

DATE IN: 11-12-2004	SUSPENSE: NA	ENGINEER: Stepan	LOGGED IN: MS.	TYPE: NSL	APPROVED: ME30- APP NO. 432236665
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] TYPE OF APPLICATION - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____

2004 NOV 12 PM 2 37

- [2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached

- [3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

- [4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Print or Type Name

Signature

KELLAHIN & KELLAHIN
Attorneys At Law
P.O. Box 2265
Santa Fe, NM 87504-2265

Date

11/12/04

KELLAHIN & KELLAHIN
Attorney at Law

W. Thomas Kellahin
Recognized Specialist in the Area of
Natural Resources-oil and gas law-
New Mexico Board of Legal Specialization

P.O. Box 2265
Santa Fe, New Mexico 87504
117 North Guadalupe
Santa Fe, New Mexico 87501

Telephone 505-982-4285
Facsimile 505-982-2047
kellahin@earthlink.net

November 12, 2004

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

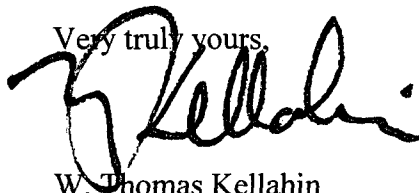
Re: Administrative Application of Kaiser-Francis Oil Company
For approval of an unorthodox gas well location for its
Mesa "11" Grande Well No. 2, Unit L
W/2 dedication, Section 11
T22S, R26E, Eddy County, New Mexico
Carlsbad South-Morrow Gas Pool
Happy Valley-Strawn Gas Pool

2004 NOV 12 PM 2 37

Dear Mr. Fesmire:

On behalf of Kaiser-Francis Oil Company, please find enclosed our referenced administrative application that is being filed in accordance with Division Rule 104.F. This location crowds the line between the NW/4 and the SW/4 of this spacing unit consisting of the W/2 of Section 11 (being 19 feet south of the north line of the SW/4 instead of the required 660 feet).

Very truly yours,



W. Thomas Kellahin

CC: Kaiser-Francis Oil Company
Attn: James Wakefield

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

**APPLICATION OF KAISER-FRANCIS OIL COMPANY
FOR APPROVAL OF AN UNORTHODOX
GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO**

ADMINISTRATIVE APPLICATION

Comes now Kaiser-Francis Oil Company (KF) and by and through its attorneys, Kellahin & Kellahin, and in accordance with Division General Rule 104.F, applies to the New Mexico Oil Conservation Division ("Division") for approval of an unorthodox gas well location for its Mesa "11" Grande Well No. 2 to be located 2,661 feet FSL and 660 feet FWL (Unit L) of Section 11, T22S, R26E, Eddy County, New Mexico to be dedicated to a standard 325-acre gas spacing unit ("GPU") consisting of the W/2 of this section to be drilled to test the Strawn and Morrow formation.

In support, KF states:

1. KF is the operator of the Mesa Grande "11" Well No. 1, (API # 30-015-21815) an existing Morrow gas well located 1980 feet from the North and West lines of this section and is dedicated to a standard 325-acre gas spacing unit¹ consisting of the W/2 of this section. **See Exhibit "A", copy of Division Form C-102.**
2. KF has a 94.4478% interest in the W/2 and is the operator pursuant to a Joint Operating Agreement ("JOA") effective May 7, 1976. **See Exhibit "B"**
3. On June 1, 1976, the Division entered Order R-5222 in Case 5684, heard on May 26, 1976, that by compulsory pooling order consolidated the W/2 of this section as the 325-acre spacing unit for the Mesa Grande "11" Well No. 1. **See Exhibit "C"**

¹ It appears that Section 11 is slightly irregular as contains 650 acres with the west-half contained 325 acres.

4. KF believes that Order R-5222 is no longer required for this spacing unit because the two small mineral owners that were originally pooled have now been leased by KF.
5. KF proposes to drill its Mesa "11" Grande Well No. 2 as an optional infill well in the opposite 160-acre governmental quarter section (SW/4) from the parent well located in the NW/4, with both wells dedicated to the 320-acre gas spacing unit consisting of the W/2 of this section, all in accordance with Division Rule 104. **See locator map attached as Exhibit "D"**
6. This optional infill well is to be located 2,661 feet FSL and 660 feet FWL (Unit L) Section 11, T22S, R26E, at an unorthodox gas well location. **See copy of Division form C-102 attached as Exhibit "E"**
7. KF's proposed unorthodox well location will encroach upon an internal boundary of the GPU (19' south of the quarter-quarter section line). **See Exhibit "E"**
8. The Division Rule 104.C requires wells, dedicated to 320-acre gas spacing unit, to be drilled no closer than 660 feet to the outer boundary of the quarter section on which that well is located and no closer than 10 feet to any quarter-quarter lines or subdivision inner boundary.
9. This location is in 19 feet south of the line dividing the NW/4 from the SW/4 and therefore is to be located at an unorthodox gas well location.

TECHNICAL EVIDENCE

10. KF's geologic data demonstrates that the proposed unorthodox gas well location is located at the highest structural position within the SW/4 which will permit contact with the thickest Lower Strawn net "reef" pay and minimize water production. This location will also permit this test to encounter 10 feet to 15 feet of Morrow net sand. **See Exhibit "E" (Lower Strawn structure map) Exhibit "F" (Lower Strawn Isopach map), and Exhibit "G" (Morrow Net Pay Isopach map) attached.**
11. Because the offsetting Mesa Arriva 1-10 (located in the SE/4NW/4 of Section 10) produces 200 BW/D from the Lower Strawn at an up-dip location and the WC "3" No. 3 well (located in the SE/4SE/4 of Section 3) produces 1,000 BW/D from the Lower Strawn at a down-dip location to the Mesa Arriva 1-10, KF is concerned that moving this proposed location further south will result in encountering the Lower Strawn at a structural elevation that will be too low to obtain commercial gas production. Also, since there is inadequate data to draw a more exact structure map at this time, and there are significant

questions concerning the water contact, KF believes the requested unorthodox location is at the highest structural position available while maintaining the opportunity to encounter the thickest net pay and therefore is better than any standard location within the SW/4 of this section.

THE SHALLOW FORMATIONS

12. This unorthodox location might affect the owners in the shallow intervals (subject to 160-acre, 80-acre to 40-acre spacing units), but because there is no such production yet established, KF will not attempt any shallow completion in this wellbore without first providing adequate protection to the correlative rights for those owners.

AFFECTED PARTIES

13. The west half of Section 11 consists of 5 separate fee tracts and is subdivided as follows: W/2 NW/4, E/2 NW/4, W/2 SW/4, NE/4 SW/4 and SE/4 SW/4.
14. All of the W/2 of Section 11 remains subject to a JOA (**See Exhibit "B"**). All but two of the working interest owners in the W/2 of this section are in support of this application. The two non-consenting parties have elected the 100%/300% provision of the JOA as an alternative to participation.
15. All of the working interest owners in the W/2 of Section 11 have given KF their approval to drill this well at the non-standard location.

NOTIFICATION AND WAIVERS

16. Because KF is the operator, notice has been sent to all of the working interest owners in the GPU as required by Division Rule 1207 (2) (a) (iii). **See list attached as Exhibit "I"**.
17. All working interest owners have consented to this unorthodox well location. **See waivers attached as Exhibit "J" pages 1-13.**

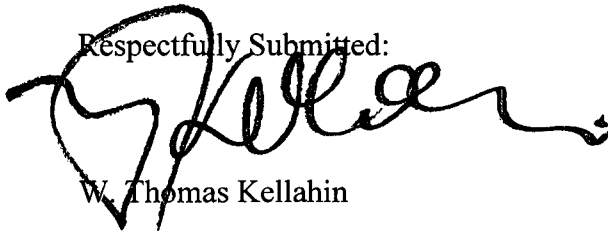
REQUEST

18. Approval of this application will afford the owners and the applicant the opportunity to produce their just and equitable share of the gas in the Strawn and Morrow formations, will promote the orderly development in this area, will prevent the economic loss caused by the drilling of unnecessary wells,

avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that this application be approved by the Division.

Respectfully Submitted:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the printed name.

W. Thomas Kellahin

Kaiser-Francis Oil Company
Non Standard Location
Division Rule 104F
Mesa "11" Grande Well No. 2, Unit L
W/2 of Section 11-T21S-R26E
Eddy County, New Mexico
EXHIBIT "A"

NEW MEXICO OIL CONSERVATION COMMISSION
LOCATION AND ACREAGE DEDICATION PLAT

Form O-111
Supersedes O-118
Effective 1-1-65

distances must be from the outer boundaries of the Section

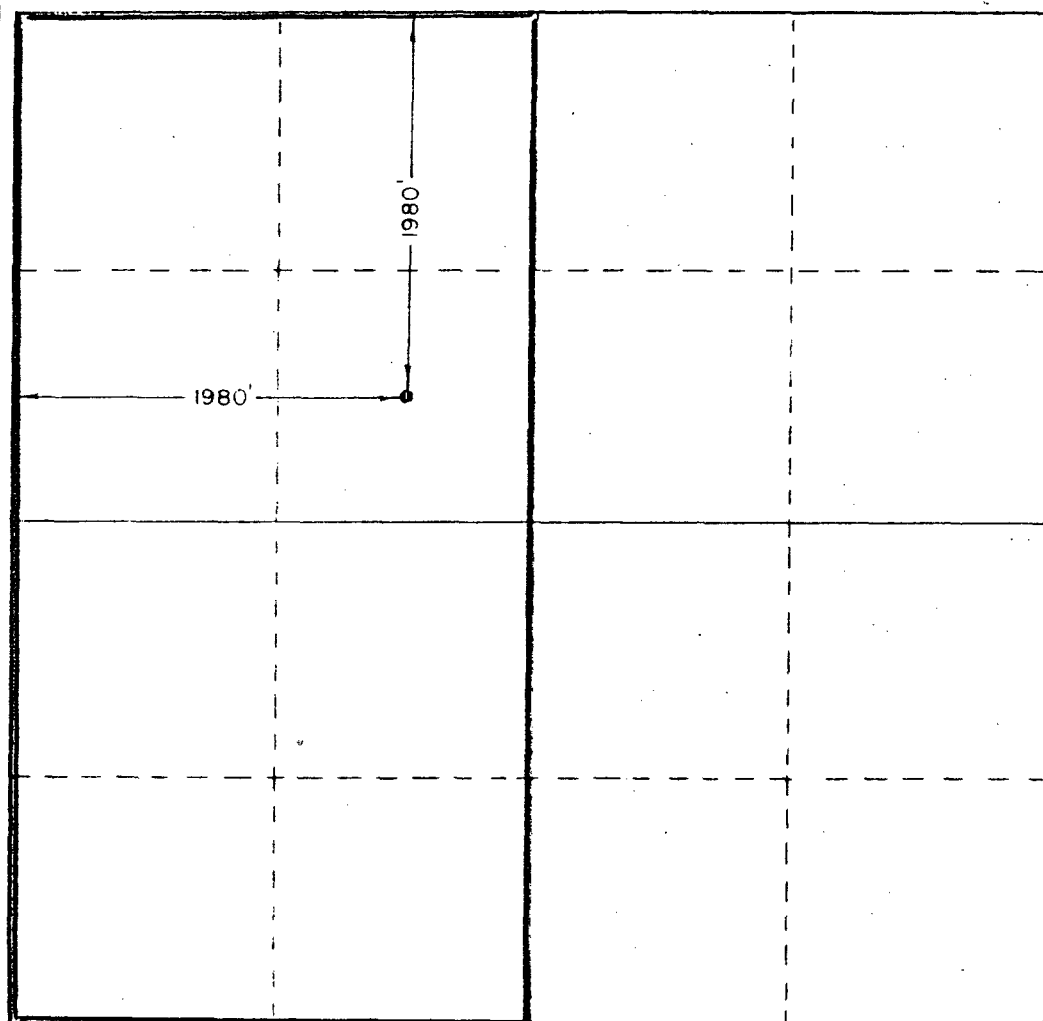
Operator Morris R. Antweil		Lease Mesa Grande		Well No. 1
Tract Letter F	Section 11	Township 22 South	Range 26 East	County Eddy
Actual Well Location of Well:				
1980	feet from the	North	line and	1980
				feet from the
				West
Ground Level Elev. 3151.7	Formation Morrow		Pool Wildcat	Estimated Acreage 320

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty). **See reverse side.**
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☒ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) **Majority W.I. consolidated -force pooling requested.**

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

R. M. Williams

Name

R. M. Williams

Position

Agent

Company

Morris R. Antweil

Date

5 May 1976

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 knowledge and belief.

Date Registered
April 28, 1976
Registered Professional Engineer
and Land Surveyor

Edmund West
Certificate No. 676

Jim Wakefield, KFC

A.A.P.L. FORM 610
MODEL FORM OPERATING AGREEMENT-1956

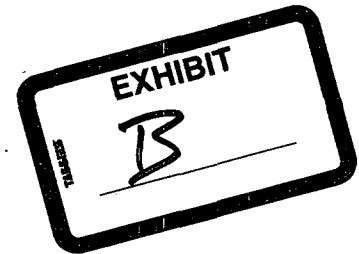
Non-Federal Lands

*Ac. Accounting 5-26-76**Mesa Grande #1**OP M M -100-1**Mesa R. Antevail (open)**Antevail Prospect***"MESA GRANDE"****OPERATING AGREEMENT****DATED**May 7, 1976,

SECTION 11

FOR UNIT AREA IN TOWNSHIP 22 South, RANGE 26 EastEddy COUNTY, STATE OF New Mexico

AMERICAN ASSOCIATION OF PETROLEUM LANDMEN
 APPROVED FORM, A.A.P.L. NO. 610
 MAY BE ORDERED DIRECTLY FROM THE PUBLISHER
 ROSS-MARTIN COMPANY, BOX 800, TULSA 74101



A.A.P.L. FORM 610

*Jim Wakefield, KFOC***TABLE OF CONTENTS**

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EXHIBITS:

- "A" Participating Schedule and Lands
- "B" Specimen Oil & Gas Lease
- "C" Accounting Procedure
- "D" Insurance
- "E" Gas Storage and Balancing Agreement

"Mesa Grande"

May 7, 1976

*Jim Wakefield, (CFO)*D. EQUAL EMPLOYMENT OPPORTUNITY PROVISION, STATE & FEDERAL LAWS.

In connection with the performance of work under this agreement, Operator agrees to comply fully with the nondiscrimination provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 F.R. 12319). The parties hereto recognize that this agreement shall be subject to all valid and applicable State and Federal laws, rules, regulations, and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules regulations and orders. In the event this agreement or any provision hereof is, or the operations contemplated hereby are, found to be inconsistent with or contrary to any such law, rule, regulation or order the latter shall be deemed to control and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

Morris R. Antweil
 MORRIS R. ANTWEIL

1022 S.W. 91st St., Bldg. 100
 Okla. P.O. Box 174961

OPERATOR

Mary Frances Antweil
 MARY FRANCES ANTWEIL

Alan J. Antweil
 ALAN J. ANTWEIL

MESA PETROLEUM CO.

ATTEST:

 Assistant Secretary

By _____
 Vice President

ATTEST:

Jesse L. Dally
 Secretary

THE DESANA CORPORATION,

By *Darrell E. Smith*
 Darrell E. Smith, President

NON-OPERATORS

Jim Winkfield, KFOL

STATE OF New Mexico ☒
COUNTY OF Lea ☒The foregoing instrument was acknowledged before me this 24th day ofMay, 1976 by MORRIS R. ANTWEIL.

My Commission Expires:

October 27, 1978Jo M. Jones
Notary PublicSTATE OF NEW MEXICO ☒
COUNTY OF LEA ☒The foregoing instrument was acknowledged before me this 24th day ofMay, 1976 by ALAN J. ANTWEIL and his wife, MARY FRANCIS ANTWEIL.

My Commission Expires:

October 27, 1978Jo M. Jones
Notary PublicSTATE OF TEXAS ☒
COUNTY OF POTTER ☒

The foregoing instrument was acknowledged before me this _____ day of

_____, 1976 by _____, Vice President of MESA
PETROLEUM CO., a Delaware corporation.

My Commission Expires:

Notary PublicSTATE OF TEXAS ☒
COUNTY OF MIDLAND ☒The foregoing instrument was acknowledged before me this 21st day ofMay, 1976 by Darrell E. Smith, President of THE DESANA CORPORATION.

My Commission Expires:

Billie Mitchell
Notary PublicBillie Mitchell
My Commission Expires
June 1, 1977

-15-

"Mesa Grande"

May 7, 1976

D. EQUAL EMPLOYMENT OPPORTUNITY PROVISION, STATE & FEDERAL LAWS.

In connection with the performance of work under this agreement, Operator agrees to comply fully with the nondiscrimination provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 F.R. 12319). The parties hereto recognize that this agreement shall be subject to all valid and applicable State and Federal laws, rules, regulations, and orders, and the operations conducted hereunder shall be performed in accordance with said laws, rules regulations and orders. In the event this agreement or any provision hereof is, or the operations contemplated hereby are, found to be inconsistent with or contrary to any such law, rule, regulation or order the latter shall be deemed to control and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

MORRIS R. ANTWEIL

OPERATOR

MARY FRANCES ANTWEIL

ALAN J. ANTWEIL

MESA PETROLEUM CO.

ATTEST:

Barbara Stewart
Assistant Secretary

By Frank R. Davis
Vice President *FXM*

THE DESANA CORPORATION

ATTEST:

Secretary

By _____
Darrell E. Smith, President

NON-OPERATORS

Jim Wakefield, KFOR

STATE OF ☒ I
COUNTY OF ☒ I

The foregoing instrument was acknowledged before me this _____ day of _____

_____, 1976 by MORRIS R. ANTWEIL.

My Commission Expires: _____

Notary Public

STATE OF NEW MEXICO ☒ I
COUNTY OF LEA ☒ I

The foregoing instrument was acknowledged before me this _____ day of _____

_____, 1976 by ALAN J. ANTWEIL and his wife, MARY FRANCIS ANTWEIL.

My Commission Expires: _____

Notary Public

STATE OF TEXAS ☒ I
COUNTY OF POTTER ☒ I

The foregoing instrument was acknowledged before me this 20th day of _____

May, 1976 by Frank B. Davis, Vice President of MESA PETROLEUM CO., a Delaware corporation.

Virginia L. Bernier
Notary Public

My Commission Expires: _____

6-1-77

STATE OF TEXAS ☒ I
COUNTY OF MIDLAND ☒ I

The foregoing instrument was acknowledged before me this _____ day of _____

_____, 1976 by Darrell E. Smith, President of THE DESANA CORPORATION.

My Commission Expires: _____

Notary Public

Jim Wakefield, KROC

EXHIBIT "A"

Attached to and made a part of Mesa Grande Unit
Operating Agreement dated May 7, 1976 between
the following:

OPERATOR

Morris R. Antweil

NON-OPERATORS

Mesa Petroleum Co.
Alan J. Antweil
The Desana Corporation

PART 1. LANDS SUBJECT TO CONTRACT: All Section 11-22S-26E, Eddy County, New Mexico

PART 2. WORKING INTEREST OWNERSHIP:

(1) Mesa Petroleum Co.	74.4526%
(1) Alan J. Antweil	24.8175%
The Desana Corporation	.7299%
Morris R. Antweil	-0-

PART 3. NET REVENUE INTEREST:

	<u>W₁ Sec. 11</u>	<u>E₁ Sec. 11</u>
Mesa Petroleum Co.	54.82511325	55.66111575
Alan J. Antweil	18.27503775	18.55370525
The Desana Corporation	.705484 ✓	.4806002
Morris R. Antweil	-0-	-0-
Total Working Interest NRI	73.805635	74.695421
(2) Earl Gaertner, et al ORI	1.292021 ✓	1.292021
Leasehold Royalty	24.902344	24.012558
	<u>100.000000%</u>	<u>100.000000%</u>

(1) includes 7.9509% presently owned by Earl Gaertner, et al to be assigned 75% to Mesa and 25% to Antweil upon completion of first well as producer.

(2) owned by Earl Gaertner (36%), C & K Petroleum, Inc. (27%), H. C. Hood (36%) and Tom Brown, Inc. (1%); percentages shown are close approximations.

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5684
Order No. R-5222

APPLICATION OF MORRIS R. ANTWEIL FOR
COMPULSORY POOLING, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on May 26, 1976,
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 1st day of June, 1976, the Commission, a
quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

(1) That due public notice having been given as required
by law, the Commission has jurisdiction of this cause and the
subject matter thereof.

(2) That the applicant, Morris R. Antweil, seeks an order
pooling all mineral interests in the Wolfcamp and Pennsylvanian
formations underlying the W/2 of Section 11, Township 22 South,
Range 26 East, NMPM, South Carlsbad Field Area, Eddy County,
New Mexico.

(3) That the applicant has the right to drill and proposes
to drill his Mesa Grande Well No. 1 at a point 1980 feet from
the North line and 1980 feet from the West line of said Section 11.

(4) That there are interest owners in the proposed proration
unit who have not agreed to pool their interests.

(5) That to avoid the drilling of unnecessary wells, to
protect correlative rights, and to afford to the owner of each
interest in said unit the opportunity to recover or receive
without unnecessary expense his just and fair share of the gas
in said pool, the subject application should be approved by
pooling all mineral interests, whatever they may be, within
said unit.

(6) That the applicant should be designated the operator
of the subject well and unit.

Jim Wolfcamp II, LKOC

(7) That any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(8) That any non-consenting working interest owner that does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(9) That any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but that actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(10) That following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(11) That \$1500.00 per month while drilling, and \$200.00 per month while producing, should be fixed as reasonable charges for supervision (combined fixed rates); that the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) That all proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(13) That upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before September 1, 1976, the order pooling said unit should become null and void and of no effect whatsoever.

IT IS THEREFORE ORDERED:

(1) That all mineral interests, whatever they may be, in the Wolfcamp and Pennsylvanian formations underlying the W/2 of Section 11, Township 22 South, Range 26 East, NMPPM, South Carlsbad Field Area, Eddy County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit to be dedicated to applicant's Mesa Grande Well No. 1, to be drilled 1980 feet from the North line and 1980 feet from the West line of said Section 11.

Jim Wakefield, KCRC

PROVIDED HOWEVER, that the operator of said unit shall commence the drilling of said well on or before the 1st day of September, 1976, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Wolfcamp and Pennsylvanian formations;

PROVIDED FURTHER, that in the event said operator does not commence the drilling of said well on or before the 1st day of September, 1976, Order (1) of this order shall be null and void and of no effect whatsoever; unless said operator obtains a time extension from the Commission for good cause shown.

PROVIDED FURTHER, that should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Commission and show cause why Order (1) of this order should not be rescinded.

(2) That Morris R. Antweil is hereby designated the operator of the subject well and unit.

(3) That after the effective date of this order and within 30 days prior to commencing said well, the operator shall furnish the Commission and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) That within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and that any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) That the operator shall furnish the Commission and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; that if no objection to the actual well costs is received by the Commission and the Commission has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, that if there is an objection to actual well costs within said 45-day period the Commission will determine reasonable well costs after public notice and hearing.

(6) That within 60 days following determination of reasonable well costs, any non-consenting working interest owner that has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

Jim Wadsworth, LFC

(7) That the operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) That the operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) That \$1500.00 per month while drilling, and \$200.00 per month while producing, are hereby fixed as reasonable charges for supervision (combined fixed rates); that the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) That any unsevered mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) That any well costs or charges which are to be paid out of production shall be withheld only from the working interests share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) That all proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in Eddy County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; that the operator shall notify the Commission of the name and address of said escrow agent within 90 days from the date of this order.

Jim Weckel's 10, KFoc

-5-

Case No. 5684

Order No. R-5222

(13) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero

PHIL R. LUCERO, Chairman

Emery C. Arnold
EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

dr/

CARLSBA

[illegible]

189 ell M.L. Metal	etal 22006 22006 22006 rs.	Oper. 4 -0 rms	pet 73 90 ley	bob 2008 115 23	Minston (on)	C	OXY HBP L-4678 34 38	1-1M 6.4 Mil	22	Devon 4678
-----------------------------	--	-------------------------	------------------------	--------------------------	-----------------	---	-------------------------------	-----------------	----	---------------

Kaiser-Francis Oil Company
Non Standard Location
Division Rule 104F
Mesa "11" Grande Well No. 2, Unit L
W/2 of Section 11-T21S-R26E
Eddy County, New Mexico
EXHIBIT "E"

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name MESA 11 GRANDE	Well Number 2
OGRID No.	Operator Name KAISER-FRANCIS OIL COMPANY	Elevation 3175'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	11	22 S	26 E		2661	SOUTH	660	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

Dedicated Acres	Joint or Infill	Consolidation Code	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>Plane Coordinate X = 519,690.3 Y = 511,818.9</p> <p>NOTE: 1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</p>
	<p>SURVEYOR CERTIFICATION</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 upervision and that the same is true and orrect to the best of my belief.</p> <p>October 27, 2004</p> <p>Date/Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____ LVA</p> <p>W.O. Num. 2004-0669</p> <p>Certificate No. MACON McDONALD 12185</p>

Kaiser-Francis Oil Company

Mesa "11" Grande #2

L. Strawn Isopach Map

Exhibit F

12/20/1925
5805

21S/26E

STATE 'O' COM 1

34

35

MESA FUERTE 1

04-94 05-76

223 / 1097

INA / 999

2 / 9

03-94 / 0

-6666

08-77

INA / 812

04-01 / 12

Upstream
production

FEDERAL 'E' 1 03-78

08-85 INA / 370

INA / 14

04-86 / 0

4
-6663

WC '4' 1

CHI OPERATING
PROPOSED
WC "3" #2

-6733

VALLE FELIZ 1

1/28/1977

11434

-6798

HACKBERRY 1

3

8/12/1925

1258

2

Chi
WC "3" #3



2 mm/d
+ 1000 Bbl/d

HAPPY VALLEY 1

4/25/1973

602

MESA ARRIBA 1

-6813

8/2/1977

11500

RECOMPLETION

SPUD 8/11/03

I. Cleo Thompson

tested Strawn

10030 - 10295'

5 mm/d

+ 2000 Bbl/d

WOOD-GRACE 1

4/1/1976

252

Mesa Grande 1

12-76

#2

24 / 538

0 / 0

-6918

LANCASTER SPRINGS U 2

07-84

INA / 0

12-84 / 1

10-81

INA / 176

12-82 / 0

6/11/1984

11500

-6677

PALOMA FEDERAL COM 1

3/30

1/30/2002

11630

-6850

10

J. Cleo Thompson



Mesa Federal

10142-167

NL

TE IE COM 3

SPUD 5/12/03

16

15

14

STATE 'IE' COMM 1

09-80

INA / 626

08-85 / 0

STATE 'IE' COM 2

03-03

237 / 44

0 / 0

-6747

STATE 'IM' COM 1

01-87

21 / 200

0 / 1

11-81

INA / 241

10-86 / 0

-6850

CANDLESTICK '15' S

OLIVE HAROLD COM 1

04-75

INA / 102

02-83 / 1

2/20/1983

11708

-6999

Upper Strawn
of top low Strawn
But l. St. of not of d.

1/812
11/12

78' P
plus Up Stream 1/8

lower Strawn Net pay Isopach map
Φ₀₂₄₂₂

KFOC - Jim Waketield 10/26/04
Kaiser-Francis Oil Company
Non Standard Location
Division Rule 104F
Mesa "11" Grande Well No. 2, Unit L
W/2 of Section 11-T21S-R26E
Eddy County, New Mexico
EXHIBIT "G"

1

70
0

2
176
0

15

STATE IM COM 1
01-87
21 / 200
0 / 1
11-81
INA / 241
10-86 / 0
1/50 - 10% of
shale breaker

FEDERAL 1
01-90
INA / 510
12-92 / 0
6L

VALLE FELIZ 1
1/28/1977
11434
HACKBERRY 1
8/12/1925
1258
WC-4 1
CH OPERATING
PROPOSED
WC-3 #2
WC-3 #3
9/04

HAPPY VALLEY 1
4/25/1973
602
MESA ARRIBA 1
8/2/1977
11500
RECOMPLETION
SPUD 8/11/03
WOOD-GRACE 1
9/52
4/1/1976
252
MESA GRANDE 1
12-76
24 / 53811
0 / 0
20' net pay
thickest - high
structural position.

J. Cleo Thompson
200 m/b
5/04
Main Leonard

CANDLESTICK '15' S 1

HACKBERRY HILLS UNI 4
07-66
36 / 802
0 / 4
NDE
22
WHITE WING '22' FED 23
3/68
03-98
138 / 27
21 / 2

limited Strawn 19,002-349'
(4 & 3 man) (includes 1 zone
in Upper Strawn) - 350 - 1250' 10
@ 300-450' FT - but choose to PB
to WICP @ 9036-46' - in 1983 when
WICP depleted - retested
Strawn - subd VSSB
Layne P/A -

OLIVE HAROLD COM 1
04-75
INA / 102
02-83 / 1
2/20/1983
11708
10/24

MOORE COM 1
01-74
INA / 540
09-88 / 7

BBALL PARK 3
7/25/1990-
4520
GRACE MER
ATL 1
04-73
41 / 12414
0 / 1
10-72
INA / 108
02-02 / 1
GOPOGO 2
04-02
2 / 1
0 / 0
01-80
24 / 0 / 7
07-214
04-73
0 / 0
09-88 / 7

MESA VIVA 1
6/13/1977
11714

12

CARLSBAD 12
11-77
INA / 325
11-88 / 0

CARLSBAD 13/C
06-77
106 / 324
130 / 0

CITY OF CARLSBAD
01-74
INA / 1065
06-87 / 0

223 / 1197 INA / 999
2-532 / 9 05-94 0
Mesa Grande
A - 0/0 sd, thru interval
B 10/20 - pf
C 30/30 - pf

Upper Morrow B & C Sands Isopach Map
net pay $\geq 82\phi$
KFOC - Jim W. W. 10/20/04
Kaiser-Francis Oil Company
Non Standard Location
Division Rule 104F
Mesa "11" Grande Well No. 2, Unit L1
W/2 of Section 11-T21S-R26E
Eddy County, New Mexico
EXHIBIT "H"

VALLE FELIZ 1 A-6/30-6
1/28/1977 11434 6/30
HACKBERRY 1 7/18
3 8/12/1925 1258
CHI OPERATING PROPOSED
WC "3" #2
WC "3" #3
net one sd - 100%
2 low sd - 64%
day unavailable 7/10/04
1,500 MCF/D per Chi engine

PY VALLEY 1
4/25/1973 602
MESA ARRIBA 1
8/2/1977 11500
RECOMPLETION SPUD 8/11/03
PALOMA FEDERAL COM 1
1/30/2002 11630
A-4/12 tit
B-10/20 tit
C-14/20 tit
F - looks
F
C

WOOD-GRACE 1 A-3/20 - Not started
4/1/1976 252
MESA GRANDE 1
12-76
24 / 53811
0 / 0
10'-15' net pay
highest structural position.

MESA VIVA 1
6/13/1977 11714
A-16/54
B-14/22
C-9/52
CARLSBAD 12 COM 1
11-77
INA / 325
11-88 / 0
A-0/10
B-0/20
C-0/40

J. C. Thompson
Mesa Federal
CANDLESTICK '15' S 1
11-81
INA / 241
10-86 / 0
A-7/7 - pf
B-6/32 - pf
C-1/16 - pf
f & alum (MWA) - 2/14
noted

OLIVE HAROLD COM 1
04-75 2/20/1983 11708
INA / 102
02-83 / 1
A-0/4
B-4/14 tit
C-0/44

CARLSBAD 13 COM 1
06-77
106 / 3243
13 / 0
A-0/8
B-12/16
C-34/7
CITY OF CARLSBAD CO 1
01-74
INA / 1065
06-87 / 0
A-0/4
B-1/65
C-3/60
BASEBALL P.
10-72
INA / 10815
02-07 / 1
04-02
2 / 1
0 / 0
GOOGO 2
KIKLAH
BABY 1 BBAL
04-80
0 / 0
7/19/1976
24 / 0
21-4561
BBALL PARK 3
7/25/1990
AT 11-00
01-74

HACKBERRY HILLS UNI 4
07-66
36 / 802
0 / 4
22
WHITE WING '22' FED 23
A-0/0

MOORE COM 1
A-0/6

EXHIBIT "I"

Fred Brown Methanol, Inc.: P. O. Box 1916, Pampa, Tx 79066-1916

James G. Gilbert: 199 Glen Dales Dr, Woodland Park, Co 80863

David F. Harris: 4902 Lancashire Road, Midland, Tx 79701-4525

Hexad Oil Company: 203 W. Wall St., Suite 1001, Midland, Tx 79701-4525

Joe T. Janica: P. O. Box 2188, Hobbs, NM 88241

K D McPeters: 502 West Gold, Hobbs, NM 88240

KF ENERGY, L.L.C.

P.O. BOX 2166

TULSA, OKLAHOMA 74101-2166

6757 South Yale Avenue 74136
(918) 491-1157 FAX (918) 491-4438

Certified Mail No. - 70032260000143248703

October 27, 2004

Fred Brown Methanol, Inc
P.O. Box 1916
Pampa, Texas 79066-1916

RECEIVED

NOV - 3 2004

Kaiser Francis Oil Co.
Land DepartmentRe: Proposal to drill Mesa Grande #2-11 Well
NW/4SW/4 of Section 11-T22S-R26E
Eddy County, New Mexico

Gentlemen:

As you know, KF Energy L.L.C. previously proposed to drill the subject well at a location described as 2,650 feet from the north line and 660 feet from the west line of the referenced section. Due to the section being oversized on its west boundary, once we had that location surveyed it was not spotted where we had anticipated on a standard size map of the section, as it fell within the NW/4 of the section which is the same quarter section as the current Mesa Grande # 1-11 well.

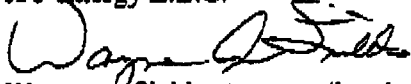
Please be advised that we are re-surveying and re-staking the location and hereby propose to drill the subject well at a location 2,700 feet from the north line and 660 feet from the west line of the referenced section, which will be within the SW/4 of the section. Since this location will be closer to the dividing line between the NW/4 and the SW/4, than the New Mexico Oil Conservation Division allows, they require that we file an application for a "Non Standard Location" (NSL). Our application should be handled administratively if you have no objection to this location and our application. The depth of the well will remain the same as in our earlier proposal at 11,900 feet to test the Morrow Formation. We have enclosed herewith two copies of our AFE, providing for a dry hole estimated to cost \$745,000 and a completed producer estimated to cost \$1,241,000.

If you have no objection to the new location and our application for the NSL, please sign and return one copy of this letter. Also, if your election for this location remains the same as for our earlier location please sign and return this letter to us by fax as we need your approval for our application for the NSL. We are currently amending our permit for the well and we are still negotiating a contract for a drilling rig.



Should you not wish to participate in the said well please check the appropriate non-consent election, sign and return this letter to the me by fax at (918) 491-4387 and by mail.

K F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

☒ I/We have no objection to the proposed location or the Application for the NSL to the NMOCD.

☐ I/We hereby elect to participate in the well at the new location proposed hereinabove.

☒ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

Fred Brown Methanol, Inc.

Date: ~~October~~, 2004
November 1, 2004

By:



Overnight Tracking No. - 1ZF604482210055485

October 27, 2004

RECEIVED

NOV - 9 2004

Kaiser Francis Oil Co.
Land Department

James G. Gilbert
199 Glen Dales Dr.
Woodland Park, Co 80863

Re: Proposal to drill Mesa Grande #2-11 Well
NW/4SW/4 of Section 11-T22S-R26E
Eddy County, New Mexico

Dear Mr. Gilbert:

As you know, KF Energy L.L.C. previously proposed to drill the subject well at a location described as 2,650 feet from the north line and 660 feet from the west line of the referenced section. Due to the section being oversized on its west boundary, once we had that location surveyed it was not spotted where we had anticipated on a standard size map of the section, as it fell within the NW/4 of the section which is the same quarter section as the current Mesa Grande # 1-11 well.

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3

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K F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

☒ I/We have no objection to the proposed location or the Application for the NSL to the NMOCD.

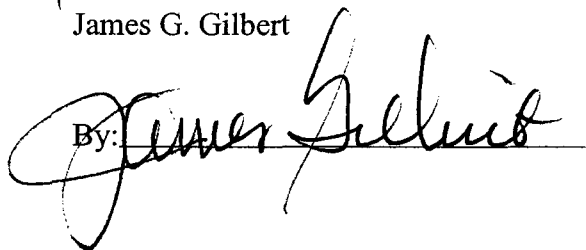
☐ I/We hereby elect to participate in the well at the new location proposed hereinabove.

☒ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

James G. Gilbert

Date: October 29, 2004

By:



KF ENERGY, L.L.C.

P.O. BOX 2101

TULSA, OKLAHOMA 74101-2101

6733 South Yale Avenue, 74136
(918) 491-4457 Fax: (918) 491-4459

Overnight Tracking No. - 1ZF604482210055494

October 27, 2004

David F. Harris
4902 Lancashire Road
Midland, Texas 79701-4525RECEIVED
OCT 29 2004
New Mexico Oil Co.
Permit DepartmentRe: Proposal to drill Mesa Grande #2-11 Well
NW/4SW/4 of Section 11-T22S-R26E
Eddy County, New Mexico

Dear Mr. Harris:

As you know, KF Energy L.L.C. previously proposed to drill the subject well at a location described as 2,650 feet from the north line and 660 feet from the west line of the referenced section. Due to the section being oversized on its west boundary, once we had that location surveyed it was not spotted where we had anticipated on a standard size map of the section, as it fell within the NW/4 of the section which is the same quarter section as the current Mesa Grande # 1-11 well.

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5

11/02/2004 11:22 4323/000000
DUSTON HARRIS CO
PAGE 03

Should you not wish to participate in the said well please check the appropriate non-consent election, sign and return this letter to the me by fax at (918) 491-4387 and by mail.

K F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

☒ I/We have no objection to the proposed location or the Application for the NSL to the NMOCD.

☒ I/We hereby elect to participate in the well at the new location proposed hereinabove.

☐ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

David F. Harris

Date: ~~October~~ ____, 2004

NOVEMBER, 2, 2004

By: 

10-27-04 02:42PM FROM-KFOC LAND

918-491-4387

T-217 P.02/03 F-013

in the said well please check the appropriate non-consent election, sign and return this letter to the me by fax at (918) 491-4387 and by mail.

K F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

RECEIVED

NOV - 3 2004

Kaiser Francis Oil Co.
Land Department

X I/We have no objection to the proposed location or the Application for the DNSL to the NMOC.

X I/We hereby elect to participate in the well at the new location proposed hereinabove.

___ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

Hexad Oil Company

Date: October 29, 2004

By: Darrell E. Smith

10-27-04 02:42PM FROM-KFOC LAND

918-491-4387

T-217 P.03/03 F-013

P. O. BOX 21488
TULSA, OKLAHOMA 74121-1488
AUTHORITY FOR EXPENDITURE

LEASE AND WELL NO. MESA GRANDE #2-11 LEASE ID NO. _____ DATE 27-Oct-04LOCATION SW NW SEC 11-22S-26EFIELD _____ COUNTY EDDY STATE NEW MEXICOESTIMATED DEPTH 11900' OBJECTIVE ZONE MORROW RECEIVEDOBJECTIVE DRILL AND COMPLETE MORROW DEVELOPMENT WELL

NOV - 3 2004

TANGIBLE EQUIPMENT

		QUANTITY	SIZE	EXPENDITURE COST	
				DRY HOLE	PRODUCER
700	CONDUCTOR	500'	13 3/8"	\$15,000	\$15,000
701	SURFACE CASING	2600'	8 5/8"	\$50,000	\$50,000
702	INTERMEDIATE CSG				
703	LINER				
706	PRODUCTION CSG	11500'	5 1/2"		\$153,000
710	TUBING	11200'	2 3/8"		\$50,000
720	WELLHEAD EQUIPMENT			\$8,000	\$30,000
724	PACKERS & DOWNHOLE EQUIPMENT				\$15,000
785	TANK BATTERY				\$50,000
788	PUMPING EQUIPMENT				
774	TRANSPORTATION & FREIGHT			\$4,000	\$6,000
778	NON-CONTROLLABLE EQUIPMENT			\$4,000	\$6,000
TOTAL TANGIBLES				\$79,000	\$375,000

INTANGIBLES

500/800	LOCATION & ROAD EXPENSE		\$50,000	\$50,000
502/802	LOCATION DAMAGES		\$6,000	\$6,000
504/604	RIG COST			
504/604	FOOTAGE 0 FT @ \$ 0 /FT		\$0	\$0
504/604	DAYWORK 30 DAYS @ \$ 10000 /DAY		\$300,000	\$300,000
508/608	COMPLETION RIG			\$30,000
508/608	RIG MOVE		\$65,000	\$65,000
508	BITS & REAMERS		\$50,000	\$50,000
510/610	FUEL & POWER		\$0	\$0
512	WATER		\$8,000	\$8,000
514	MUD & CHEMICALS		\$40,000	\$40,000
518/618	TOOL & EQUIPMENT RENTAL		\$25,000	\$25,000
518/618	TRANSPORTATION & LOADING		\$4,000	\$6,000
520	DST - CORING & ANALYSIS			
522/622	LOGGING & PERFORATING		\$28,000	\$50,000
524/624	CEMENTING & SQUEEZING		\$25,000	\$50,000
526/626	CASING CREWS & EQUIPMENT		\$10,000	\$20,000
528/628	PLUGGING & ABANDONMENT		\$20,000	
630	STIMULATION			\$100,000
532/632	GEOLOGICAL & ENGINEERING		\$18,000	\$24,000
538/638	MISCELLANEOUS LABOR		\$8,000	\$12,000
542/642	COMBINED FIXED RATE		\$8,000	\$12,000
544/644	MISCELLANEOUS		\$10,000	\$20,000
TOTAL INTANGIBLES				\$866,000
TOTAL DRY HOLE				\$745,000
TOTAL COMPLETED				\$1,241,000

APPROVED:

Donnell E. Smith
DATE: 10/29/04

THIS AFE IS AN ESTIMATE ONLY AND NON-OPERATOR, BY
EXECUTION OF SAME COMMITS TO PAY ITS PROPORTIONATE
SHARE OF ACTUAL COSTS

Hexad Oil Company
203 West Wall Street, Suite 1001
Midland, Texas 79701-4525

EXECUTE AND RETURN
TO KAISER-FRANCIS

Certified Mail No. - 70032260000143248741

October 27, 2004

Joe T. Janica
P.O. Box 2188
Hobbs, NM 88241

RECEIVED

NOV - 5 2004

Kaiser Francis Oil Co.
Land Department

Re: Proposal to drill Mesa Grande #2-11 Well
NW/4SW/4 of Section 11-T22S-R26E
Eddy County, New Mexico

Dear Mr. Janica:

As you know, KF Energy L.L.C. previously proposed to drill the subject well at a location described as 2,650 feet from the north line and 660 feet from the west line of the referenced section. Due to the section being oversized on its west boundary, once we had that location surveyed it was not spotted where we had anticipated on a standard size map of the section, as it fell within the NW/4 of the section which is the same quarter section as the current Mesa Grande # 1-11 well.

Please be advised that we are re-surveying and re-staking the location and hereby propose to drill the subject well at a location 2,700 feet from the north line and 660 feet from the west line of the referenced section, which will be within the SW/4 of the section. Since this location will be closer to the dividing line between the NW/4 and the SW/4, than the New Mexico Oil Conservation Division allows, they require that we file an application for a "Non Standard Location" (NSL). Our application should be handled administratively if you have no objection to this location and our application. The depth of the well will remain the same as in our earlier proposal at 11,900 feet to test the Morrow Formation. We have enclosed herewith two copies of our AFE, providing for a dry hole estimated to cost \$745,000 and a completed producer estimated to cost \$1,241,000.

If you have no objection to the new location and our application for the NSL, please sign and return one copy of this letter. Also, if your election for this location remains the same as for our earlier location please sign and return this letter to us by fax as we need your approval for our application for the NSL. We are currently amending our permit for the well and we are still negotiating a contract for a drilling rig. Should you not wish to participate

in the said well please check the appropriate non-consent election, sign and return this letter to the me by fax at (918) 491-4387 and by mail.

K/F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

☒ I/We have no objection to the proposed location or the Application for the NSL to the NMOCD.

☒ I/We hereby elect to participate in the well at the new location proposed hereinabove.

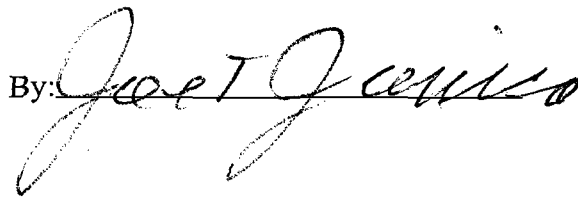
☐ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

Joe T. Janica

Date: ~~October~~ ____, 2004

Nov 1

By:



KF ENERGY, L.L.C.

P. O. BOX 2101

TULSA, OKLAHOMA 74101-2101

6733 South Yale Avenue, 74136
(918) 491-4457 Fax: (918) 491-4459

Certified Mail No. - 70032260000143248758

RECEIVED

NOV - 5 2004

October 27, 2004

Kaiser Francis Oil Co.
Land Department

K. D. McPeters
502 West Gold
Hobbs, NM 88240

Re: Proposal to drill Mesa Grande #2-11 Well
NW/4SW/4 of Section 11-T22S-R26E
Eddy County, New Mexico

Dear Mr. McPeters:

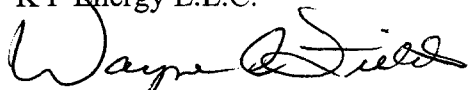
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Please be advised that we are re-surveying and re-staking the location and hereby propose to drill the subject well at a location 2,700 feet from the north line and 660 feet from the west line of the referenced section, which will be within the SW/4 of the section. Since this location will be closer to the dividing line between the NW/4 and the SW/4, than the New Mexico Oil Conservation Division allows, they require that we file an application for a "Non Standard Location" (NSL). Our application should be handled administratively if you have no objection to this location and our application. The depth of the well will remain the same as in our earlier proposal at 11,900 feet to test the Morrow Formation. We have enclosed herewith two copies of our AFE, providing for a dry hole estimated to cost \$745,000 and a completed producer estimated to cost \$1,241,000.

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in the said well please check the appropriate non-consent election, sign and return this letter to the me by fax at (918) 491-4387 and by mail.

K F Energy L.L.C.



Wayne A. Fields, Attorney/Landman

☒ I/We have no objection to the proposed location or the Application for the NSL to the NMOCD.

☒ I/We hereby elect to participate in the well at the new location proposed hereinabove.

☐ I/We hereby elect to be non-consent in the well at the location proposed hereinabove.

K. D. McPeters

Date: October 31, 2004

By: 

KAISER-FRANCIS OIL COMPANY
P. O. BOX 21468
TULSA, OKLAHOMA 74121-1468
AUTHORITY FOR EXPENDITURE

LEASE AND WELL NO. MESA GRANDE #2-11 LEASE ID NO. _____ DATE 27-Oct-04
LOCATION SW NW SEC 11-22S-26E
FIELD _____ COUNTY EDDY STATE NEW MEXICO
ESTIMATED DEPTH 11900' OBJECTIVE ZONE MORROW
OBJECTIVE: DRILL AND COMPLETE MORROW DEVELOPMENT WELL

TANGIBLE EQUIPMENT

		QUANTITY	SIZE	EXPENDITURE COST	
				DRY HOLE	PRODUCER
700	CONDUCTOR	500'	13 3/8"	\$15,000	\$15,000
701	SURFACE CASING	2600'	9 5/8"	\$50,000	\$50,000
702	INTERMEDIATE CSG				
703	LINER				
706	PRODUCTION CSG	11500'	5 1/2"		\$153,000
710	TUBING	11200'	2 3/8"		\$50,000
720	WELLHEAD EQUIPMENT			\$6,000	\$30,000
724	PACKERS & DOWNHOLE EQUIPMENT				\$15,000
765	TANK BATTERY				\$50,000
768	PUMPING EQUIPMENT				
774	TRANSPORTATION & FREIGHT			\$4,000	\$6,000
778	NON-CONTROLLABLE EQUIPMENT			\$4,000	\$6,000
TOTAL TANGIBLES				\$79,000	\$375,000

INTANGIBLES

500/600	LOCATION & ROAD EXPENSE		\$50,000	\$50,000
502/602	LOCATION DAMAGES		\$6,000	\$6,000
504/604	RIG COST			
#####	FOOTAGE	0 FT @ \$	0 /FT	\$0
#####	DAYWORK	30 DAYS @ \$	10000 /DAY	\$300,000
#####	COMPLETION RIG			\$30,000
506/606	RIG MOVE		\$65,000	\$65,000
508	BITS & REAMERS		\$50,000	\$50,000
510/610	FUEL & POWER		\$0	\$0
512	WATER		\$6,000	\$6,000
514	MUD & CHEMICALS		\$40,000	\$40,000
516/616	TOOL & EQUIPMENT RENTAL		\$25,000	\$25,000
518/618	TRANSPORTATION & LOADING		\$4,000	\$6,000
520	DST - CORING & ANALYSIS			
522/622	LOGGING & PERFORATING		\$25,000	\$50,000
524/624	CEMENTING & SQUEEZING		\$25,000	\$50,000
526/626	CASING CREWS & EQUIPMENT		\$10,000	\$20,000
528/628	PLUGGING & ABANDONMENT		\$20,000	
630	STIMULATION			\$100,000
532/632	GEOLOGICAL & ENGINEERING		\$18,000	\$24,000
536/636	MISCELLANEOUS LABOR		\$6,000	\$12,000
542/642	COMBINED FIXED RATE		\$6,000	\$12,000
544/644	MISCELLANEOUS		\$10,000	\$20,000
TOTAL INTANGIBLES			\$666,000	\$866,000
TOTAL DRY HOLE			\$745,000	
TOTAL COMPLETED				\$1,241,000

APPROVED:

DATE:

THIS AFE IS AN ESTIMATE ONLY AND NON-OPERATOR, BY
EXECUTION OF SAME COMMITS TO PAY ITS PROPORTIONATE
SHARE OF ACTUAL COSTS

K. D. McPeters
502 West Gold
Hobbs, NM 88240

EXECUTE AND RETURN
TO KAISER-FRANCIS