

**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. 20287

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 Bone Spring 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 Bone Spring formation underlying a 160 acre horizontal spacing unit comprised of the S/2SE/4 of Section 20 and the S/2SW/4 of Section 21, Township 23 South Range 28 East, NMPM. The acreage is in the South Culebra Bluff-Bone Spring Pool (Pool Code 15011). The unit will be dedicated to the Loving Townsite 2021 3BS Well No. 2H, with a first take point in the SW/SE/4 of Section 20 and a final take point in the SE/4SW/4 of Section 21. The well location will comply with the Division's setback requirements.

There is no depth severance in the Bone Spring 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 3BS | |
| ⁷ OGRID No. 12361 | ⁸ Operator Name KAISER-FRANCIS OIL COMPANY | |
| | | ⁶ Well Number 2H |
| | | ⁹ Elevation 3070.1 |

| ¹⁰ Surface Location | | | | | | | | | |
|--------------------------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| O | 20 | 23 S | 28 E | | 988 | SOUTH | 2499 | EAST | EDDY |

| ¹¹ 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 |
| N | 21 | 23 S | 28 E | | 660 | SOUTH | 2310 | WEST | EDDY |

| | | | |
|-------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ 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.

NW CORNER SEC. 20
LAT. = 32.2978994°N
LONG. = 104.1176289°W
NWSP EAST (FT)
N = 472159.74
E = 566650.19

NE CORNER SEC. 20
LAT. = 32.2978176°N
LONG. = 104.1005418°W
NWSP EAST (FT)
N = 472141.05
E = 571929.99

NE CORNER SEC. 21
LAT. = 32.2978971°N
LONG. = 104.0833822°W
NWSP EAST (FT)
N = 472181.88
E = 577232.08

N O CORNER SEC. 20
LAT. = 32.2978626°N
LONG. = 104.1090832°W
NWSP EAST (FT)
N = 472151.78
E = 569290.77

LOVING TOWNSITE 2021 3BS 2H
ELEV. = 3070.1'
LAT. = 32.2859090°N (NAD27)
LONG. = 104.1085779°W
NWSP EAST (FT)
N = 467803.70
E = 569456.01

SW CORNER SEC. 20
LAT. = 32.2831894°N
LONG. = 104.1176279°W
NWSP EAST (FT)
N = 466806.63
E = 566661.26

SE CORNER SEC. 20
LAT. = 32.2831974°N
LONG. = 104.1004818°W
NWSP EAST (FT)
N = 466822.62
E = 571960.10

SE CORNER SEC. 21
LAT. = 32.2832629°N
LONG. = 104.0833794°W
NWSP EAST (FT)
N = 466858.35
E = 577245.33

NOTE: LATITUDE AND LONGITUDE COORDINATES ARE SHOWN USING THE NORTH AMERICAN DATUM OF 1927 (NAD27). LISTED NEW MEXICO STATE PLANE EAST COORDINATES ARE GRID (NAD27) BASIS OF BEARING AND DISTANCES USED ARE NEW MEXICO STATE PLANE EAST (NAD83) COORDINATES MODIFIED TO THE SURFACE. ELEVATION VALUES ARE NAVD 88.

BOTTOM OF HOLE
LAT. = 32.2850401°N
LONG. = 104.0930162°W
NWSP EAST (FT)
N = 467498.05
E = 574265.75

SURFACE LOCATION
2499'

BOTTOM OF HOLE
2310'

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: FILIMON F. JARAMILLO, PLS 12789

SURVEY NO. 6254

ATTACHMENT A

| Loving Townsite 2021 LBC 2H Loving Townsite 2021 3BS 2H | |
|--|------------|
| Alfredo Contreras | 0.00141932 |
| Augustine B. Vasquez and wife, Carmen M. Vasquez | 0.00141932 |
| Barbara E. Hannifin | 0.00141932 |
| Carmen Mendoza Lujan | 0.00141932 |
| Cathy Pierce, aka Kathy Leigh Pierce Gruben | 0.00018513 |
| Dolores Ann Harvey | 0.00037026 |
| Edith Louise Tilson | 0.00037026 |
| Larry Don Smith | 0.00037026 |
| Martha Jeanette Blakley | 0.00037026 |
| Mary Frances Taylor | 0.00037026 |
| Mod Homes Limited, a New Mexico Corporation | 0.00141932 |
| Nancy Curtiss, E. E. Hepler, Wm. D. Hepler, and K. A. Hepler, dba Hepler Bros. Construction Company | 0.00141932 |
| Refugio Alvarado | 0.00141932 |
| Roy Thurman Smith, c/o Larry Don Smith | 0.00037026 |
| Western Commerce Bank | 0.00401111 |

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

[REDACTED]

Re: Loving Townsite 2021 3BS #2H
SE/4 Section 20 and SW/4 of Section 21-23S-28E
Eddy Co., NM

[REDACTED]:

Kaiser-Francis Oil Company hereby proposes the drilling of a 14,453' MD / 9,305' TVD horizontal 3rd Bone Springs test well, covering the referenced 1 mile well path. The well will have an approximate surface location of 2,450' FEL and 1,180' FSL of Section 20-23S-28E, and a terminus of approximately 2,310' FWL and 330' FSL of Section 21-23S-28E.

AFE costs are estimated to be \$1,765,060 DHC and \$6,596,938 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,

Michael D. Maxey

Michael D. Maxey, Landman
Kaiser-Francis Oil Company

ATTACHMENT C

Kaiser-Francis Oil Company Authority for Expenditure

OPERATOR: Kaiser-Francis Oil Company
WELL NAME & NO: Loving Township 3BS #2H
PROSPECT NAME: Loving Township
LOCATION: SHL Sec 20-23-28 BHL Sec 21-22-28
PROPOSED TD: 14,453 MD 9,305' TVD
OBJECTIVE HORIZON: 3rd Bone Springs
OBJECTIVE: Drill and complete new horizontal well in 3BS / not lateral 4.620" 5-1/2" Long String
DATE: 12/12/018
FIELD: Culebra Bluff South
PSHCOUNTY: Eddy
STATE: NM
PREPARED BY: M Warner / D Zenger

| Classification of Account | DRILLING | COMPLETION | EQUIP/CONST | TOTAL |
|---|-------------------------|--------------------|------------------|--------------------|
| INTANGIBLE DRILLING & COMPLETION | | | | |
| 500600 Location / Road Expense / Earthm Pnt / Frac Pk Construction | \$35,000 | \$7,000 | \$60,000 | \$97,000 |
| 501*** Cord, Rat Hole, Mouse Hole Services | \$34,000 | | | \$34,000 |
| 502602 Location Damages | | | | \$0 |
| 504604 Drilling Rig | | \$9,000 | | \$9,000 |
| Turkey | | | | \$0 |
| Footage @ 24 days at | \$492,000 | | | \$492,000 |
| 505605 Coiled Tubing & Related Services | | \$240,000 | | \$240,000 |
| 506606 Rig Mob / Demob | \$65,500 | | | \$65,500 |
| 507*** Directional Drilling Services | \$189,400 | | | \$189,400 |
| 508608 Bit & Reamers | \$65,000 | | | \$65,000 |
| 510610 FluidPower | \$65,000 | | | \$65,000 |
| 512612 Drilling Water / Completion Fluid | \$25,000 | \$470,000 | | \$495,000 |
| 514514 Mud & Chemicals | \$45,000 | \$30,000 | | \$75,000 |
| 515615 Closed Loop System / Mud & Cuttings Disposal/ISWD | \$110,000 | \$50,000 | | \$160,000 |
| 516616 Surface Equipment Rental / Inspection | \$120,280 | \$184,300 | | \$304,580 |
| 517617 Downhole Equipment Rental / Inspection | \$48,600 | \$42,500 | | \$91,100 |
| 518618 Transportation & Loading | \$15,000 | \$38,000 | | \$53,000 |
| 520*** DST, Coring & Analysis | | | | \$0 |
| 522622 Open Hole Logs / Cased Hole Logs & Perforating / Slickline / Plugs | \$28,400 | | | \$28,400 |
| 523*** Mud Logging / Geosteering / LWD | \$41,000 | \$38,000 | | \$79,000 |
| 524624 Cementing & Squeezing | \$8,000 | | | \$8,000 |
| 526626 Casing Crown & Equipment | | | | \$0 |
| 528628 Plug & Abandon | | | | \$0 |
| 530 Simulation | | \$2,100,000 | | \$2,100,000 |
| 532632 Geological & Engineering | \$47,000 | \$10,000 | | \$57,000 |
| 534634 Supervision | \$51,750 | | | \$51,750 |
| 536636 Miscellaneous Contract Labor | \$5,000 | \$30,000 | | \$35,000 |
| 538638 Prof Fees & Abstracts | | | | \$0 |
| 541641 Liability Insurance / Bonds | | | | \$0 |
| 542642 Drilling Overhead / Completion Overhead | \$9,600 | \$6,300 | | \$15,900 |
| 544644 Miscellaneous & Unforeseen | \$137,390 | \$185,393 | \$5,500 | \$328,283 |
| TOTAL INTANGIBLE DRILLING & COMPLETION | \$1,614,170 | \$3,893,243 | \$116,500 | \$5,623,913 |
| WELL AND LEASE EQUIPMENT | | | | |
| 700 Conductor | Feet | | | \$0 |
| 701 Surface Casing | 13-5/8" 54.5# J55 | \$33,000 | | \$33,000 |
| 702 Intermediate Casing | 9 5/8" 38# J55 | \$14,400 | | \$14,400 |
| 704 Drilling Liner (BCP) | | | | \$0 |
| 703 Production Liner (ACP) | 5-1/2" 20# P-110 Geocom | \$204,338 | | \$204,338 |
| 710 Tubing | 2 7/8" 6.5# L-80 | \$57,800 | | \$57,800 |
| 721/720 Wellhead Equip. BCP/ACP | | \$40,000 | | \$87,000 |
| 724 Packers & Downhole Equipment | | | | \$0 |
| 726 Rods & Pumps | | | | \$0 |
| 737 Line Pipe / Fillings / Pipeline | | | \$40,000 | \$40,000 |
| 747 Valves | | | \$15,000 | \$15,000 |
| 752 Tanks & Walkways | | | \$170,000 | \$170,000 |
| 755 Heaters / Treaters / Separator / VRI | | | \$80,000 | \$80,000 |
| 758 Artificial Unit / Compressor | | | \$15,000 | \$15,000 |
| 770 Gas Sales Unit / Dehy / Line Heater / Flare | | | \$5,000 | \$5,000 |
| 775/774 Transportation and Freight BCP/ACP | | | \$2,000 | \$2,000 |
| 777/776 Inspect/Test Tubulars BCP/ACP | | | \$5,000 | \$5,000 |
| 779/778 Non-Controllable Equipment BCP/ACP | | | \$15,447 | \$15,447 |
| TOTAL WELL AND LEASE EQUIPMENT | | \$324,385 | \$498,760 | \$823,145 |
| TOTAL DRILLING AND COMPLETION COST | | \$4,217,628 | \$614,260 | \$4,831,888 |
| | Drilling | Completion | Equip/Const | Total |

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

APPROVED BY: _____

DATE: _____

ATTACHMENT D