

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

**APPLICATION OF KAISER-FRANCIS OILCOMPANY
FOR RESCISSION OF API NOS. ASSIGNED TO THREE
APPLICATIONS FOR PERMIT TO DRILL ISSUED
TO BC OPERATING INC., LEA COUNTY, NEW
MEXICO.**

Case No. _____

APPLICATION

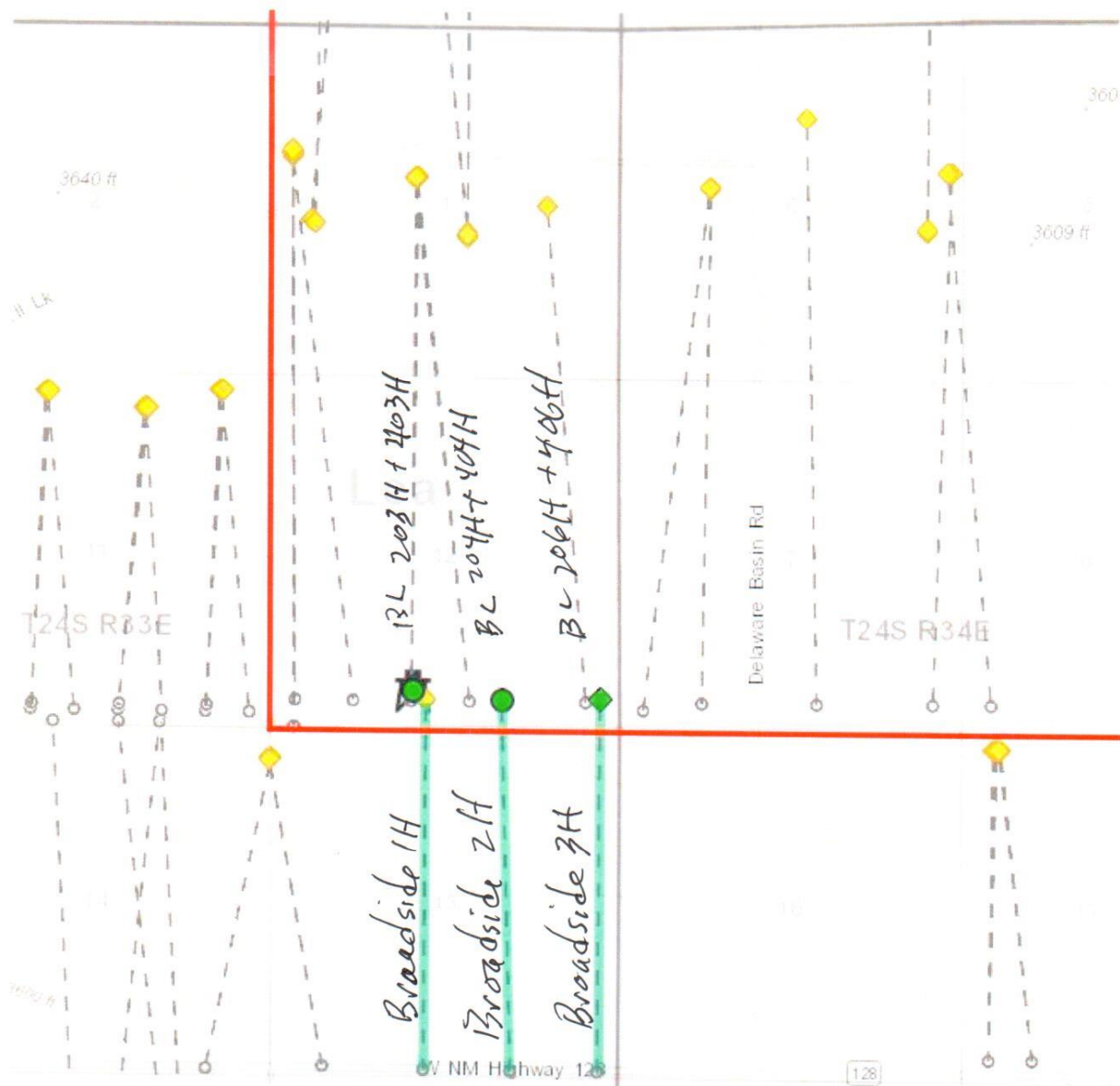
Kaiser-Francis Oil Company ("KFOC") apply for an order rescinding API Nos. for three applications for permit to drill ("APDs") issued to BC Operating Inc. ("BC") by the Bureau of Land Management, which if not rescinded causes a serious potential collision risk with certain wells which KFOC plans to drill . In support of its application, KFOC states:

1. BC has received approved APD's to drill three Wolfcamp wells with surface locations in the southern part of Section 12, Township 24 South, Range 33 East, N.M.P.M., Lea County, New Mexico. This acreage is in KFOC's Bell Lake Federal Unit. BC's wells are as follows

- (a) The Broadside 13 Fed. Com. W 1H (API No. 30-025-46517);
- (b) The Broadside 13 Fed. Com. W 2H (API No. 30-025-46518); and
- (c) The Broadside 13 Fed. Com. W 3H (API No. 30-025-46519).

The wells are referred to herein as the "Broadside Wells."

2. KFOC is the operator of the Bell Lake Federal Unit, and has permitted wells which have last take points in the southern part of Section 12, with the unit area. These are the Bell Lake Unit South 203H, 403H, 204H, 404H, 206H, and 406H wells (the "Bell Lake Wells), which will test the Bone Spring and Wolfcamp formations. A plat showing the locations of the various wells is set forth below.



3. The proximity of the wellbores of the Broadside Wells to the wellbores of the Bell Lake Wells in Section 12 causes a serious potential collision risk. BC has apparently commenced drilling one of the Broadside Wells.

4. KFOC has discussed this situation with BC, in an attempt to get BC to move the downhole portions of its wellbores within Section 12 to avoid collision issues. BC has refused KFOC's request.

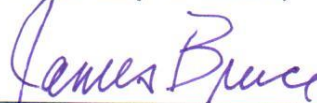
5. If BC is allowed to drill the Broadside wells the correlative rights of KFOC will be violated because KFOC will not be fully able to develop and produce its reserves, and waste will occur.

6. In this area north-south standup units are strongly preferred, and drilling east-west horizontals will not protect KFOC's correlative rights and will result in waste of hydrocarbons.

7. In order to prevent the drilling of BC's wells, the API Nos. for its wells must be rescinded pending resolution of this application. Thus, the granting of this application is in the interests of conservation and the prevention of waste.

WHEREFORE, applicant requests that, after notice and hearing, the Division enter its order rescinding the API Nos. itemized in Paragraph 1 above, and granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043
jamesbruc@aol.com

Attorney for Kaiser-Francis Oil Company