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July 5, 2008

Via fax and U.S. Mail

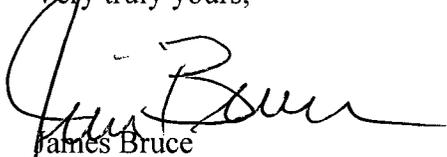
Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14160*

Dear Florene:

Enclosed for filing, on behalf of Kerns Petroleum, Inc., are an original and one copy of an application for pool creation and special pool rules, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 7, 2008 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Kerns Petroleum, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF KERNS PETROLEUM,  
INC. FOR POOL CREATION, A DISCOVERY  
ALLOWABLE, AND SPECIAL POOL RULES,  
LEA COUNTY, NEW MEXICO.

Case No. 14160

APPLICATION

Kerns Petroleum, Inc. applies for an order creating a new pool for production of oil from the Seven-Rivers-formation, granting a discovery allowable, and establishing special rules and regulations for the pool, and in support thereof, states:

1. Applicant is the operator of the Eumont State Well No. 1 (API No. 30-025-38561), which was drilled at a location 900 feet from the north line and 1650 feet from the west line of Section 31, Township 21 South, Range 35 East, N.M.P.M.

2. The Eumont State Well No. 1 has been completed in the Seven Rivers formation, with perforations at 3962-3968 feet subsurface. Under the Division's statewide rules, well spacing is 40 acres, with wells to be located no closer than 330 feet to a quarter-quarter section line. The well has a depth bracket allowable of 80 barrels of oil per day, with a producing gas: oil ratio of 2000:1.

3. The Division's Hobbs office has placed the well in the Jalmat Tansill-Yates-Seven Rivers (oil) Pool (Pool Code 33820). However, ~~applicant believes it has discovered a new common source of supply, and requests that a new pool be created.~~

4. Applicant requests that:

(a) The ~~West Eumont Yates Seven Rivers Pool~~ be created, originally encompassing the NW $\frac{1}{4}$  of Section 36;

- (b) Special rules and regulations for the pool be enacted, providing for a depth bracket allowable of 350 barrels of oil per day;
- (c) A discovery allowable be granted for the pool;
- (d) All other rules be in conformance with statewide rules; and
- (e) ~~The pool rules be made effective retroactive to date of first production from the Eumont State Well No. 1.~~

5. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division grant the relief requested above.

Respectfully submitted,



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James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
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Attorney for Kerns Petroleum, Inc.

PROPOSED ADVERTISEMENT

Case No. 14160 : **Application of Kerns Petroleum, Inc. for pool creation, a discovery allowable, and special pool rules, Lea County, New Mexico.** Applicant seeks an order (i) creating a new pool for production of oil from the Yates-Seven formation, to be named the West-Eumont Yates-Seven Rivers Pool, comprising the NW¼ of Section 36, Township 21 South, Range 35 East, N.M.P.M., (ii) granting applicant a discovery allowable, and (iii) establishing special rules and regulations for the pool, including a special depth bracket allowable of 350 barrels of oil per day, effective as of the date of first production from the discovery well. The discovery well for the pool is the Eumont State Well No. 1, located 900 feet from the north line and 1650 feet from the west line of Section 36. The proposed pool is located approximately 6 miles southwest of Oil Center, New Mexico.

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