flare			\$5,000	\$5,000
775/774	Transportation and Freight BCP/ACP	\$10,000	\$2,000	\$45,000	\$57,000
777/776	Inspect/Test Tubulars BCP/ACP	\$4,400			\$4,400
779/778	Non-Controllable Equipment BCP/ACP	\$23,430	\$6,150	\$18,000	\$47,580
	Total Well and Lease Equipment	\$712,381	\$129,150	\$378,000	\$1,219,531
Total Drilling and Completion Cost		\$4,014,159	\$6,673,118	\$456,750	\$11,144,027

KFOC APPROVALS	PARTNER APPROVAL
Robert Sandford (918) 491-4201 Drilling	_____
David Zerger (918) 491-4350 Completion	Signature _____
Michael Maxey (918) 491-4424 Land	Printed Name _____
Chris Miller (918) 491-4443 Geology	Position _____
Blake Humphries (918) 491-4455 Reservoir	Company _____
Mike Raines (918) 491-4658 Asset Manager	Date _____
Tom Redman (918) 491-4506 Chief Operating Officer	

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

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

Case No. 20966

VERIFIED STATEMENT OF MITCH SULLIVAN

COUNTY OF TULSA)
) ss.
STATE OF OKLAHOMA)

Mitch Sullivan, being duly sworn upon his oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the geological matters stated herein. I am a geologist for Kaiser-Francis Oil Company ("KFOC").
2. I have been qualified by the Division as an expert petroleum geologist. My area of responsibility at KFOC includes this portion of Southeast New Mexico.
3. The following geological plats are attached hereto:
 - (a) Exhibit A is a structure map on the top of the 1st Bone Spring Sand. It shows that structure dips gently to the West/Southwest. It also shows the proposed well location along with the location of the pilot hole Red Hills 401.
 - (b) Exhibit B is an Isopach map from the top of the 1st Bone Spring sand to the top of the Wolfcamp A. The contours displayed on the map shows relatively constant thickness along the proposed well path.
 - (c) Exhibit C is a Stratigraphic-Bone Spring type log. The Red Hills 401 log provides a representative sample of the Bone Spring formation in this area. The target zone for the well is the 1st Bone Spring Sand zone, and that zone is continuous across the well unit.
 - (d) Exhibit D is a zoomed in portion of the Red Hills 401 type log that focuses on the 1st Bone Spring landing location. As displayed, the distance from the landing point and the bottom of the Lower Avalon D is 450'.
 - (e) Exhibit E is a zoomed in portion of the Red Hills 401 type log that focuses on the 2nd Bone Spring Sand landing point. As you can see from the type log, the landing point is 1,250' away from the top of the Wolfcamp A interval.

EXHIBIT 2

(f) Exhibit F is a zoomed in portion of the Red Hills 401 type log that depicts the Lower Avalon A as well as the Lower Avalon D. As you can see the distance from the Lower Avalon A landing point to the Lower Avalon D formation is 550’.

4. I conclude from the maps that:

(a) The horizontal spacing unit is justified from a geologic standpoint.

(b) Each quarter section in the well unit will contribute more or less equally to production from the wells.

(c) There is no faulting or other geologic impediment which will adversely affect the drilling of the subject wells.

(d) There is sufficient vertical separation between existing drilled wells and future proposed wells.

5. KFOC sees a preference for standup wells in this area.

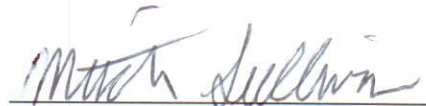
6. KFOC proposes to commence drilling in April, 2020. There will be a total of 16 wells drilled within the pooled unit. The final well will finish drilling in September, 2020. KFOC does not want to complete any wells during drilling operations, therefore, completion operations will commence after all 16 wells are drilled. This would be in October, 2020. Completing all 16 wells after drilling reduces drilling hazards and also ensures that each geologic interval is at virgin pressure, thereby helping to ensure that each frac stimulation will stay within the targeted zone.

7. Attachment F contains the proposed horizontal drilling plan for the well. The producing interval of the well will be orthodox, and will comply with Division setback requirements.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

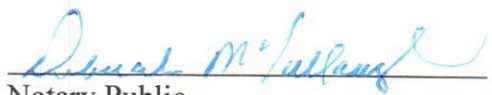
Mitch Sullivan, being duly sworn upon his oath, deposes and states that: He is a geologist for Kaiser-Francis Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his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



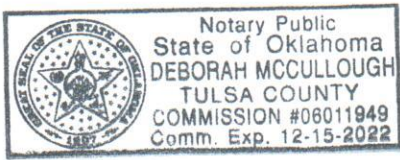
Mitch Sullivan

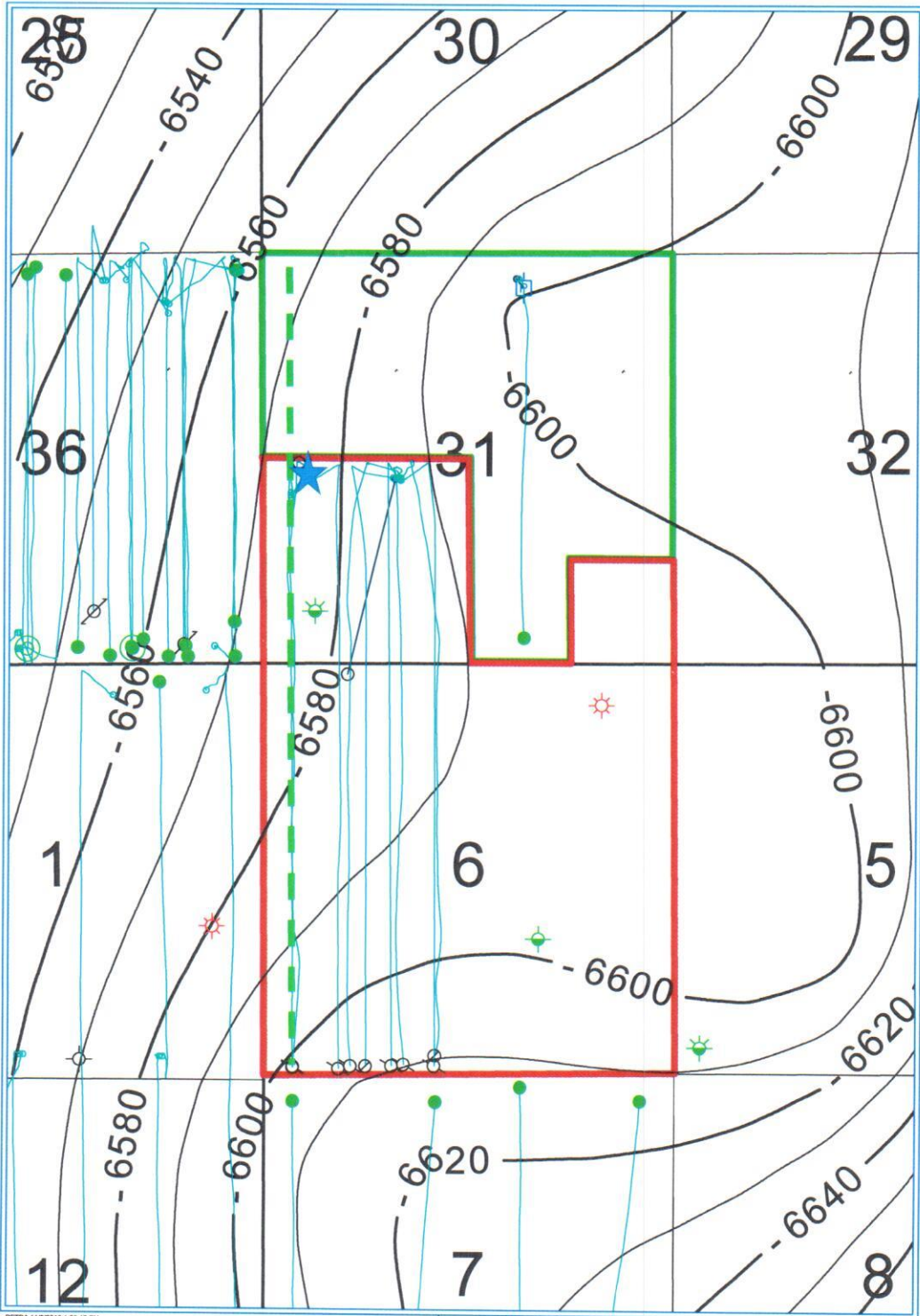
SUBSCRIBED AND SWORN TO before me this 17th day of January, 2020 by Mitch Sullivan.

My Commission Expires: 12-15-22



Notary Public





KAISER-FRANCIS OIL COMPANY

RED HILLS PROJECT

1ST Bone Spring Sand

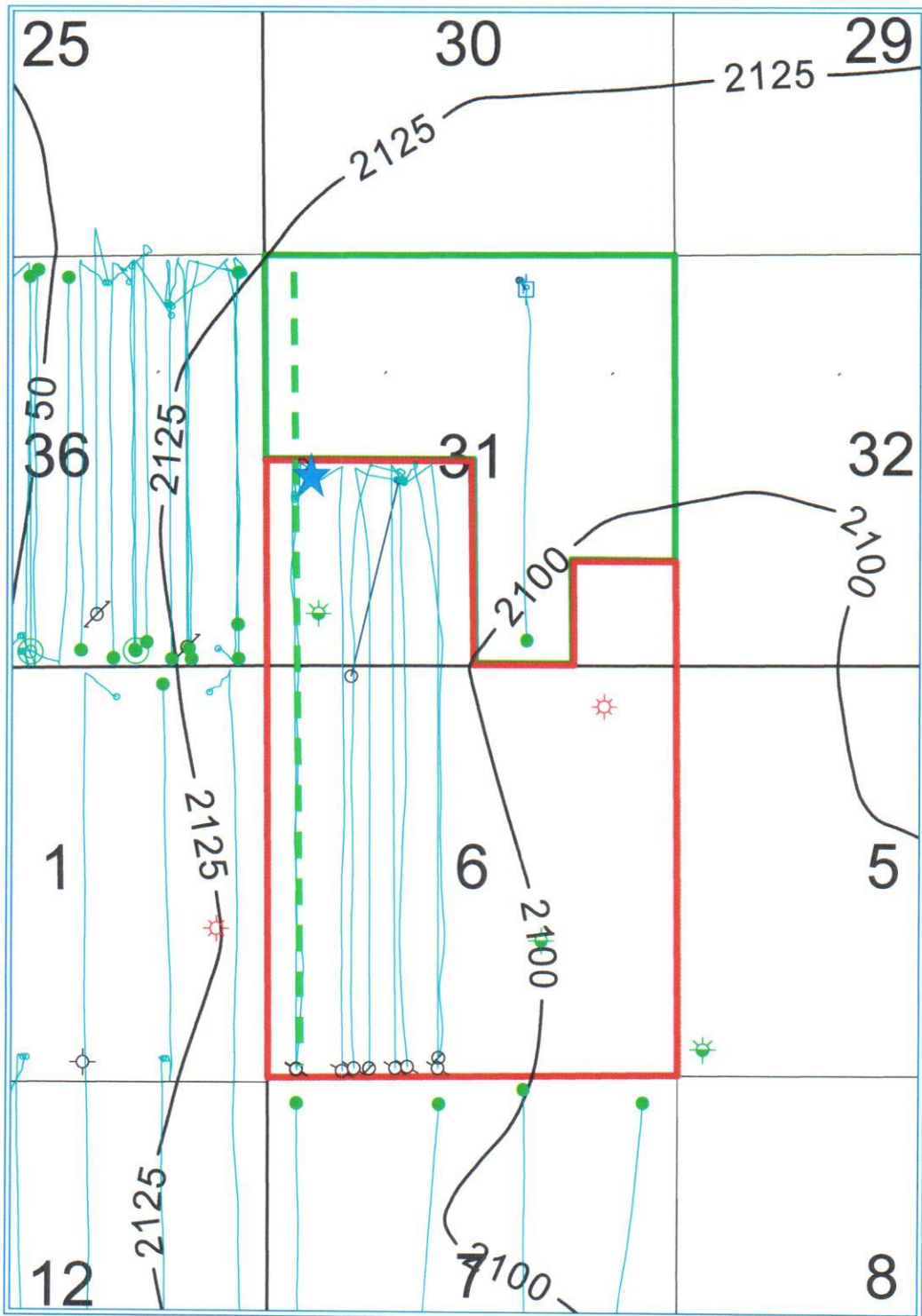
Structure Map



C.I. = 10' REMARKS Well Path

★ Pilot well location

4



PETRA 11/05/19 2:04:29 PM

KAISER-FRANCIS OIL COMPANY

RED HILLS PROJECT

1ST Bone Spring Sand To Wolfcamp

Isopach Map



C.I. = 25' REMARKS Well Path

★ Pilot well location

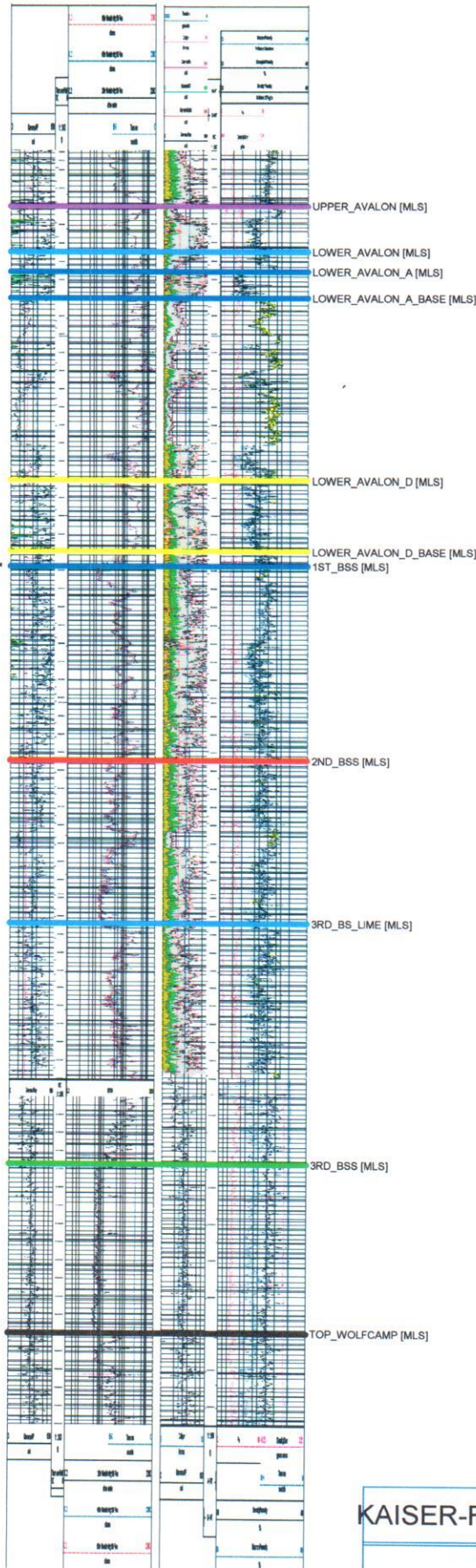
5

KAISER-FRANCIS OIL
 RED HILLS
 o401H
 30025455720000

Exhibit C

Subsea Depth(ft)
 -5500 -
 -5600 -
 -5700 -
 -5800 -
 -5900 -
 -6000 -
 -6100 -
 -6200 -
 -6300 -
 -6400 -
 -6500 -
 -6600 -
 -6700 -
 -6800 -
 -6900 -
 -7000 -
 -7100 -
 -7200 -
 -7300 -
 -7400 -
 -7500 -
 -7600 -
 -7700 -
 -7800 -
 -7900 -
 -8000 -
 -8100 -
 -8200 -
 -8300 -
 -8400 -
 -8500 -
 -8600 -
 -8700 -
 -8800 -
 -8900 -
 -9000 -

Subsea Depth(ft)
 -5500
 -5600
 -5700
 -5800
 -5900
 -6000
 -6100
 -6200
 -6300
 -6400
 -6500
 -6600
 -6700
 -6800
 -6900
 -7000
 -7100
 -7200
 -7300
 -7400
 -7500
 -7600
 -7700
 -7800
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 -8400
 -8500
 -8600
 -8700
 -8800
 -8900
 -9000



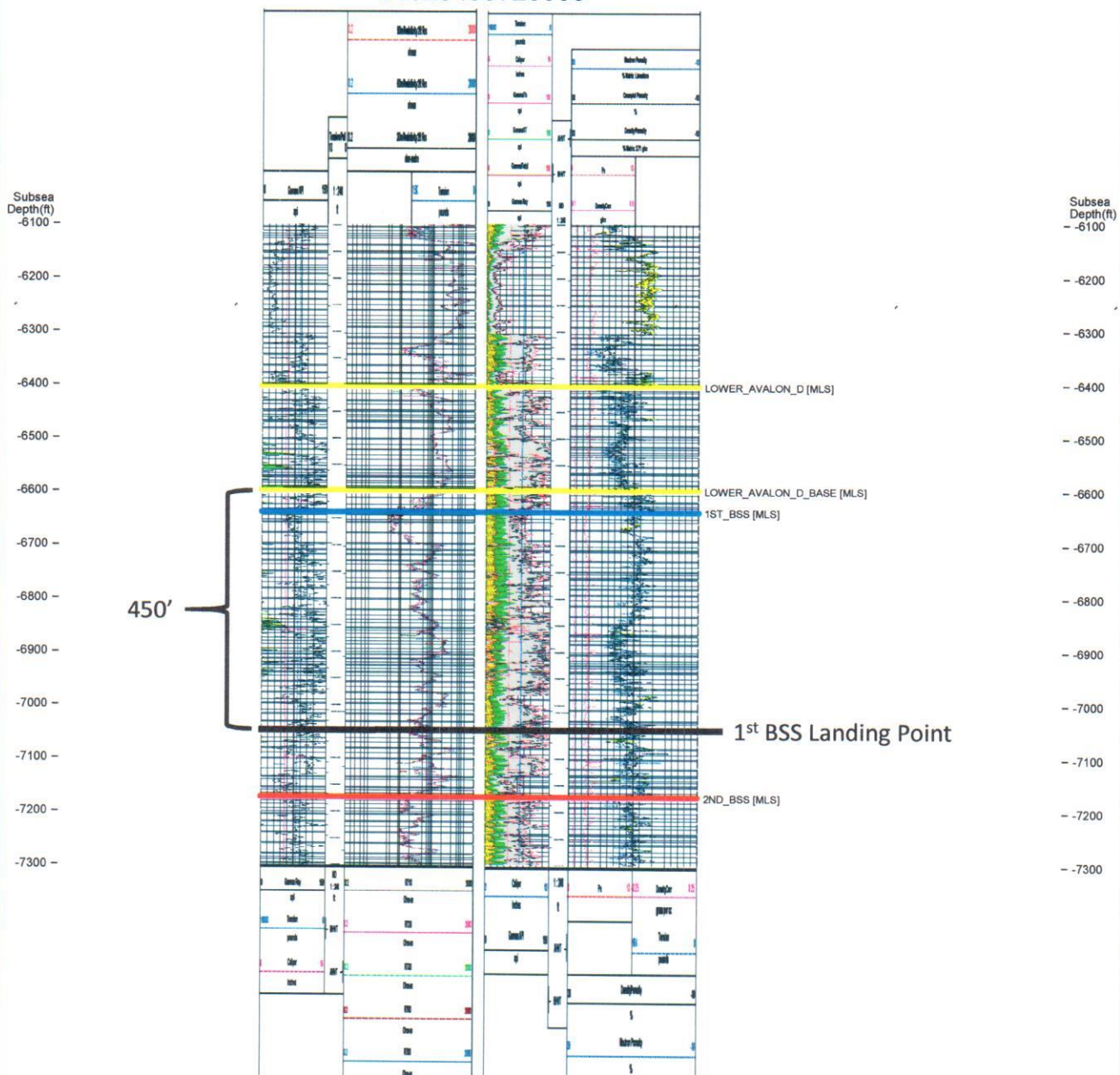
Proposed Bone
 Spring Pool Interval

KAISER-FRANCIS OIL COMPANY
DELAWARE BASIN
Proposed Bone Spring Pool Interval
By: MLS
October 31, 2019 10:56 AM

6

KAISER-FRANCIS OIL
 RED HILLS
 o401H
 30025455720000

Exhibit D

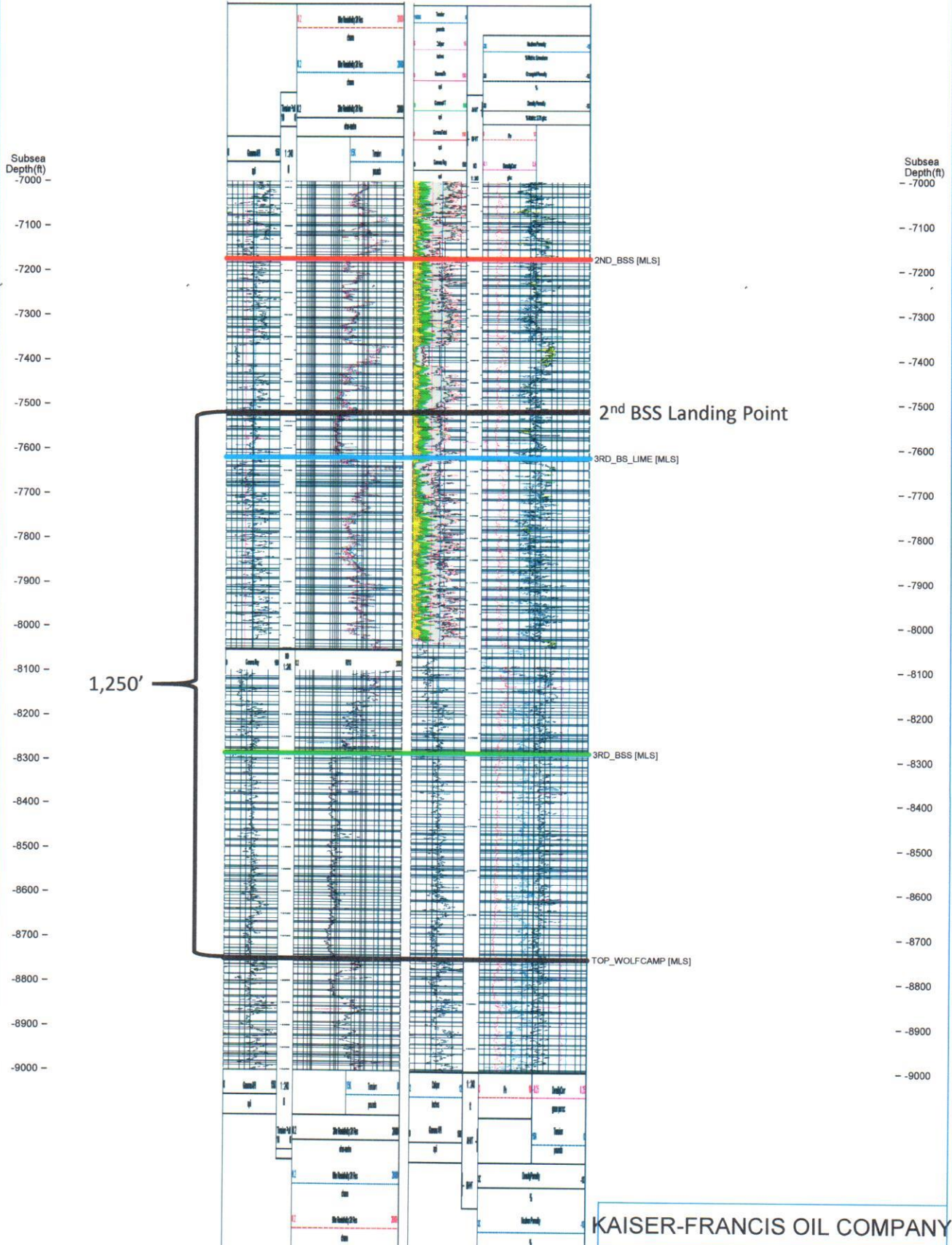


KAISER-FRANCIS OIL COMPANY
DELAWARE BASIN
Distance from Avalon D to 1st BSS
By: MLS
October 31, 2019 10:54 AM

1

KAISER-FRANCIS OIL
 RED HILLS
 o401H
 30025455720000

Exhibit E



KAISER-FRANCIS OIL COMPANY

DELAWARE BASIN

Distance from 2nd BSS to Wolfcamp

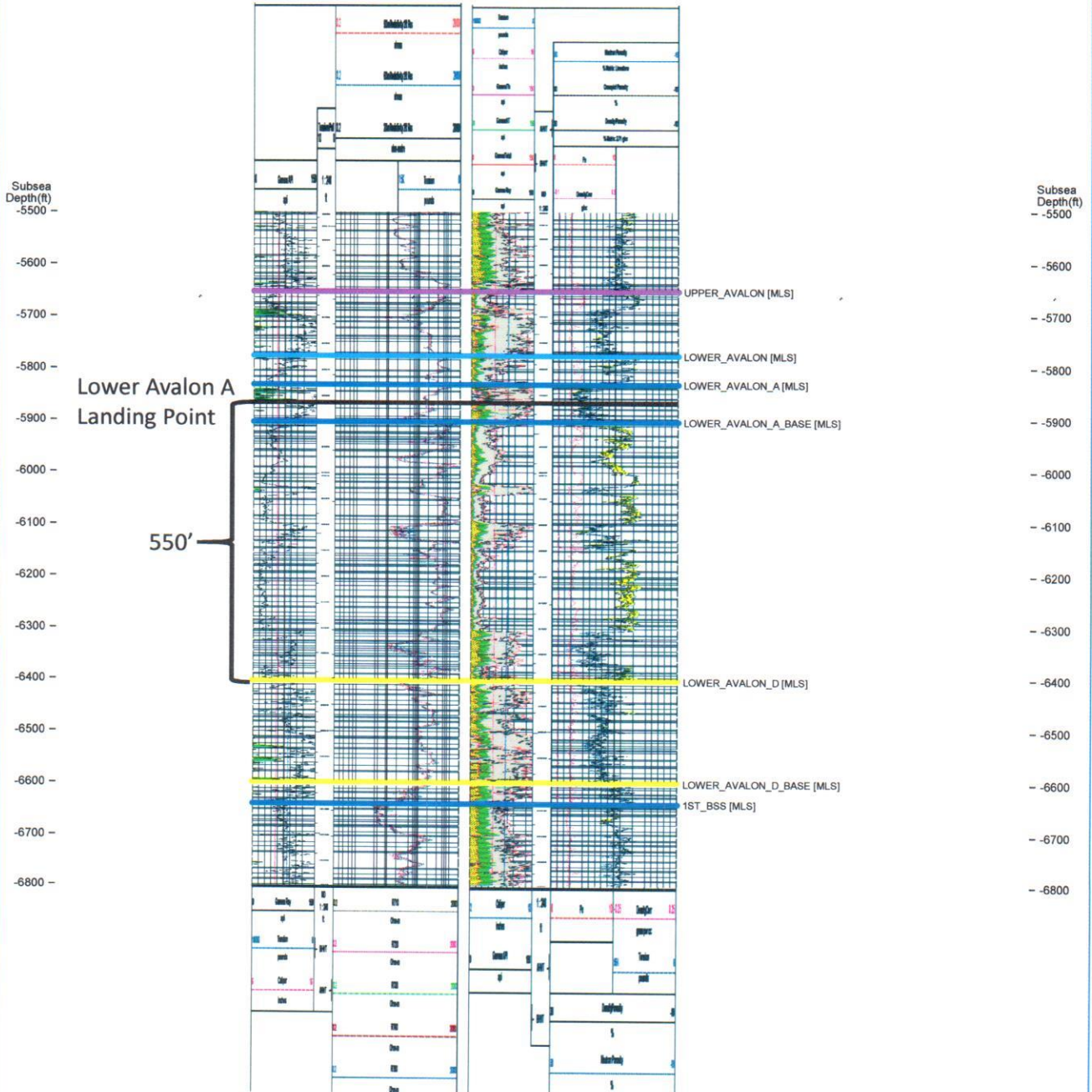
By: MLS

October 31, 2019 10:51 AM

8

KAISER-FRANCIS OIL
 RED HILLS
 o401H
 30025455720000

Exhibit F



KAISER-FRANCIS OIL COMPANY

DELAWARE BASIN

Distance from Avalon A to Avalon D

By: MLS

October 31, 2019 10:47 AM

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

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

Case Nos. 20966 - 20968

SELF-AFFIRMED STATEMENT OF NOTICE

COUNTY OF SANTA FE)
) ss.
STATE OF NEW MEXICO)

James Bruce deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.
2. I am an attorney for Kaiser-Francis Oil Company.
3. Kaiser-Francis Oil Company has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the applications filed herein.
4. Notice of the applications was provided to the interest owners, at their last known addresses, by certified mail. Copies of the notice letter and certified return receipts are attached hereto as Attachment A.
5. Applicant has complied with the notice provisions of Division Rules.
6. I understand that this Self-Affirmed Statement will be used as written testimony in this case. I affirm that my testimony in paragraphs 1 through 5 above is true and correct and is made under penalty of perjury under the laws of the State of New Mexico. My testimony is made as of the date handwritten next to my signature below.

Date: _____

1/22/20



James Bruce

EXHIBIT 3

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

369 MONTEZUMA, NO. 213
SANTA FE, NEW MEXICO 87501

(505) 982-2043 (Phone)
(505) 660-6612 (Cell)
(505) 982-2151 (Fax)
jamesbruc@aol.com

November 20, 2019

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and gentlemen:

Enclosed are copies of the following applications for compulsory pooling, filed with the New Mexico Oil Conservation Division by Kaiser-Francis Oil Company:

- (a) Case No. 20966, for four Bone Spring wells in the W/2 of Section 31, Township 25 South, Range 33 East, NMPM and the W/2 of Section 6, Township 26 South, Range 33 East, NMPM;
- (b) Case No. 20967, for seven Bone Spring wells in the E/2 of Section 31, Township 25 South, Range 33 East, NMPM and the E/2 of Section 6, Township 26 South, Range 33 East, NMPM; and
- (c) Case No. 20968, for eight Wolfcamp wells in the E/2 of Section 31, Township 25 South, Range 33 East, NMPM and the E/2 of Section 6, Township 26 South, Range 33 East, NMPM.

All in Lea County, New Mexico.

These matters are scheduled for hearing at 8:15 a.m. on Thursday, December 12, 2019, in Porter Hall at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend the hearings, but as an owner of an interest who may be affected by the applications, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting these matters at a later date.

A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, December 5, 2019. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and

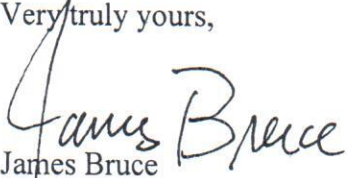
ATTACHMENT

A

2

his or her attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present his or her case; and identification of any procedural matters that need to be resolved prior to the hearing.

Very truly yours,


James Bruce

Attorney for Kaiser-Francis Oil Company

EXHIBIT A

Atlas OBO Energy, LP
3501 Allen Parkway
Houston, Texas 77019

Attention: Ijaz Rehman

COG Operating LLC
Concho Oil & Gas LLC
600 West Illinois
Midland, Texas 79701

Attention: Luke Bedrick

West Texas Gas, Inc.
d/b/a WTG Exploration Inc.
401 West Wadley Avenue
Midland, Texas 79705

4

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

COG Operating LLC
Concho Oil & Gas LLC
600 West Illinois
Midland, Texas 79701



2. Article Number
7018 3090 0001 4742 8813

PS Form 3811, July 2015 PSN 7530-02-000-9053

KF-RH

Domestic Return Receipt

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
 B. Received by (Printed Name) T. J. B. Jones C. Date of Delivery 7/21/15
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Adult Signature
 Registered Mail™
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery
 (over \$500)

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
 Domestic Mail Only

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Certified Mail Fee \$
 Extra Services & Fees (check box, add fee as appropriate)
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 Sent To Atlas OBO Energy, LP
3501 Allen Parkway
Houston, Texas 77019
 Street and Apt. No., or P.O. Box
 City, State, ZIP+4®
 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

Postmark Here

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Atlas OBO Energy, LP
3501 Allen Parkway
Houston, Texas 77019



2. Art

7018 3090 0001 4742 8813

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 B. Received by (Printed Name) Shane Jones C. Date of Delivery 05/20/15
 D. Is delivery address different from item 1? Yes No
 If YES, enter delivery address below:

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery
 (over \$500)

Domestic Return Receipt

KF-RH

U.S. Postal Service™
CERTIFIED MAIL® RECEIPT
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For delivery information, visit our website at www.usps.com

OFFICIAL USE

Certified Mail Fee \$
 Extra Services & Fees (check box, add fee as appropriate)
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 Sent To COG Operating LLC
Concho Oil & Gas LLC
600 West Illinois
Midland, Texas 79701
 Street and Apt. No., or P.O. Box
 City, State, ZIP+4®
 PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

Postmark Here

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

West Texas Gas, Inc.
d/b/a WTG Exploration Inc.
401 West Wadley Avenue
Midland, Texas 79705



2. Article Number (Transfer from *envelope label*)

7018 3090 0001 4742 8790

PS Form 3811, July 2015 PSN 7530-02-000-9053

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 Received by (Printed Name) Addressee
 K. Granzler
 C. Date of Delivery 11/25/14

D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Adult Signature
 Adult Signature Restricted Delivery
 Certified Mail®
 Certified Mail Restricted Delivery
 Collect on Delivery
 Collect on Delivery Restricted Delivery
 Certified Mail Restricted Delivery
 Registered Mail™
 Registered Mail Restricted Delivery
 Return Receipt for Merchandise
 Signature Confirmation™
 Signature Confirmation Restricted Delivery

Domestic Return Receipt

RF-RA

**U.S. Postal Service™
 CERTIFIED MAIL® RECEIPT
 Domestic Mail Only**

For delivery information, visit our website at www.usps.com®

OFFICIAL USE

Certified Mail Fee \$
 Extra Services & Fees (check box; add fee as appropriate)
 Return Receipt (hardcopy) \$
 Return Receipt (electronic) \$
 Certified Mail Restricted Delivery \$
 Adult Signature Required \$
 Adult Signature Restricted Delivery \$
 Postage \$
 Total Postage and Fees \$
 Sent To West Texas Gas, Inc.
 d/b/a WTG Exploration Inc.
 Street and Apt. No., or P.O. Box Midland, Texas 79705
 City, State, ZIP+4®

Postmark Here

PS Form 3800, April 2015 PSN 7530-02-000-9047 See Reverse for Instructions

7018 3090 0001 4742 8790

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COMPULSORY POOLING APPLICATION CHECKLIST

ALL INFORMATION IN THE APPLICATION MUST BE SUPPORTED BY SIGNED AFFIDAVITS

Case:	20966
Date	February 6, 2020
Applicant	Kaiser-Francis Oil Company
Designated Operator & OGRID (affiliation if applicable)	Kaiser-Francis Oil Company/OGRID No. 12361
Applicant's Counsel:	James Bruce
Case Title:	Application of Kaiser-Francis Oil Company for Compulsory Pooling, Lea County, New Mexico

Entries of Appearance/Intervenors:	COG Operating Company LLC/Holland & Hart, LP WTG Exploration/Dana Hardy
Well Family	Red Hills Wells

Formation/Pool	
Formation Name(s) or Vertical Extent:	Bone Spring Formation
Primary Product (Oil or Gas):	Oil
Pooling this vertical extent:	Entire Bone Spring formation
Pool Name and Pool Code:	WC-025 G-08 S253235G/Pool Code 97903
Well Location Setback Rules:	Statewide rules and current horizontal well rules
Spacing Unit Size:	Quarter-quarter Section/40 acre

Spacing Unit	
Type (Horizontal/Vertical)	Vertical
Size (Acres)	640 acres
Building Blocks:	40 acres
Orientation:	North-South
Description: TRS/County	W/2 §31-25S-33E and W/2 §6-26S-33E, NMPM, Lea County
Standard Horizontal Well Spacing Unit (Y/N), If No, describe	Yes

Other Situations	
Depth Severance: Y/N. If yes, description	No
Proximity Tracts: If yes, description	Yes
Proximity Defining Well: if yes, description	Red Hills Well No. 201H
Applicant's Ownership in Each Tract	Exhibit 1 page 9

Well(s)	
Name & API (if assigned), surface and bottom hole location, footages, completion target, orientation, completion status (standard or non-standard)	Red Hills Well No. 701H API No. 30-015-Pending SHL: 300 FNL & 475 FWL §31 BHL: 100 FSL & 400 FWL §6 FTP: 100 FNL & 400 FWL §31 LTP: 100 FSL & 400 FWL §6 1 st Bone Spring/TVD 10300 feet/MD 20960 feet

EXHIBIT 4

Red Hills Well No. 201H
 API No. 30-015-Pending
 SHL: 300 FNL & 505 FWL §31
 BHL: 100 FSL & 1050 FWL §6
 FTP: 100 FNL & 1050 FWL §31
 LTP: 100 FSL & 1050 FWL §6
 2nd Bone Spring/TVD 11000 feet/MD 21660 feet

Red Hills Well No. 703H
 API No. 30-015-Pending
 SHL: 300 FNL & 990 FWL §31
 BHL: 100 FSL & 1700 FWL §6
 FTP: 100 FNL & 1700 FWL §31
 LTP: 100 FSL & 1700 FWL §6
 1st Bone Spring/TVD 10300 feet/MD 20960 feet

Red Hills Well No. 201H
 API No. 30-015-Pending
 SHL: 300 FNL & 1020 FWL §31
 BHL: 100 FSL & 2240 FWL §6
 FTP: 100 FNL & 2240 FWL §31
 LTP: 100 FSL & 2240 FWL §6
 2nd Bone Spring/TVD 11000 feet/MD 21660 feet

Horizontal Well First and Last Take Points

See above

Completion Target (Formation, TVD and MD)

See above

AFE Capex and Operating Costs

Drilling Supervision/Month \$

\$8000

Production Supervision/Month \$

\$800

Justification for Supervision Costs

Exhibit 1 page 2

Requested Risk Charge

Cost + 200%/Exhibit 1 page 2

Notice of Hearing

Proposed Notice of Hearing

Exhibit 5

Proof of Mailed Notice of Hearing (20 days before hearing)

Exhibit 3

Proof of Published Notice of Hearing (10 days before hearing)

Not necessary

Ownership Determination

Land Ownership Schematic of the Spacing Unit

Exhibit 1 pages 4 and 9

Tract List (including lease numbers and owners)

Exhibit 1 page 9

Pooled Parties (including ownership type)

Exhibit 1 page 9

Unlocatable Parties to be Pooled

Not applicable

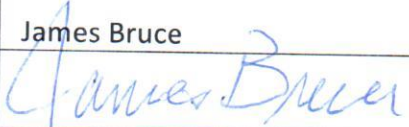
Ownership Depth Severance (including percentage above & below)

None

Joinder

Sample Copy of Proposal Letter

Exhibit 1 pages 10-13

List of Interest Owners (i.e. Exhibit A of JOA)	Exhibit 1 page 7
Chronology of Contact with Non-Joined Working Interests	Exhibit 1 Page 1013
Overhead Rates In Proposal Letter	
Cost Estimate to Drill and Complete	Exhibit 1 pages 17-17
Cost Estimate to Equip Well	Exhibit 1 pages 14-17
Cost Estimate for Production Facilities	Exhibit 1 pages 14-17
Geology	
Summary (including special considerations)	Exhibit 2
Spacing Unit Schematic	Exhibit 1 page 4
Gunbarrel/Lateral Trajectory Schematic	Exhibit 2 pages 6-9
Well Orientation (with rationale)	Standup/Exhibit 2 pages 4-5
Target Formation	Bone Spring
HSU Cross Section	Exhibit 2 pages 6-9
Depth Severance Discussion	Not Applicable
Forms, Figures and Tables	
C-102	Exhibit 1 pages 5-8
Tracts	Exhibit 1 page 9
Summary of Interests, Unit Recapitulation (Tracts)	Exhibit 1 page 9
General Location Map (including basin)	Exhibit 1 page 4
Well Bore Location Map	Exhibit 1 pages 5-8 and Exhibit 2 pages 4-9
Structure Contour Map - Subsea Depth	Exhibit 2 page 4
Cross Section Location Map (including wells)	Exhibit 2 pages 4-9
Cross Section (including Landing Zone)	Exhibit 2 pages 6-9
Additional Information	
CERTIFICATION: I hereby certify that the information provided in this checklist is complete and accurate.	
Printed Name (Attorney or Party Representative):	James Bruce
Signed Name (Attorney or Party Representative):	
Date:	January 21, 2020

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

Case No. 20966

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.

EXHIBIT

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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,

COPY

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

Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 20966:

Application of Kaiser-Francis Oil Company for compulsory pooling, Lea County, New Mexico. Kaiser-Francis Oil Company seeks 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. The unit will be dedicated to (i) the Red Hills Well Nos. 701H and 201H, with first take points in Lot 1 of Section 31 and last take points in Lot 4 of Section 6, and (ii) the Red Hills Well Nos. 703H and 203H, with first take points in the NE/4NW/4 of Section 31 and last take points in the SE/SW/4 of Section 6. Also to be considered will be the cost of drilling and completing the wells and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a 200% charge for the risk involved in drilling and completing the wells. The unit is located approximately 24 miles west of Bennett, New Mexico.