

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, EDDY
COUNTY, NEW MEXICO.

Case No. 20288

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 (unleased fee mineral owners) into the Delaware 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 Form C-102 outlining the unit being pooled is attached hereto as Attachment A. KFOC seeks an order pooling the Delaware formation underlying a 160 acre horizontal spacing unit comprised of the N/2SE/4 of Section 20 and the N/2SW/4 of Section 21, Township 23 South Range 28 East, NMPM. The acreage is in the East Loving-Brushy Canyon Pool (Pool Code 40350). The unit will be dedicated to the Loving Townsite 2021 LBC Well No. 1H, with a first take point in the NW/SE/4 of Section 20 and a final take point in the NE/4SW/4 of Section 21. The well location will comply with the Division's setback requirements.

There is no depth severance in the Delaware formation.

(d) The parties being pooled and their interests are set forth in Attachment B. Their current or last known addresses are set forth in the notice letter submitted as Exhibit 2.

EXHIBIT /

- (e) There are several unlocatable interest owners. To locate the owners, KFOC examined the Eddy County records, telephone records, and online records, and where possible talked with neighbors or family members.
- (f) Attachment C is a copy of a typical proposal letter sent to the interest owners being pooled. KFOC has been examining title and contacting interest owners regarding this prospect for approximately three years.
- (g) KFOC has made a good faith effort to obtain the voluntary joinder of the working interest owners in the proposed well, or to locate the interest owners.
- (h) Because the interests being pooled are unleased mineral interests, there are no overriding royalty owners in the well unit.
- (i) Attachment D contains the Authorization for Expenditure for the proposed well. The estimated cost of the well set forth therein is fair and reasonable, and is comparable to the cost of other wells of similar depth and length drilled in this area of Eddy County.
- (j) KFOC requests overhead and administrative rates of \$8000/month for a drilling well and \$800/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 Eddy 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 well.
- (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)

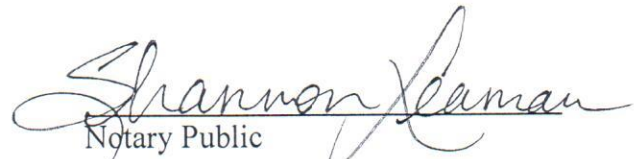
Michael Maxey, being duly sworn upon his oath, deposes and states that: He is a landman for Kaiser-Francis Oil Company; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge,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



Michael Maxey

SUBSCRIBED AND SWORN TO before me this 4th day of March, 2019 by Michael Maxey.

My Commission Expires: 2-20-21



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 LOVING TOWNSITE 2021 LBC	⁶ Well Number 1H
⁷ OGRID No. 12361	⁸ Operator Name KAISER-FRANCIS OIL COMPANY	⁹ Elevation 3069.7

¹⁰ Surface Location

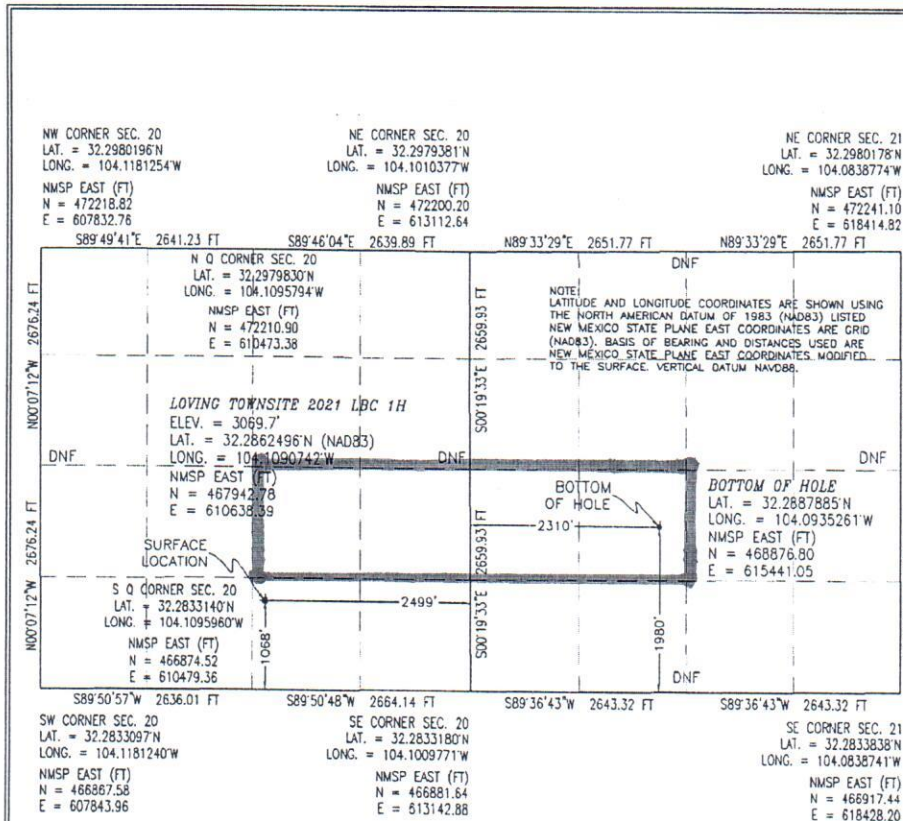
UL or lot no. O	Section 20	Township 23 S	Range 28 E	Lot Idn	Feet from the 1068	North/South line SOUTH	Feet from the 2499	East/West line EAST	County EDDY
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no. K	Section 21	Township 23 S	Range 28 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 2310	East/West line WEST	County EDDY
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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.

MAY 16, 2018

Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number: PILLMON E JARAMILLO, PLS 12797
SURVEY NO. 6252

ATTACHMENT

A

Loving Townsite 2021 LBC 1H Loving Townsite 2021 3BS 1H	
Asa Warner Foster	0.00095649
Edna P. Carter, Albert E. Carter, Alice Carter Houston, Heirs of Martha Carter and W.E. Carter	0.00154273
Gossett & Witt Company, Inc.	0.00141932
Hazel Lorene Turnbow, Trustee under the Hazel Lorene Turnbow Revocable Trust Agreement dated August 10, 1995	0.00141932
Helen Martin	0.00333230
Jamie G. Rios and wife, Sally M. Rios	0.00191299
Josefa R. Ramirez, c/o Beamira Chavez	0.00141932
Melissa Breau aka Melissa McCarthy	0.00012650
Peggy Jean Roberts Hopkins	0.00095649
Polly Aldaco c/o Juanita A. Campos	0.00111077
Teofilo R. Leyva, Jr.	0.00070966
Vivian S. Ornelas	0.00253008

ATTACHMENT B

KAISER-FRANCIS OIL COMPANY

P.O. BOX 21468

TULSA, OKLAHOMA 74121-1468

Michael Maxey, Landman
Phone: (918) 491-4424
Fax: (918) 491-4387
E-mail: MikeMa@kfoc.net

6733 South Yale Avenue, 74136
Phone: (918) 494-0000

Sent by Certified Mail

January 31, 2019



Re: Loving Townsite 2021 LBC #1H
SE/4 Section 20 and SW/4 of Section 21-23S-28E
Eddy Co., NM



Kaiser-Francis Oil Company hereby proposes the drilling of a 11,105' MD / 5,957' TVD horizontal Lower Brushy Canyon test well, covering the referenced 1 mile well path. The well will have an approximate surface location of 2,450' FEL and 1,600' FSL of Section 20-23S-28E, and a terminus of approximately 2,310' FWL and 2,310' FSL of Section 21-23S-28E.

AFE costs are estimated to be \$1,904,477 DHC and \$5,595,078 CWC. Two copies of the AFE are enclosed.

Should [REDACTED] wish to participate in the well, please execute and return one copy of the AFE, along with a reply letter indicating your desire to participate, and we will in turn send you a JOA for your review and approval.

We will be filing for an APD with the State of NM soon, therefore, a prompt answer regarding our proposal would be greatly appreciated.

Should you have any questions, I can be reached at any of the above contact information.

Respectfully,

A handwritten signature in cursive script, appearing to read "Michael D. Maxey".

Michael D. Maxey, Landman
Kaiser-Francis Oil Company



Kaiser-Francis Oil Company
Authority for Expenditure

OPERATOR: Kaiser-Francis Oil Company
WELL NAME & NO: Loving Townsite 2021 LBC #1H
PROSPECT NAME: Loving Townsite
LOCATION: SHL Sec 20-23-28 BHL Sec 21-23-28
PROPOSED TD: 11,105 MD 5,937 TVD
OBJECTIVE HORIZON: Lower Brushy Canyon
OBJECTIVE: Drill and complete new horizontal well in LBC / net lateral 4,620' 7" X 4-1/2" csg design (feeback)

DATE: 12/1/2018
FIELD: Loving East
PSH/COUNTY: Eddy
STATE: NM

PREPARED: M Warner / D Zenger

Classification of Account	DRILLING	COMPLETION	EQUIPMENT	TOTAL
INTANGIBLE DRILLING & COMPLETION				
500600 Location / Road Expenses / Entrain PM / Frac PM Construction	\$40,000	\$7,000	\$60,000	\$107,000
5017** Cond. Rat Hole, Mouse Hole Services	\$34,000			\$34,000
502602 Location Damages				\$0
504504 Drilling Rig		\$18,000		\$18,000
Footage @ Turnkey				\$0
Daywork 21 days at	\$20,500			\$20,500
505605 Coiled Tubing & Related Services		\$550,000		\$550,000
506606 Rig Mob / Demob	\$87,470			\$87,470
507*** Directional Drilling Services	\$191,000			\$191,000
500608 Bits & Reamers	\$75,000			\$75,000
510510 Fuel/Power	\$54,600			\$54,600
512512 Drilling Water / Completion Fluid	\$25,900	\$168,000		\$193,900
514814 Mud & Chemicals	\$45,000	\$70,000		\$115,000
515515 Closed Loop System / Mud & Cuttings Disposal/SWD	\$100,000	\$100,000		\$200,000
515516 Surface Equipment Rental / Inspection	\$110,399	\$108,800		\$219,199
517617 Downhole Equipment Rental / Inspection	\$74,300	\$203,500		\$277,800
518518 Transportation & Loading	\$15,000	\$38,000		\$53,000
520*** DST, Coring & Analysis				\$0
522522 Open Hole Logs / Cased Hole Logs & Performing / Stickline / Plugs	\$23,100			\$23,100
523*** Mud Logging / Geosteering / LWD	\$73,000	\$27,000		\$100,000
524524 Cementing & Squeezing	\$14,000	\$4,500		\$18,500
526626 Casing Crews & Equipment				\$0
528628 Plug & Abandon				\$0
630 Simulation		\$1,000,000		\$1,000,000
532632 Geological & Engineering		\$10,000		\$10,000
534634 Supervision	\$77,966			\$77,966
536536 Miscellaneous Contract Labor	\$51,750			\$51,750
538638 Prof. Fees & Abstracts	\$5,000	\$30,000		\$35,000
541641 Liability Insurance / Bonds				\$0
542642 Drilling Overhead / Completion Overhead	\$5,238	\$6,300		\$11,538
544644 Miscellaneous & Unforeseen	\$139,356	\$118,816	\$8,000	\$266,172
TOTAL INTANGIBLE DRILLING & COMPLETION	\$1,607,616	\$2,616,168	\$168,000	\$4,391,785
WELL AND LEASE EQUIPMENT				
700 Conductor	Feet			\$0
701 Surface Casing	13.5# 54.5# J55			\$33,000
702 Intermediate Casing	9.5# 36# J55			\$74,400
704 Drilling Liner (BCP)	7.25# P110			\$150,973
705 Production Liner (ACP)	4-1/2" 13.5# P-110 Geocomm			\$82,250
706 Production Casing (ACP)	4-1/2" 13.5# P-110 BTC for tie back			\$84,228
710 Tubing	2 7/8" 6.5# J-55 IPC			\$62,000
721/720 Wellhead Equip. BCP/ACP				\$40,000
724 Packers & Downhole Equipment				\$87,000
726 Rods & Pumps				\$168,000
737 Line Pipe / Fittings / Pipeline				\$0
747 Valves				\$10,000
752 Tanks & Walkways				\$15,000
765 Heaters / Treaters / Separator / VRI				\$120,000
768 Artificial Lift / Compressor				\$75,000
770 Gas Sales Unit / Dehy / Line Heater / Flare				\$230,000
775/774 Transportation and Freight BCP/ACP				\$5,000
777/776 Inspect/Test Tubulars BCP/ACP				\$60,000
779/778 Non-Controllable Equipment BCP/ACP				\$5,000
TOTAL WELL AND LEASE EQUIPMENT				\$791,750
TOTAL DRILLING AND COMPLETION COST				\$5,183,535

This AFE is only an estimate of costs and the actual costs incurred may be less or greater than stated.

APPROVED BY: _____

DATE: _____

