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NATURAL RESOURCES-OIL AND GAS LAW

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May 16, 1994

HAND DELIVERED

Mr. Michael E. Stogner  
Chief Hearing Examiner  
Oil Conservation Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87504

10999

OIL CONSERVATION DIVISION  
RECEIVED  
MAY 17 1994  
MAY 8 50

Re: Pure Gold B-10 Well  
Application of Kaiser-Francis Oil Company  
to Amend Order R-10048, Eddy County, New Mexico

Dear Mr. Stogner:

On behalf of Kaiser-Francis Oil Company, please find enclosed our application to amend Division Order R-10048 to change the surface location of the referenced directional well.

We request that the Application be set for hearing on the next available Examiner's docket now scheduled for June 9, 1994.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that should they qualify as an interested party then they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application.

Oil Conservation Division  
May 16, 1994  
Page 2

Our proposed advertisement to be used for the OCD docket and for the newspaper publication is attached.

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to Applicant, not later than 4:00 PM on Friday, June 3, 1994.

Very truly yours,



W. Thomas Kellahin

cc: Kaiser-Francis Oil Company

cc: **CERTIFIED MAIL:**

All parties shown in application

## SUGGESTED NMOCD DOCKET NOTICE

Case \_\_\_\_\_: Application of KAISER-FRANCIS OIL COMPANY to amend Division Order R-10048, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order R-10048 to change the surface location of its Pure Gold B-10 Well, a directional well, from the previously approved unorthodox surface location 10 feet from the South line and 145 feet from the West line (Unit M) of Section 16 to a new unorthodox surface location 10 feet from the South line and 480 feet from the East line of Section 17, both in Township 23 South, Range 31 East, NMPM, then to be drilled to the previously approved standard bottom hole location in Unit A of Section 20 and dedicated to a standard 40-acre oil spacing and proration unit consisting of the NE/4 of said Section 20 for production from the West Sand Dunes-Delaware and/or Los Medanos-Delaware Pools. Said well is located approximately 1 mile from marker 15 on State Highway 128, New Mexico.

10999

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

IN THE MATTER OF THE APPLICATION  
OF KAISER-FRANCIS OIL COMPANY TO  
AMEND DIVISION ORDER R-10048,  
EDDY COUNTY, NEW MEXICO

CASE NO.: 10999

**APPLICATION**

Comes now KAISER-FRANCIS OIL COMPANY by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division to amend Division Order R-10048 to change the surface location of its Pure Gold B-10 Well, a directional well, from the previously approved unorthodox surface location 10 feet from the South line and 145 feet from the West line (Unit M) of Section 16 to a new unorthodox surface location 10 feet from the South line and 480 feet from the East line of Section 17, both in Township 23 South, Range 31 East, NMPM, then to be drilled to the previously approved standard bottom hole location in Unit A of Section 20 and dedicated to a standard 40-acre oil spacing and proration unit consisting of the NE/4 of said Section 20 for production from the West Sand Dunes-Delaware and/or Los Medanos-Delaware Pools.

and in support states:

(1) Kaiser-Francis Oil Company ("Kaiser") is the proposed operator for and a working interest owner in the Pure Gold B-10 Well which was one of ten proposed wells to be directionally drilled commencing at unorthodox surface locations in Sections 16, 17, 20, and 21 and drilled to standard bottom hole locations in Sections 20 and 21, all in T23S, R31E, NMPM, Eddy County, New Mexico.

(2) Sections, 16, 17, 20 and 21 of T23S, R31E, are located within the current boundaries of the Oil-Potash Area as defined by Division Order R-111-P.

(3) Sections 17, 20, and 21 are federal tracts administrated by the Bureau of Land Management. Section 16 is a State of New Mexico tract administered by the Commissioner of Public Lands for the State of New Mexico.

(4) At the request of Kaiser-Francis Oil Company, the BLM delineated areas barren of commercial potash in the SE/4 of Section 20 and the SW/4 of Section 21 and along the southern edge of Section 17.

(5) Based upon the foregoing, Kaiser applied to the Division for exceptions to Division Statewide Rule 111 concerning intention deviation and the size of the radius for the bottom hole target and hereby request a 50 foot radius for the bottom hole target. In addition, Kaiser requested exceptions to Division Statewide Rule 104(F) concerning these wells for unorthodox surface locations.

(6) The necessity of directional drilling from the proposed surface location was based upon the assumed presence of measurable potash reserves and the restrictions imposed by the U. S. Bureau of Land Management, which is the surface/mineral agency for Sections 20 and 21.

(7) On January 12, 1994, the Division issued Order R-10048 which approved Kaiser's application for approval to directionally drill these ten wells as identified in Exhibit "A" of that order and which describes:

Well: Pure Gold B-10  
Surface: 10' FSL x 145' FWL (Unit M) Sec 16  
BHL: 480' FNL x 480' FEL (Unit A) Sec 20.

(8) Prior to filing its application before the Division, Kaiser had originally sought to have the Bureau of Land Management ("BLM") approve a surface location for the Pure Gold B-10 Well in the S/2SE/4 of Section 17, T23S, R31E but was rejected by the BLM.

(9) Therefore, Kaiser proposed to relocate the Pure Gold B-10 Well at an unorthodox surface location in the adjoining Section 16 and sought and obtained the approval of the NMOCD for that location.

(10) Subsequent to the Division hearing and after issuance of its order, the BLM advised Kaiser that it had reconsidered the surface location for the Pure Gold B-10 Well and would now allow its surface location to be placed in the S/2SE/4 of Section 17.

(11) The proposed amended surface location in Section 17 means that the Pure Gold B-10 Well will be approximately 400 feet shorter in length than if the well had been located in Section 16 resulting in substantial savings to the Applicant.

(12) On May 2, 1994, the BLM approved the revised APD which now authorizes the use of a surface location for the Pure Gold B-10 Well 10 feet FSL and 480 feet FEL of said Section 17.

(13) This amended unorthodox surface location for the Pure Gold B-10 Well is located more than one-half mile from any verified potash Life of Mine Reserves ("LMR") and therefore is not within any "buffer" area its LMR.

(14) Accordingly, Kaiser-Francis seeks approval from the Division to amend the previous approved unorthodox surface location of the subject well.

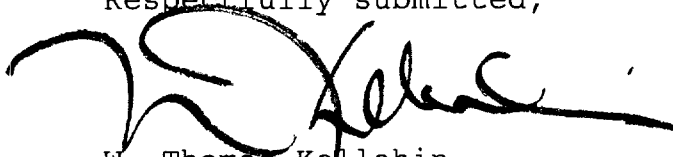
NMOCD Application  
Kaiser-Francis Oil Company  
Page 4

(15) Notice is being set to those potentially interested parties described on Exhibit "A"

(16) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and to protect its spacing units from drainage thereby protecting correlative rights and potentially recover hydrocarbons that might otherwise not be recovered thereby preventing waste.

WHEREFORE, Kaiser-Francis Oil Company. requests that this application be set for hearing and that after notice and hearing as provided for by Division rules, the application be granted as requested.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address below.

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
ATTORNEYS FOR APPLICANT

EXHIBIT "A"  
TO KAISER-FRANCIS OIL COMPANY APPLICATION

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210  
Attn: Mr. Randy Patterson

Santa Fe Energy Operating Partners,L.P.  
500 W. Illinois  
Midland, Texas 79701

Pogo Producing Company  
P. O. Box 10340  
Midland, Texas 79702-7340