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July 18, 2008

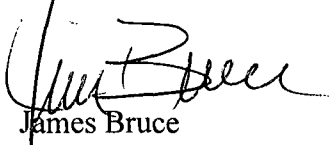
Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

*Case 14173*

Dear Florene:

Enclosed for filing, on behalf of Kaiser-Francis Oil Company, are an original and one copy of an application for simultaneous dedication, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the August 21, 2008 Examiner hearing. Thank you.

Very truly yours,



James Bruce

Attorney for Kaiser-Francis Oil Company

PERSONS NOTIFIED OF HEARING

Chaparral Energy LLC  
701 Cedar Lake Boulevard  
Oklahoma City, Oklahoma 73114

Attention: Steve Yeakley

LKM Lowe Family Partnership LTD  
2313 Broadway  
Lubbock, Texas 79401

LDL Lowe Family Partnership LTD  
7235 Villa Maria Lane  
Austin, Texas 78759

Occidental Permian Ltd.  
OXY USA Inc.  
P.O. Box 4294  
Houston, Texas 77210

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

**APPLICATION OF KAISER-FRANCIS OIL  
COMPANY FOR AN EXCEPTION TO DIVISION  
RULE 104.C(2), LEA COUNTY, NEW MEXICO.**

Case No. 14173

**APPLICATION**

Kaiser-Francis Oil Company applies for an order approving a second well to be drilled, completed, and produced in the Morrow formation in the SE $\frac{1}{4}$  of Section 6, Township 24 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is an interest owner in, and the operator of, the nine section Bell Lake Unit, comprised of the following lands:

Township 23 South, Range 33 East, N.M.P.M.  
Section 36: All

Township 23 South, Range 34 East, N.M.P.M.  
Section 31: All  
Section 32: All

Township 24 South, Range 33 East, N.M.P.M.  
Section 1: All  
Section 12: All

Township 24 South, Range 34 East, N.M.P.M.  
Section 5: All  
Section 6: All  
Section 7: All  
Section 8: All

2. Applicant drilled the Bell Lake Unit Well No. 26 ("Well No. 26") in 2007, as a Morrow test, at a location 1,650 feet from the south line and 660 feet from the east line (Unit I) of Section 6. Lots 6, 7, E $\frac{1}{2}$ SW $\frac{1}{4}$ , and SE $\frac{1}{4}$  (the S $\frac{1}{2}$  equivalent) of Section 6 are dedicated to Well No. 26, comprising a standard 318.38 acre well unit.

3. Well No. 26 is completed in the "4<sup>th</sup> Morrow" sand of the Morrow formation (South Bell Lake-Morrow Gas Pool). The 4<sup>th</sup> Morrow sand is found at the approximate depths of

13,582 – 13,614 feet subsurface in the SE¼ of Section 6, and Well No. 26 is perforated at 13,580 – 13,620 feet subsurface.

4. The current reservoir pressure in the 4<sup>th</sup> Morrow sand in Well No. 26 is calculated to be 1,435 psig, versus the original reservoir pressure of 8,573 psig reported in 1974 in the Bell Lake Unit Well No. 3-14 located in the NW¼ of Section 5. The current 1,435 psig pressure for the 4<sup>th</sup> Morrow sand reservoir reflects substantial depletion due to the production of (i) 33.3 BCF (last production 1984) from the Bell Lake Unit Well No. 3-14, (ii) 4.3 BCF (last production 1978) from the Madera Well No. 1 in the NE¼ of Section 5, and (iii) 2.0 BCF (last production April 2008) from the Bell Lake Well No. 25 in the SW¼ of Section 5.

5. Applicant proposes to drill its Bell Lake Unit Well No. 33 (“Well No. 33”), at an orthodox gas well location in the NE¼SE¼ of Section 6, to a depth sufficient to test the “1<sup>st</sup> Morrow” sand and the “2<sup>nd</sup> Morrow” sand. The 1<sup>st</sup> Morrow sand is found at the approximate depths of 13,188 - 13,258 feet subsurface, and the 2<sup>nd</sup> Morrow sand is found at the approximate depths of 13,404 - 13,430 feet subsurface, in the SE¼ of Section 6. These two sands in Well No. 26 required 12.5 #/gallon (ppg) mud to control while drilling, which reflects virgin pressure in these sands of approximately 8,570 psig.

6. Well No. 26 is not producing from the 1<sup>st</sup> and 2<sup>nd</sup> Morrow sands. These sands cannot be commingled with the 4<sup>th</sup> Morrow sand in Well No. 26 because the depleted 1,435 psig reservoir pressure in the 4<sup>th</sup> Morrow sand is incompatible with the 8,570 psig virgin reservoir pressure in the 1<sup>st</sup> and 2<sup>nd</sup> Morrow sands.

7. Seismic and subsurface geology indicates that the SE¼ is the only quarter section in Section 6 in which the 1<sup>st</sup> and 2<sup>nd</sup> Morrow sand reservoirs encountered in Well No. 26 are potentially productive.

8. The South Bell Lake-Morrow Gas Pool was created by Commission Order No. R-4821 dated August 1, 1974, with the concurrent abolishment of the Bell Lake-Pennsylvanian Gas Pool, created by Commission Order No. R-569 dated January 13, 1955. Under Commission Order No. R-4918, the South Bell Lake-Morrow Gas Pool is developed on 320 acre spacing, even though the pool was created before June 1, 1964.

9. Under Division Rule 104.C(2), two wells are allowed per 320 acre well unit, with one well in each quarter section, and wells to be located no closer than 660 feet to a quarter section line nor closer than 10 feet to a quarter-quarter section line.

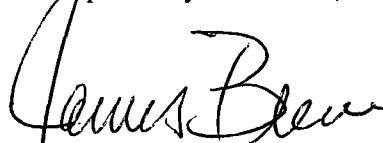
10. Applicant requests an exception to Rule 104.C(2) so that a second Morrow well can be drilled, completed, and produced in the SE $\frac{1}{4}$  of Section 6, with the requirement that Well No. 26 and Well No. 33 be completed in such a manner that they shall not produce concurrently from the same Morrow sands.

11. The S $\frac{1}{2}$  of Section 6 will be dedicated to Well No. 26 and Well No. 33, which shall be produced simultaneously and concurrently from different Morrow sands.

12. The granting of this application will prevent waste and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order granting the relief requested above.

Respectfully submitted,



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

Attorney for Kaiser-Francis Oil Company

Advertisement

**Case No. 14173 : Application of Kaiser-Francis Oil Company for an exception to Division Rule 104.C(2), Lea County, New Mexico.** Applicant seeks an exception to Division Rule 104.C(2) to drill and produce its Bell Lake Unit Well No. 33 as an infill well in an existing 318.38 acre gas spacing unit in the South Bell Lake-Morrow Gas Pool comprising Lots 6, 7, E $\frac{1}{2}$ SW $\frac{1}{4}$ , and SE $\frac{1}{4}$  (the S $\frac{1}{2}$  equivalent) of Section 6, Township 24 South, Range 34 East, N.M.P.M., at an orthodox gas well location in the NE $\frac{1}{4}$ SE $\frac{1}{4}$  (Unit I) of Section 6. Applicant further seeks to simultaneously dedicate production from the South Bell Lake-Morrow Gas Pool in Section 6 to the Bell Lake Unit Well No. 33 and to Kaiser-Francis Oil Company's existing Bell Lake Unit Well No. 26, located 1650 feet from the south line and 660 feet from the east line (Unit I) of Section 6. The two wells shall not produce concurrently from the same Morrow sands. The well unit is located approximately 23 miles southwest of Oil Center, New Mexico.