



Case
 (582) (582)
 EXHIBIT 1

EXHIBIT 1

KAISER-FRANCIS OIL COMPANY

BELL LAKE NORTH AREA

LEA COUNTY, NEW MEXICO

Section 31-22S-34E

Section 32-22S-34E

Section 36-22S-33E

Section 1-23S-33E

Section 12-23S-33E

Section 5-23S-34E

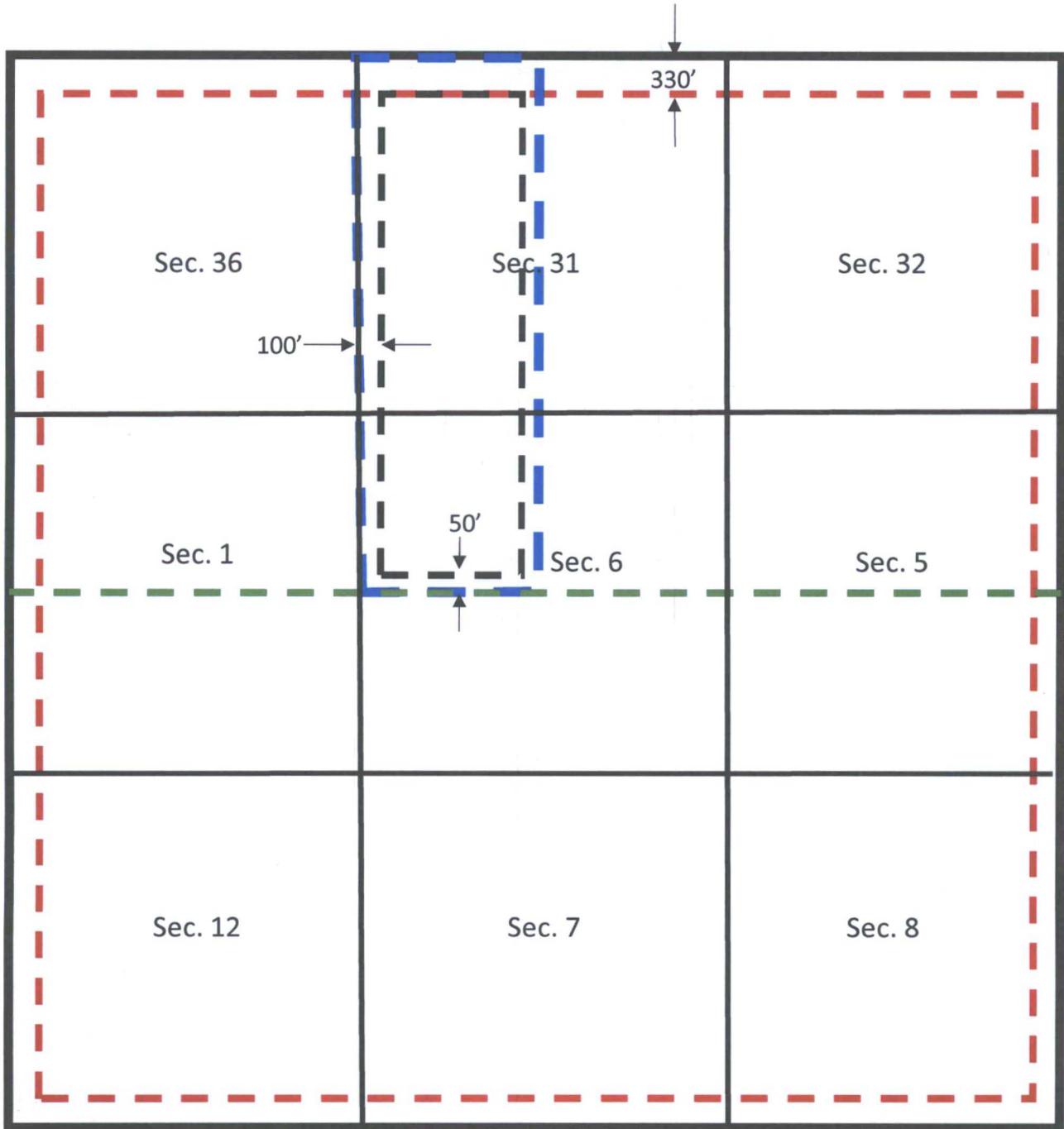
Section 6-23S-34E

Section 7-23S-34E

Section 8-23S-34E

Consisting of 5,727.58 total acres

Bell Lake Unit



--- Standard Well Unit

EXHIBIT 2

APPLICATION OF KAISER-FRANCIS OIL COMPANY FOR BELL LAKE NORTH –BONE SPRING POOL RULES

KAISER-FRANCIS OIL COMPANY requests that special rules and regulations be established for horizontal wells in Bone Spring Pool providing for:

- a) A standard oil spacing and proration units of 480 acres.
- b) Wells to be located no closer than 330' from exterior boundary of 9 section unit, 100' from the interior north south boundary of a standard well unit, and with interior setbacks of 50' from a quarter-quarter section line for the beginning of a wells producing interval.
- c) A special depth bracket allowable of 9,600 barrels of oil per day for a standard 480 acre unit.
- d) A GOR of 5,000 cubic feet of gas per barrel of oil.
- e) All other rules to be in conformance with statewide rules.

EXHIBIT 2

APPLICATION OF KAISER-FRANCIS OIL COMPANY FOR BELL LAKE NORTH –WOLFCAMP POOL RULES

KAISER-FRANCIS OIL COMPANY requests that special rules and regulations be established for horizontal wells in Wolfcamp Pool providing for:

- a) A standard oil spacing and proration units of 480 acres.
- b) Wells to be located no closer than 330' from exterior boundary of 9 section unit, 100' from the interior north south boundary of a standard well unit, and with interior setbacks of 50' from a quarter-quarter section line for the beginning of a wells producing interval.
- c) A special depth bracket allowable of 6,000 barrels of oil per day for a standard 480 acre unit.
- d) A GOR of 5,000 cubic feet of gas per barrel of oil.
- e) All other rules to be in conformance with statewide rules.

EXHIBIT 3**BELL LAKE NORTH - WORKING INTEREST OWNERS, ROYALTY OWNERS, ORRI OWNERS, NON PARTICIPATING ROYALTY OWNERS****UNLEASED MINERAL OWNERS AND OFFSET OPERATORS**

<u>OWNER NAME</u>	<u>ADDRESS</u>	<u>CITY</u>	<u>STATE</u>	<u>ZIP CODE</u>
ALAN JOCHIMSEN	4209 CARDINAL LANE	MIDLAND	TX	79707-1935
ALFRED S BLAUW AND JUNE BLAUW	1405 SOMERVELL NE	ALBUQUERQUE	NM	87112
ANN E HANSEN ESTATE , DIANA SWOPE, PERSONAL REPRESENTATIVE	840 COX CANYON	CLOUD CROFT	NM	88317
ANNA A REISCHMAN	8523 THACKERY ST APT 9301	DALLAS	TX	75225
ANNE MONTGOMERY	12750 W FORT LOWELL RD	TUCSON	AZ	85743-9143
ANNE MONTGOMERY	904 N. KENTUCK AVENUE	ROSWELL	NM	88201
ARD OIL LTD ATTENTION: REID MARLEY	222 WEST 4th STREET PH #5	Fort Worth, TX		76102
AREECIA WYNNE WARD C/O STANLEY DONALD, ATTORNEY IN FACT DONALD & G AMBLE, LLLP	PO BOX 5546	GREENVILLE	MS	38704-5546
ASHLEY KINSLOW	3030 MCKINNEY AVE APT 403	DALLAS	TX	75204
BETH W HUGHES	3318 S OLD MILLBROOK CIR	SALT LAKE CITY	UT	84115
BILL & JANICE LANE	PO BOX 854	ST CROIX FALLS	WI	54024
BRYAN BELL JR, BRYAN BELL CUSTODIAN	2243 THE CIRCLE	RALEIGH	NC	27608-1447
BRYAN WEHRLI	7 FIR LOOP	CEDAR CREST	NM	87008
BTA OIL PRODUCERS, LLC ATTENTION: WILLIS PRICE	104 S. PECOS STREET	MIDLAND	TX	79701
BUREAU OF LAND MANAGEMENT CARLSBAD FIELD OFFICE	620 E. GREENE STREETS	CARLSBAD	NM	88220-6292
CANDACE CARTER DOLAN	2706 MARQUIS CR E	ARLINGTON	TX	76016-2012
CATHLEEN GIBBS KAISER	16043 ROSEVIEW LN	CYPRESS	TX	79710
CEP MINERALS	PO BOX 50820	MIDLAND	TX	
CH MINERALS LLC	PO BOX 6387	BEAVERTON	OR	97007-0387
CHARLES E MONTGOMERY III	PO BOX 700	VAIL	AZ	85641-0700
CHARLES E MONTGOMERY III	61 AGASSIZ TERRACE	GLOBE	AZ	85501
CHEVRON USA, INC. ATTENTION: SHALYCE HOLMES	1400 SMITH STREET	HOUSTON	TX	77002

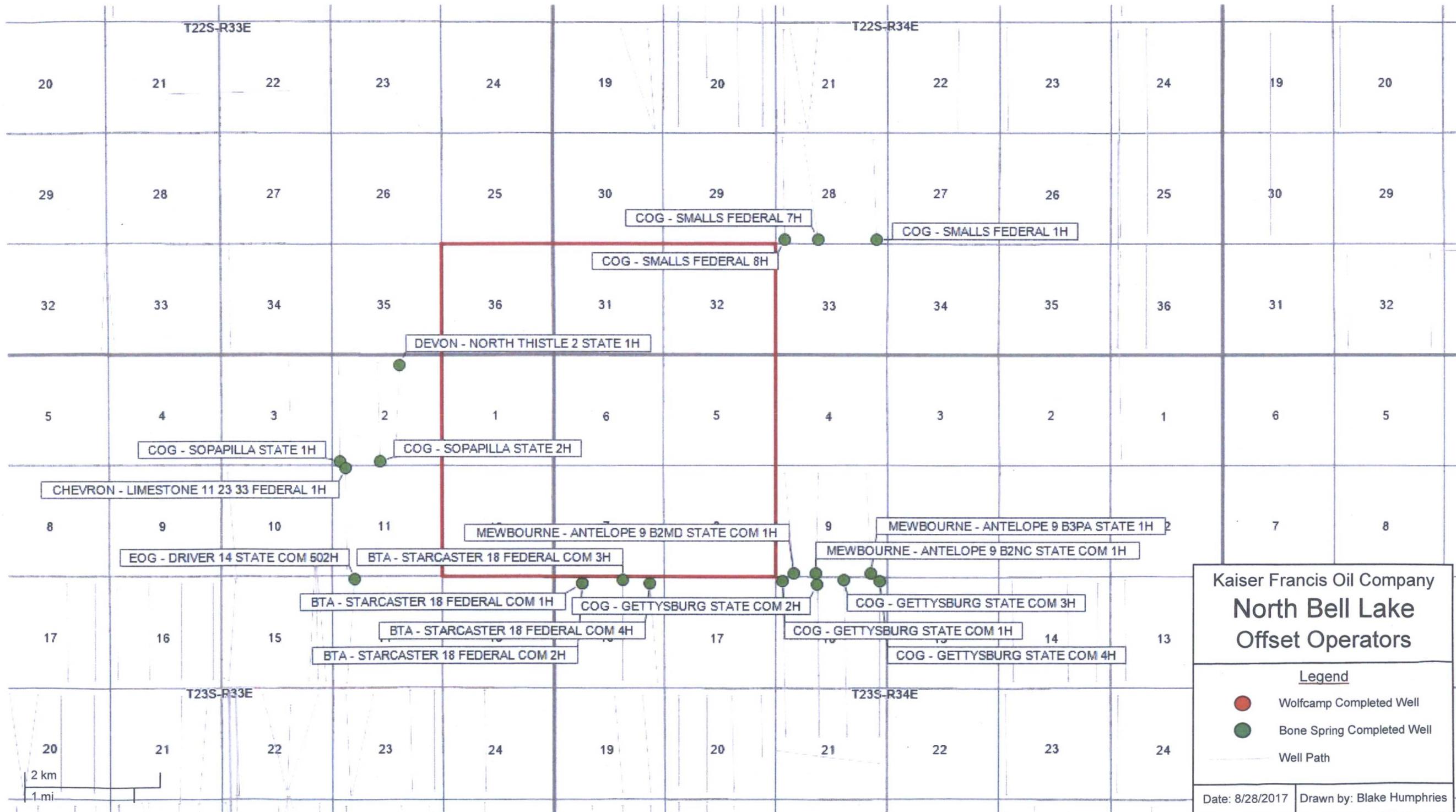
CHEVRON USA, INC.	6301 DEAUVILLE BLVD.	Midland	TX	79706
CIMAREX ENERGY CO. ATTENTION: CODY ELLIOTT	600 NORTH MARIENFELD STREET, #600	MIDLAND	TX	79701
CINDY WHITE HUGHES	3825 KIMBERLY	WACO	TX	76708
COG OPERATING LLC	ONE CONCHO CENTER 600 WEST ILLINOIS AVENUE	MIDLAND	TX	79701
CONOCOPHILLIPS CO ATTENTION: CODY TRAVERS	600 N. DAIRY ASHFORD	HOUSTON	TX	77079
CRUMP ENERGY PARTNERS II, LLC	PO BOX 50820	MIDLAND	TX	79701
DAN T DESMOND	208 N MCKOWN AVE	SHERMAN	TX	75092-7430
DELMAR HUDSON LEWIS LIVING TRUST U S TRUST, BANK OF AMERICA PRIVATE WEALTH MANAGEMENT ATTENTION; LARRY FARRIS, SENIOR VICE PRESIDENT	500 W. 7th STREET, TX1-497-02-11	DALLAS	TX	76102
DEVON ENERGY PRODUCTION COMPANY, L P ATTENTION: CARI ALLEN	333 W. SHERIDAN AVENUE	OKLAHOMA CITY	OK	73702-5015
EOG RESOURCES, INC.	P. O. BOX 2267	MIDLAND	TX	79702
ESTATE OF TERRELL TAYLOR GIBBS C/O CATHLEEN G. KAISER, PERSONAL REPRESENTATIVE	16043 ROSEVIEW LANE	CYPRESS	TX	77429
FRANK W HARRISON III	6615 SEWANEE	HOUSTON	TX	77005
GEORGE M MONTGOMERY	12650 W FORT LOWELL	TUCSON	AZ	85743
GOLDIE R BUCKNER	5201 ROMA AVE NE APT 433	ALBUQUERQUE	NM	87108-1334
GOOD EARTH MINERALS LLC C/O DEBORAH L. GOLUSKA	PO BOX 1090	ROSWELL	NM	88202-1090
GRETCHEN B NEARBURG	1129 CHALLENGER ST	LAKEWAY	TX	78734
HAYES LAND & PRODUCTION CO ATTENTION: WILLIAM H. BENNETT	PO BOX 51407	MIDLAND	TX	79710
HAYES LAND LP	PO BOX 51510	MIDLAND	TX	79710-1510
HELEN ELIZABETH BELL BRYAN BELL, CUSTODIAN	5529 FLEMING AVENUE	OAKLAND	CA	94605-1125
JACK WARD BENSON	2119 CITRUS HILL LANE	PALM HARBOR	FL	34683
JAVELINA PARTNERS ATTENTION; RANDALL HUDSON	616 TEXAS ST	FORT WORTH	TX	76102
JEWEL CASEY C/O LIZ BAILEY	PO BOX 294	SANFORD	CO	81151

JOANNE HARRIS DIETRICH TRUST A MARIAN D. BROWNE, SUCCESSOR TRUSTEE	8844 N MAY AVE	OKLAHOMA CITY	OK	73120
JOHN A MCLELLAN	10058 35TH AVE NE	SEATTLE	WA	98125-7805
JOHN P BUTLER		ADDRESS UNKNOWN	NM	
JON BLAUW	464 WELDON AVE	OAKLAND	CA	94610
JON MARC HOWELL	5609 LANDS END ST	AUSTIN	TX	78734
KAREN WHITE LEHMAN	PO BOX 982	MERIDIAN	TX	76665-0982
KATHERINE K MCINTYRE	512 THUNDER CREST	EL PASO	TX	79912-4251
KATHY COOK	BOX 495	ERIE	CO	80516-0495
LEIGH OATMAN	PO BOX 1445	TERRELL	TX	75160
LINDYS LIVING TRUST FRANCIS HUDSON TRUSTEE	4200 S HULEN SUITE 302	FORT WORTH	TX	76109
LYNN WEHRLI	357 O STREET SW	WASHINGTON	DC	20024
MADISON M HINKLE	PO BOX 2292	ROSWELL	NM	88202-2292
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MANOR PARK INC DBA MPH ENDOWMENT FUND AGENCY WELLS FARGO BANK SAO	PO BOX 40909	AUSTIN	TX	78704
MARCHETA JOCHIMSEN	4209 CARDINAL LN	MIDLAND	TX	79707-1935
MARCIE BROOK HOWELL C/O JON A. HOWELL, DDS	2312 BAHAMA RD	AUSTIN	TX	78733
MARK CHILDRESS	3840 TULSA WAY	FORT WORTH	TX	76107
MARY ANDERSON	1415 BLUEBONNET DRIVE	FORT WORTH	TX	76111
MARY SUE MASON	1518 RIVER BEND PLACE SE	DECATUR	AL	35601
MATLOCK MINERALS LTD CO C/O DEBORAH L. GOLUSKA	PO BOX 1090	ROSWELL	NM	88202-1090
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MEWBOURNE OIL COMPANY ATTENTION: DREW ROBISON, DISTRICT EXPLORATION MANAGER	500 WEST TEXAS	MIDLAND	TX	79701
MEWBOURNE OIL COMPANY	4801 BUSINESS PARK BLVD.	HOBBS	NM	88240
MICHAEL MCENTIRE	7001 BOULEVARD 26 STE 312	NORTH RICHLAND HILLS	TX	76180
MONA L COFFIELD	465 CAMINO MANZANO	SANTA FE	NM	87505
MONTY D MCLANE	PO BOX 9451	MIDLAND	TX	79708
MOORE & SHELTON COMPANY LTD	PO BOX 3070	GALVESTON	TX	77552
MORRIS E SCHERTZ	PO BOX 2588	ROSWELL	NM	88202-2588

NANCY J DESMOND REV TRUST NANCY J. DESMOND, TRUSTEE	4413 CONTENTA RDG	SANTA FE	NM	87507-6613
OAK VALLEY MINERAL AND LAND, LP	P. O. BOX 50820	MIDLAND	TX	79710
PATRICIA M GREER	34 E BEND LN	HOUSTON	TX	77007
PAULINE M HARTMAN	904 N KENTUCKY AVE	ROSWELL	NM	88201-4931
PHYLLIS WHITE HENNESSEE	452 JENNIFER LANE	DRIFTWOOD	TX	78619
PIHI PARTNERSHIP	952 ECHO LANE STE 322	HOUSTON	TX	77024-2814
PITCH ENERGY CORP	P. O. BOX 304	ARTESIA	NM	88211-0304
PROSPECT INVESTMENT OF HOUSTON, INC.	952 ECHO LANE STE 322	HOUSTON	TX	77024-2814
RAM FOUNDATION GUARANTY BANK & TRUST AS AGENT	PO BOX 13639	ARLINGTON	TX	76094
RANDALL CARTER GIBBS TRUST CARL E COOPER, TRUSTEE	PO BOX 2148	ROSWELL	NM	88202-2148
ROBERT KRUSE	PO BOX 327	KEY WEST	FL	33040
ROBERT N ENFIELD IRREV TRUST WELLS FARGO BANK NA SUCCESSOR TRUSTEE	PO BOX 40909	AUSTIN	TX	78704
ROLLA R HINKLE III	PO BOX 2292	ROSWELL	NM	88202-2292
RONALD E NEAL	4531 MAGNOLIA STREET	BELLAIRE	TX	77401
RUBIE BELL GOSNELL	61438 STILLMEADOW LANE	NEW CONCORD	OH	43762
RUBIE PERRY BELL	61438 STILLMEADOW LANE	NEW CONCORD	OH	43762
SHARON LEE WHITE SASHA WHITE	18006 CRYSTAL COVE	JONESTOWN	TX	78645
SHIRLEY HUBBARD	3964 RABB STREET	ODESSA	TX	79762-4910
SLASH EXPLORATION LTD PARTNER ATTENTION: OIL AND GAS - SUE	P O BOX 1973 310 Old Santa Fe Trail	ROSWELL SANTA FE	NM NM	88202-1973 87504
STATE OF NEW MEXICO COMMISSIONER OF PUBLIC LANDS	PO BOX 1148	SANTA FE	NM	87504
SUSAN WHITE	PO BOX 1628	WHITNEY	TX	76692
THE FASKEN FOUNDATION	PO BOX 2024	MIDLAND	TX	79702-2024
THE TOLES COMPANY, A LIMITED PARTNERSHIP	PO BOX 1300	ROSWELL	NM	88202-1300
THELMA L MACK	21926 S VERMONT AVE #64	TORRANCE	CA	90502
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WHITE FAMILY TR U/A/D 3/9/95 SUSAN H WHITE, TRUSTEE	1447 GALAXY DR	NEWPORT BEACH	CA	92660

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EXHIBIT 4



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August 23, 2017

CERTIFIED MAIL – RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

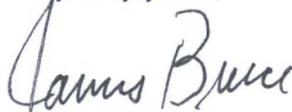
Ladies and gentlemen:

Enclosed are copies of two applications for pool creation and special pool rules, filed with the New Mexico Oil Conservation Division by Kaiser-Francis Oil Company, regarding the Southwest Ojo Chiso-Bone Spring Pool and the Southwest Ojo Chiso-Wolfcamp Pool in Lea County, New Mexico.

These matters are scheduled for hearing at 8:15 a.m. on Thursday, Spectator 14, 2017, at the Division's offices at 1220 South St. Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by the applications, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from contesting these matters at a later date.

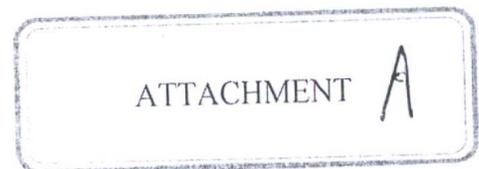
A party appearing in a Division case is required by Division Rules to file a Pre-Hearing Statement no later than Thursday, September 7, 2017. This statement must be filed with the Division's Santa Fe office at the above address, and should include: The names of the party and its attorney; a concise statement of the case; the names of the witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that need to be resolved prior to the hearing. The Pre-Hearing Statement must also be provided to the undersigned.

Very truly yours,



James Bruce

Attorney for Kaiser-Francis Oil Company



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Houston, TX77002

CHEVRON USA, INC.
6301 Deauville Blvd.
Midland, TX79706

CIMAREX ENERGY CO.
Attention: Cody Elliott
600 NORTH MARIENFELD STREET, #600
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3825 KIMBERLY
WACO, TX76708

COG OPERATING LLC
One Concho Center
600 West Illinois Avenue
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CONOCOPHILLIPS CO
Attention: Cody Travers
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Houston, TX77079

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208 N MCKOWN AVE
SHERMAN, TX75092-7430

DELMAR HUDSON LEWIS LIVING TRUST
U. S. Trust, Bank of America Private Wealth
Management
Attention: Larry Farris, Senior Vice President
500 W. 7th Street, TX1-497-02-11
DALLAS, TX76102



DEVON ENERGY PRODUCTION
COMPANY, L P
Attention: Cari Allen
333 W. Sheridan Avenue
Oklahoma City, OK73702-5015

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U/A DTD 8-12-05
NANCY J DESMOND TRUSTEE
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NEW CONCORD, OH43762

RUBIE PERRY BELL
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NEW CONCORD, OH43762

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AKA SASHA WHITE
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SHIRLEY HUBBARD
3964 RABB STREET
ODESSA, TX79762-4910



SLASH EXPLORATION LTD PARTNER
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ROSWELL, NM88202-1973

NEW MEXICO STATE LAND OFFICE
Attn: Oil and Gas – Sue
310 Old Santa Fe Trail
Santa Fe, NM87504

STATE OF NEW MEXICO
COMMISSIONER OF PUBLIC LANDS
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SANTA FE, NM87504

SUSAN WHITE
PO BOX 1628
WHITNEY, TX76692

THE FASKEN FOUNDATION
PO BOX 2024
MIDLAND, TX79702-2024

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PARTNERSHIP
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ROSWELL, NM88202-1300

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C/O TERRY BLANKENSHIP
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WHITE FAMILY TR U/A/D 3/9/95
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WILLIAM H BENNETT
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ZORRO PARTNERS LTD
Attention: William A. Hudson, II
616 TEXAS ST
FORT WORTH, TX76102

EXHIBIT **A-4**

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF KAISER-FRANCIS OIL COMPANY
FOR POOL CREATION AND SPECIAL RULES AND
REGULATIONS THEREFOR THE, LEA COUNTY,
NEW MEXICO.

Case No. _____

APPLICATION

Kaiser-Francis Oil Company applies for an order (i) creating a new pool for horizontal Bone Spring development, to be named the Southwest Ojo Chiso-Bone Spring Pool, and (ii) instituting special rules and regulations for the proposed pool, and in support thereof, states:

1. Applicant is an interest owner in and operator of the following acreage in Lea County, New Mexico:

Township 22 South, Range 33 East, N.M.P.M.

Section 36: All

Township 22 South, Range 34 East, N.M.P.M.

Section 31: Lots 1-4, E/2, and E/2W/2 (All)

Section 32: All

Township 23 South, Range 33 East, N.M.P.M.

Section 1: Lots 1-4, S/2N2, and S/2 (All)

Section 12: All

Township 23 South, Range 34 East, N.M.P.M.

Section 5: Lots 1-4, S/2N2, and S/2 (All)

Section 6: Lots 1-7, S/2NE/4, SE/4NW/4, E/2SW/4, and SE/4 (All)

Section 7: Lots 1-4, E/2, and E/2W/2 (All)

Section 8: All

The foregoing acreage is contained in the North Bell Lake Unit (the "Unit"), comprised of 5,727.58 acres of Federal, State, and Fee land.

2. Applicant intends to drill multiple Bone Spring wells inside the Unit. The wells will be 1-1/2 miles in length, and will be drilled as north-south standup units. Applicant's drilling

program is planned to properly drain Bone Spring reserves from the Unit, and obtain maximum recovery therefrom. This will result in certain wells having otherwise unorthodox locations.

3. The allowable established by NMAC 19.15.20.12 is insufficient for the planned multiple horizontal wells per well unit, and may cause or exacerbate overproduction. Therefore, Applicant proposes to create a new pool for horizontal Bone Spring development within the Unit, and special rules and regulations for the new pool.

4. Applicant requests the creation of a new pool, named the Southwest Ojo Chiso-Bone Spring Pool (the "Pool"), to include the lands described in paragraph 1 above. The Pool will cover the entire Bone Spring formation. Applicant requests that special rules and regulations be established for the Pool, providing for:

- (a) A standard oil spacing and proration unit of 480 acres for horizontal wells;
- (b) Horizontal to be located no closer than 330 feet to the exterior boundary of the Unit;
- (c) Interior setbacks of 10 feet from a quarter-quarter section line for horizontal wells;
- (d) Setbacks of 100 feet from the side line of a standard horizontal well unit, except as provided in subparagraph (b) above;
- (e) A special depth bracket allowable of 9600 barrels of oil per day for a standard horizontal well unit;
- (f) A limiting gas:oil ratio of 5000 cubic feet of gas per barrel of oil produced; and
- (g) All other rules to be in conformance with statewide rules.

5. Existing vertical wells in the Unit will retain their current well units.

6. **Applicant requests that the pool rules be limited to lands within the Unit.**

7. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division grant the relief requested above.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Kaiser-Francis Oil Company

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FOR POOL CREATION AND SPECIAL RULES AND
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Kaiser-Francis Oil Company applies for an order (i) creating a new pool for horizontal Wolfcamp development, to be named the Southwest Ojo Chiso-Wolfcamp Pool, and (ii) instituting special rules and regulations for the proposed pool, and in support thereof, states:

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program is planned to properly drain Wolfcamp reserves from the Unit, and obtain maximum recovery therefrom. This will result in certain wells having otherwise unorthodox locations.

3. The allowable established by NMAC 19.15.20.12 is insufficient for the planned multiple horizontal wells per well unit, and may cause or exacerbate overproduction. Therefore, Applicant proposes to create a new pool for horizontal Bone Spring development within the Unit, and special rules and regulations for the new pool.

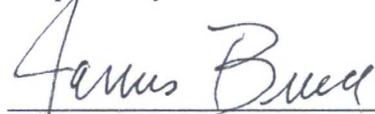
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- (b) Horizontal to be located no closer than 330 feet to the exterior boundary of the Unit;
- (c) Interior setbacks of 10 feet from a quarter-quarter section line for horizontal wells;
- (d) Setbacks of 100 feet from the side line of a standard horizontal well unit, except as provided in subparagraph (b) above, and 50 feet from the last take point of a well;
- (e) A special depth bracket allowable of 6000 barrels of oil per day for a standard horizontal well unit;
- (f) A limiting gas:oil ratio of 5000 cubic feet of gas per barrel of oil produced; and
- (g) All other rules to be in conformance with statewide rules.

5. Existing vertical wells in the Unit will retain their current well units.
6. **Applicant requests that the pool rules be limited to lands within the Unit.**
7. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, applicant requests that, after notice and hearing, the Division grant the relief requested above.

Respectfully submitted,



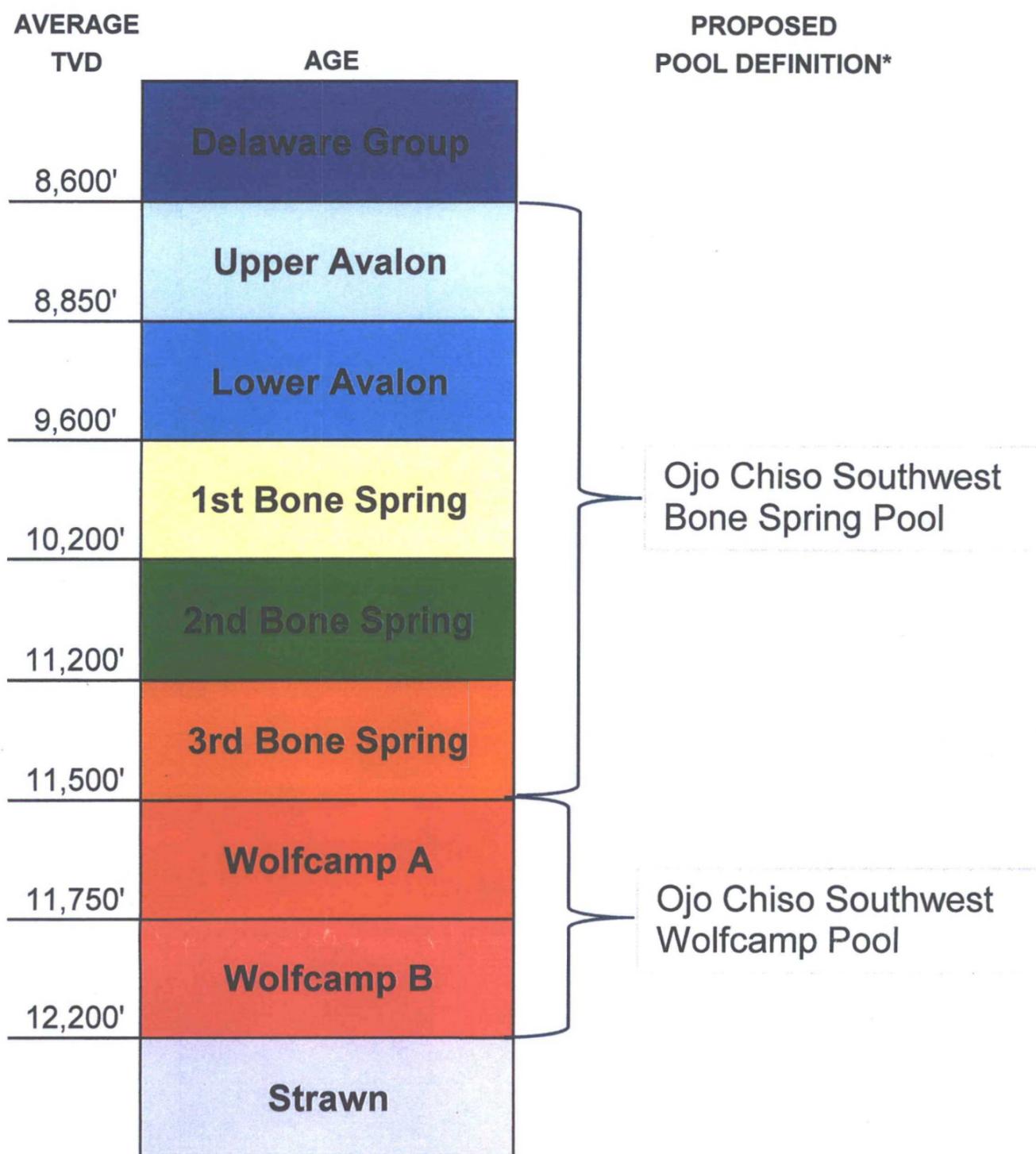
James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Kaiser-Francis Oil Company

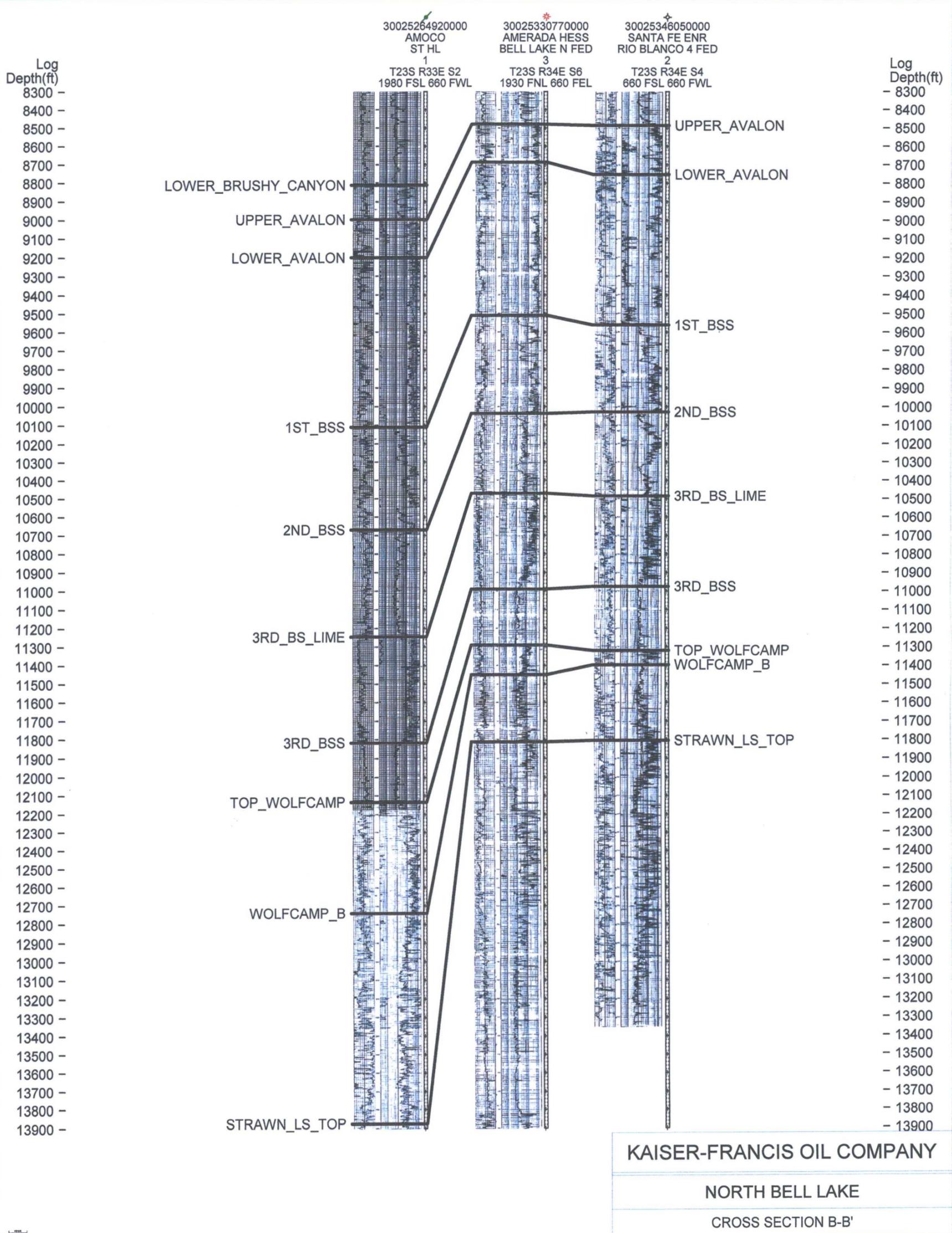
Cases
15823 & 15824

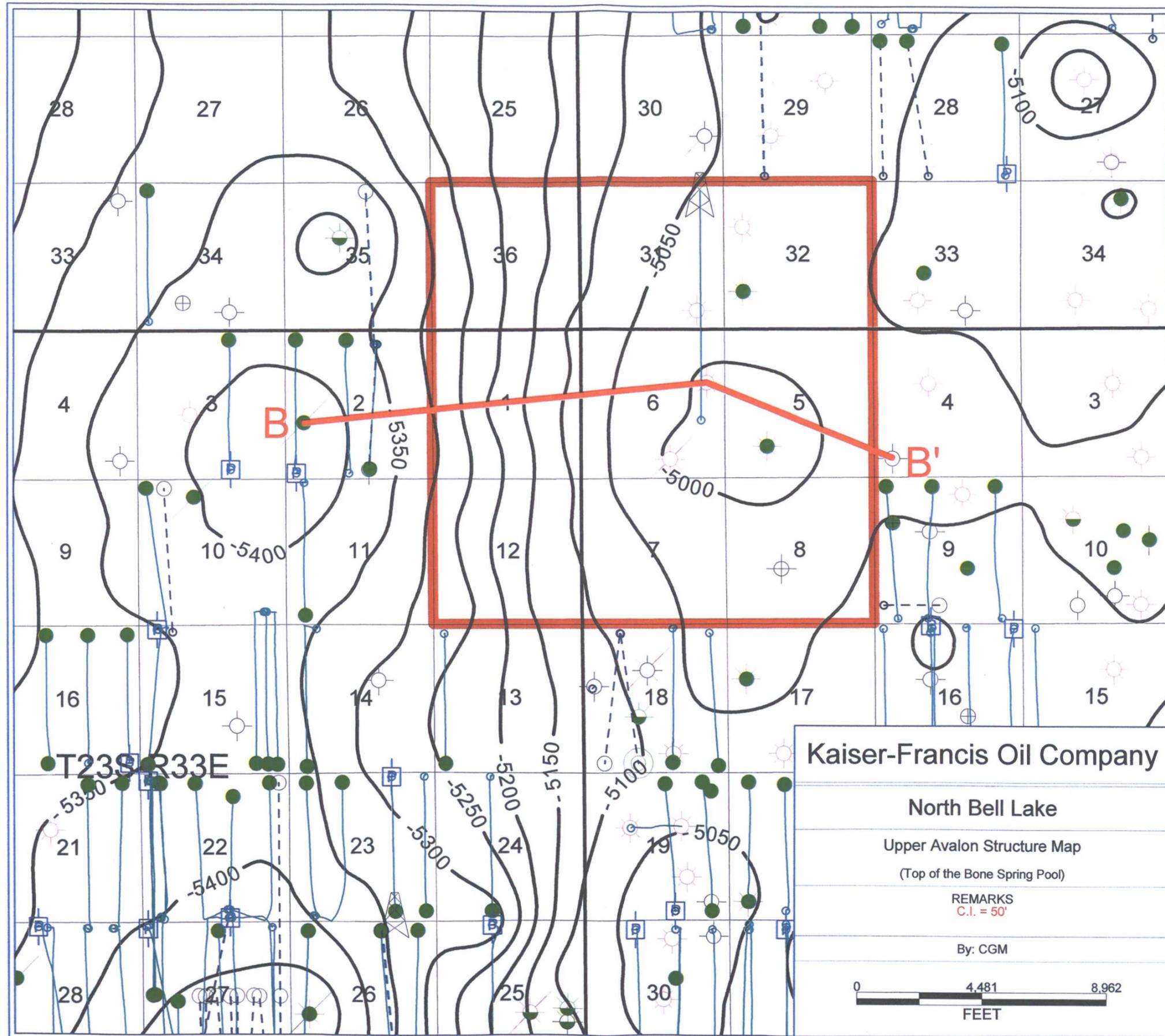


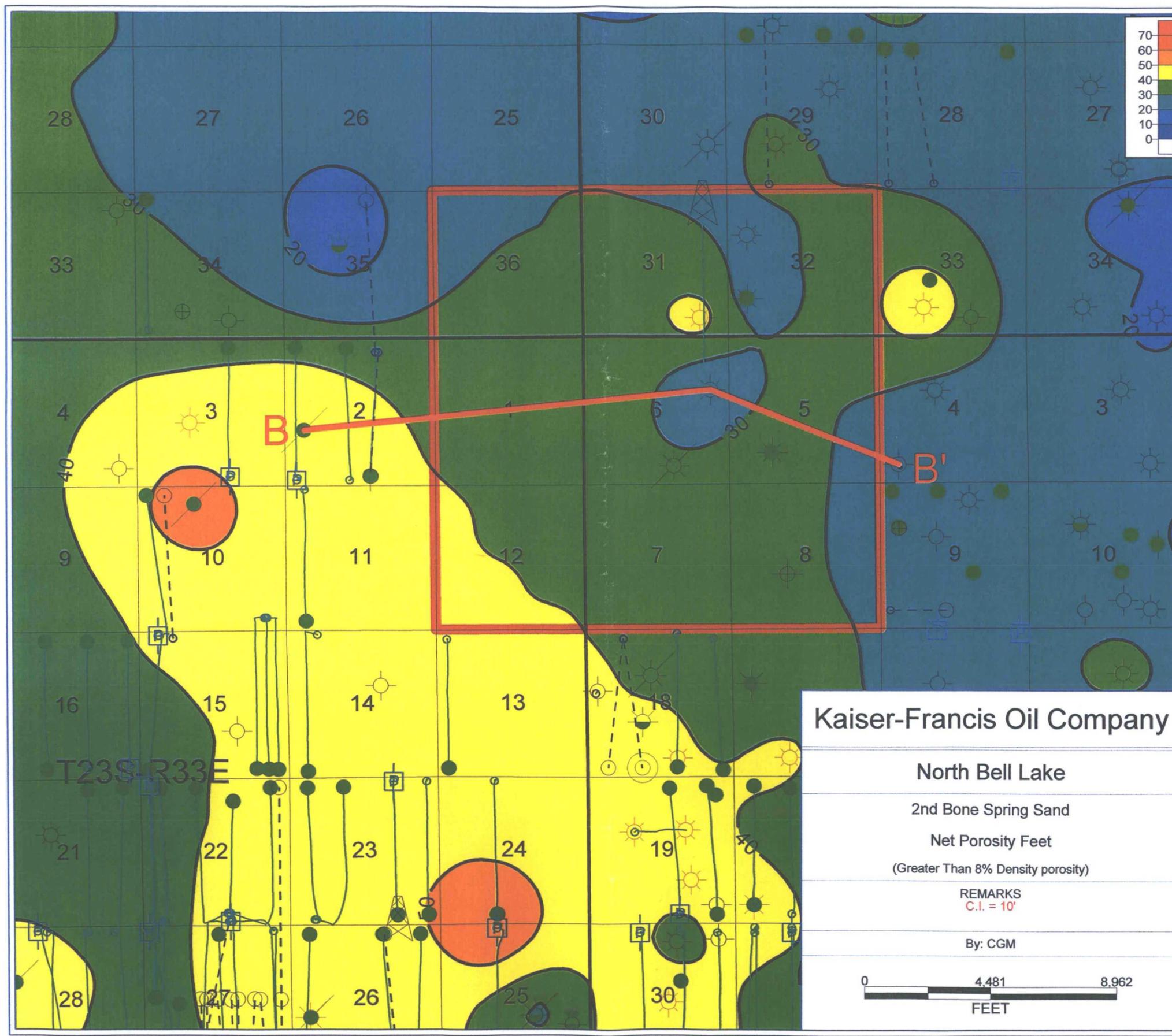
NORTH BELL LAKE



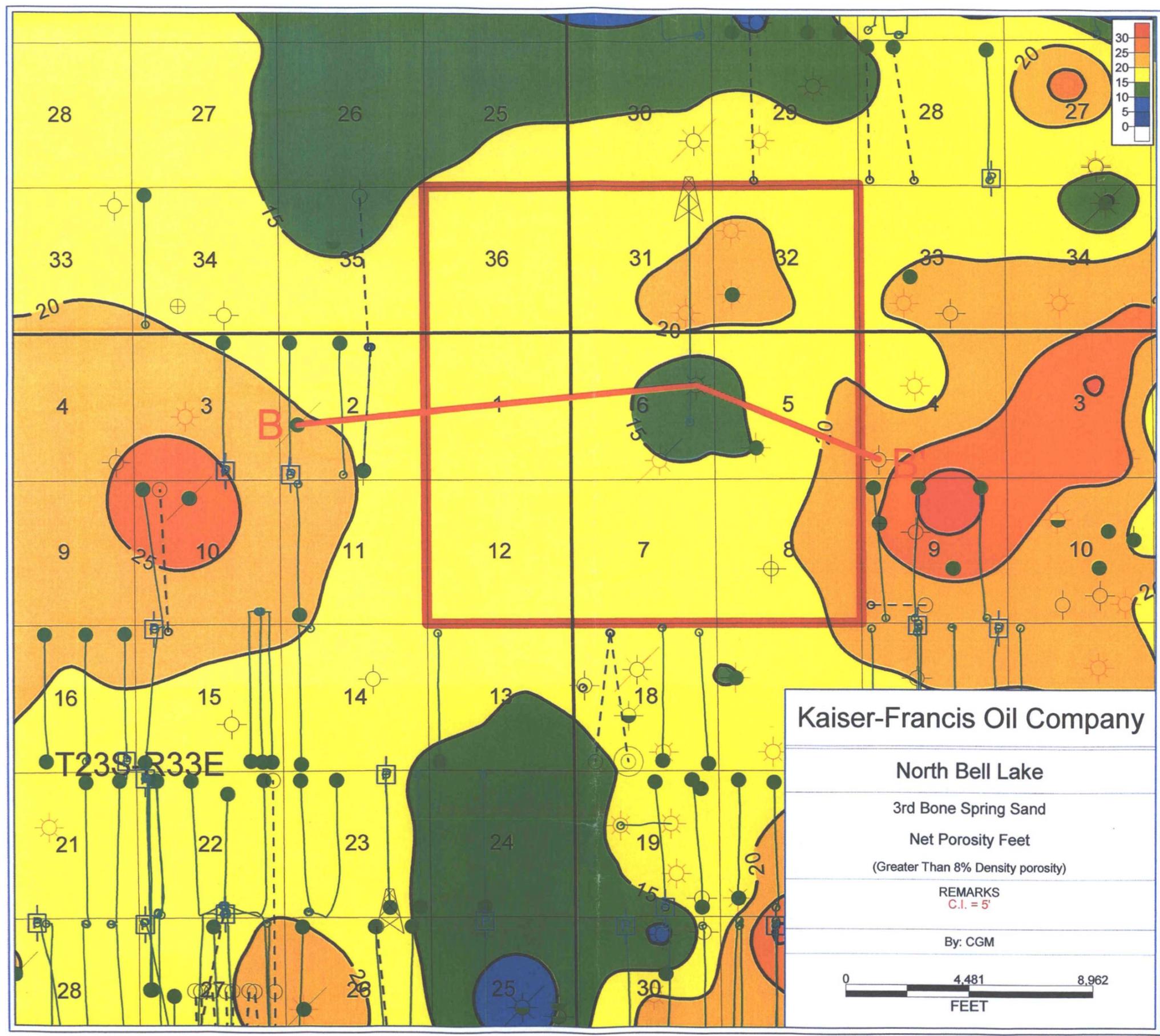
(*Pool definitions discussed with and approved by Paul Kautz)

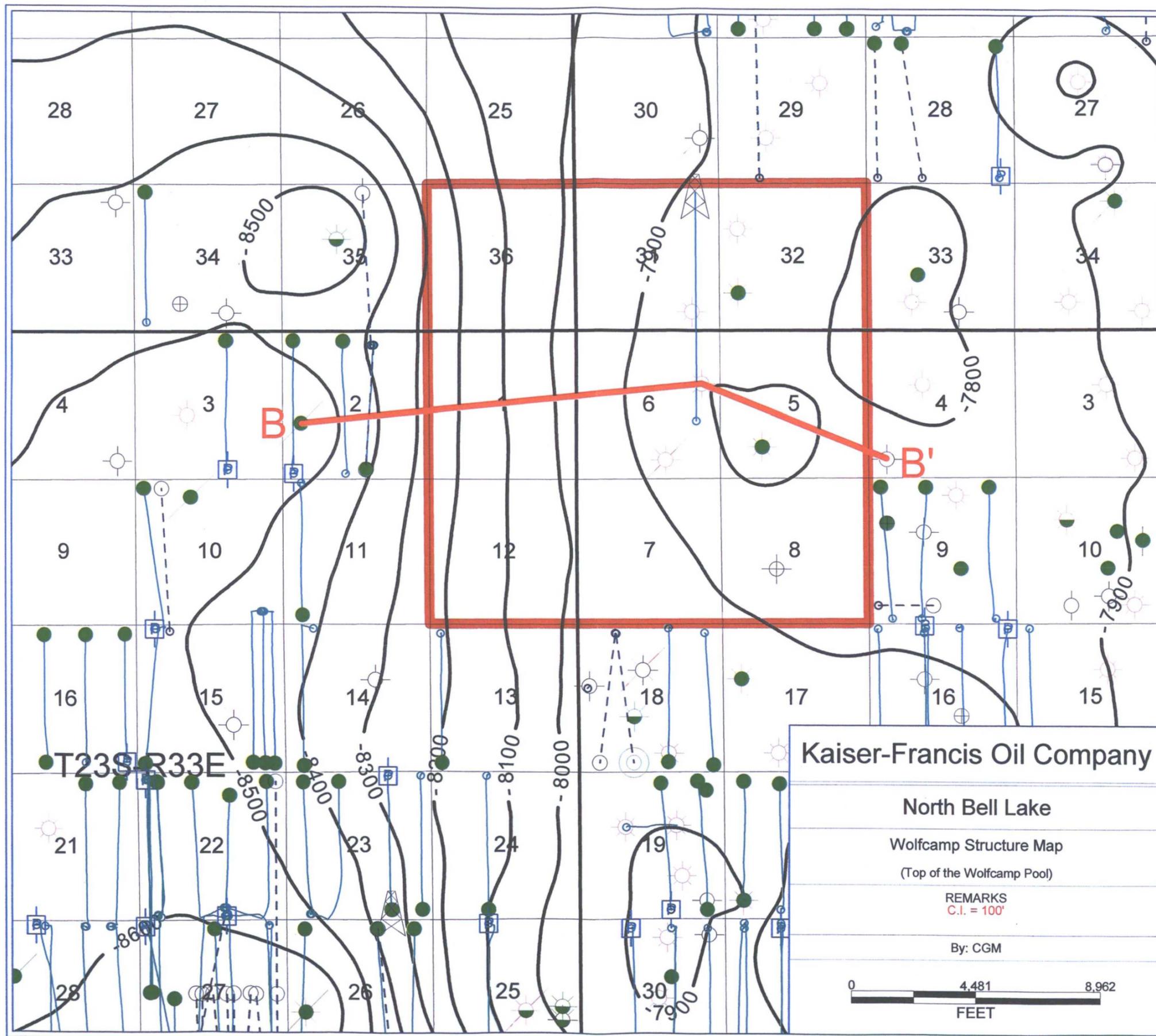




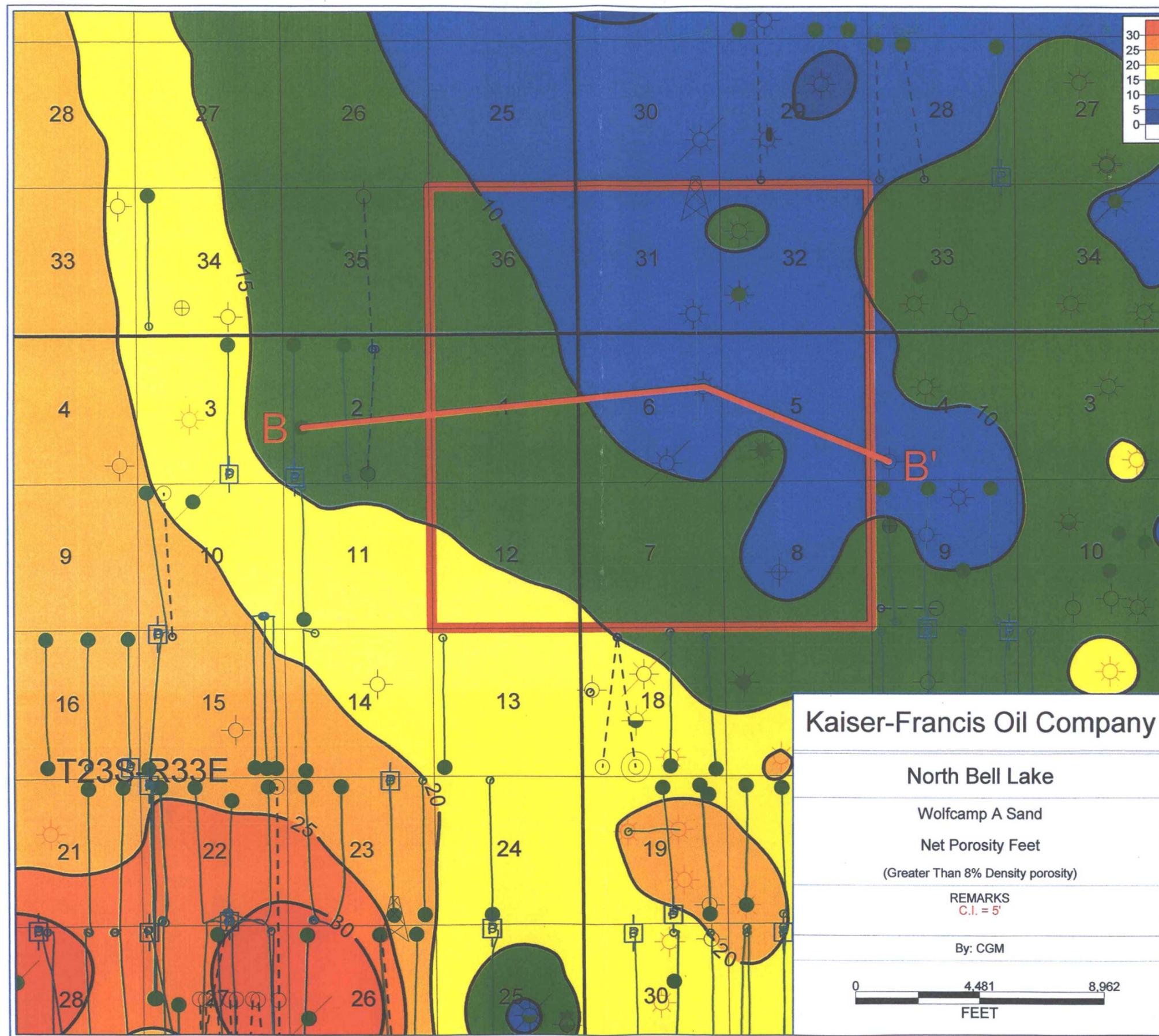


T23S R33E





T23S R33E



Overview – North Bell Lake

Exhibit 7 - Page 1

Current allowable from state regulation (19.15.20.12 NMAC):

- 320 bopd/40 acre unit
- 2,000 scf/stb

*Uses
15823 + 15824*

Requesting an allowable increase as follows:

<u>Zone</u>	<u>Oil Allowable</u>	<u>GOR</u>
Bone Spring	800 bopd/40 acre unit 9,600 bopd/480 acre unit	5,000 scf/bbl
Wolfcamp	500 bopd/40 acre unit 6,000 bopd/480 acre unit	5,000 scf/bbl

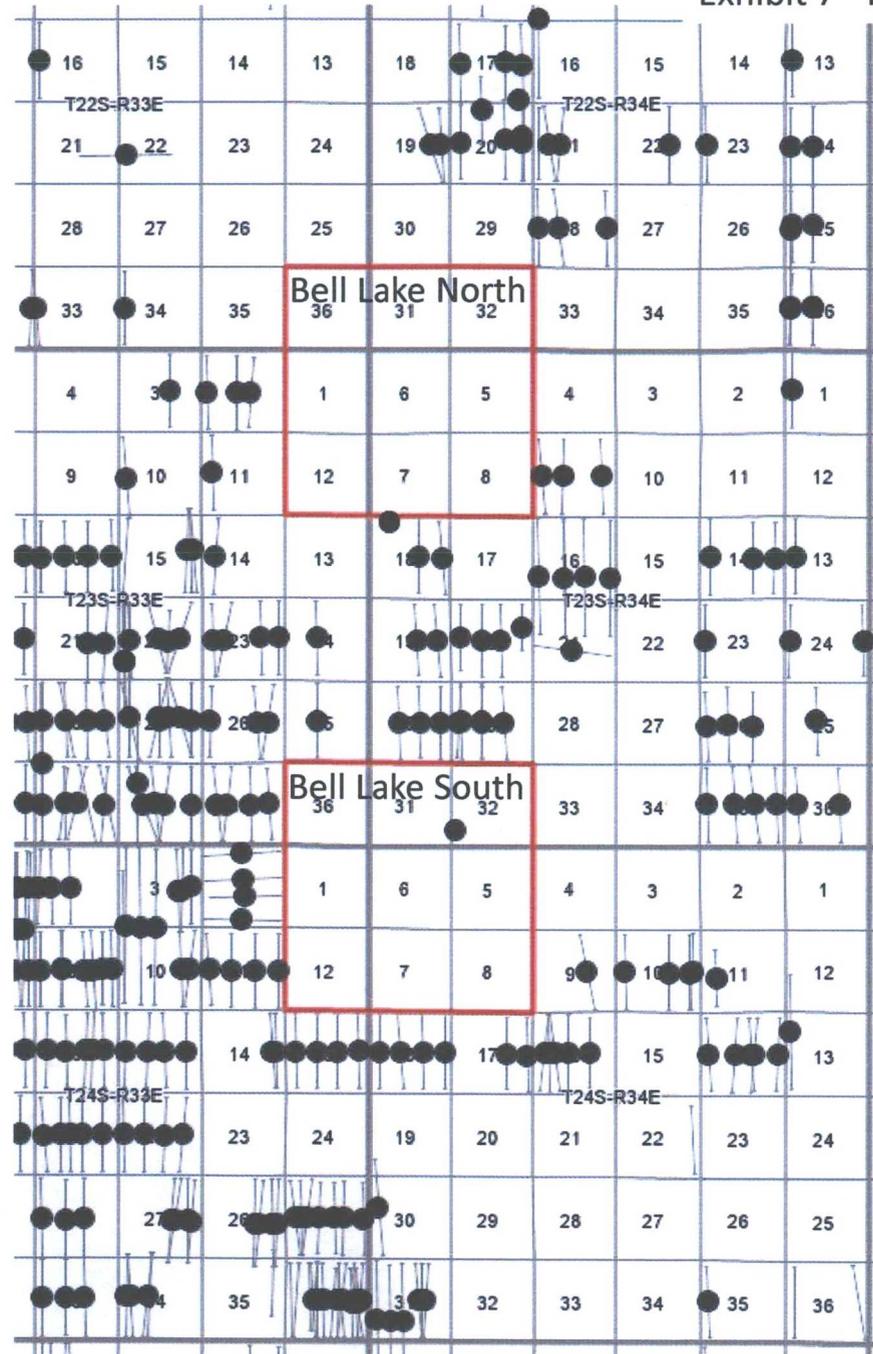
The increased allowable is needed to develop multiple stacked pay zones with the anticipated optimal well density and projected well rates.

The planned well density will allow for maximum resource recovery and development economics.

Offset well production, numerical modeling and our anticipated rig utilization were used to develop production forecasts that support the need for the increase in allowable.

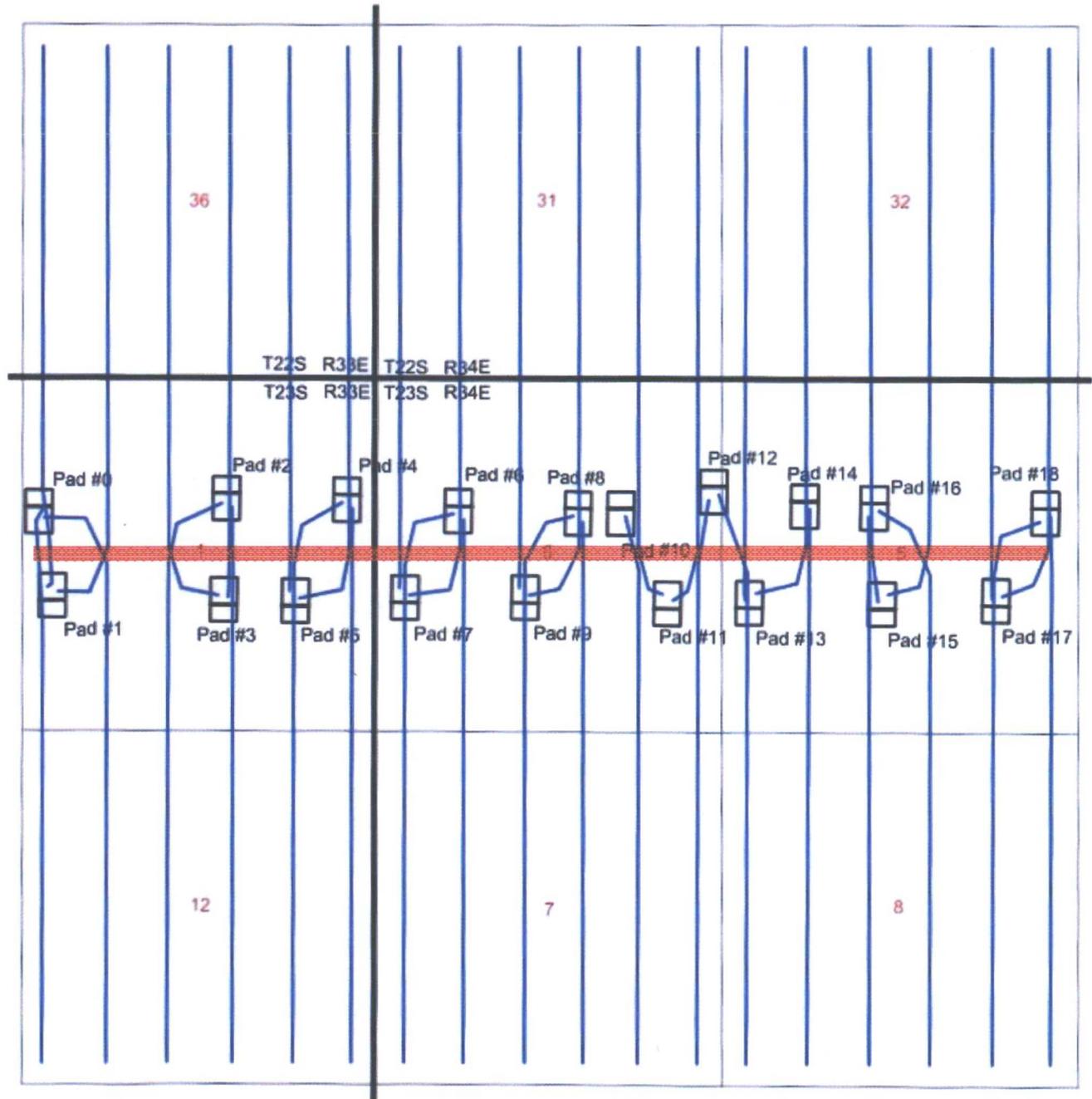
Bell Lake Units Configuration

- North and South Units are each 3 mile by 3 mile square units.
- A large number of horizontal wells have been drilled offsetting Bell Lake.
- The large amount of offset production data available provides key information to use for planning Bell Lake development.
- Bell Lake Development has been optimized for well spacing, lateral length, directional orientation based on offset wells and subsurface geology and engineering evaluations.



Key Elements of Development Plan

- 3 mi. by 3 mi. configuration allows for central corridor for pad and infrastructure locations.
- Central drilling pads allow for all wells to be consistent 1.5 mile laterals.
- Central corridor with all pads, roads, pipelines and power lines will minimize surface impacts and create most efficient deployment of capital.



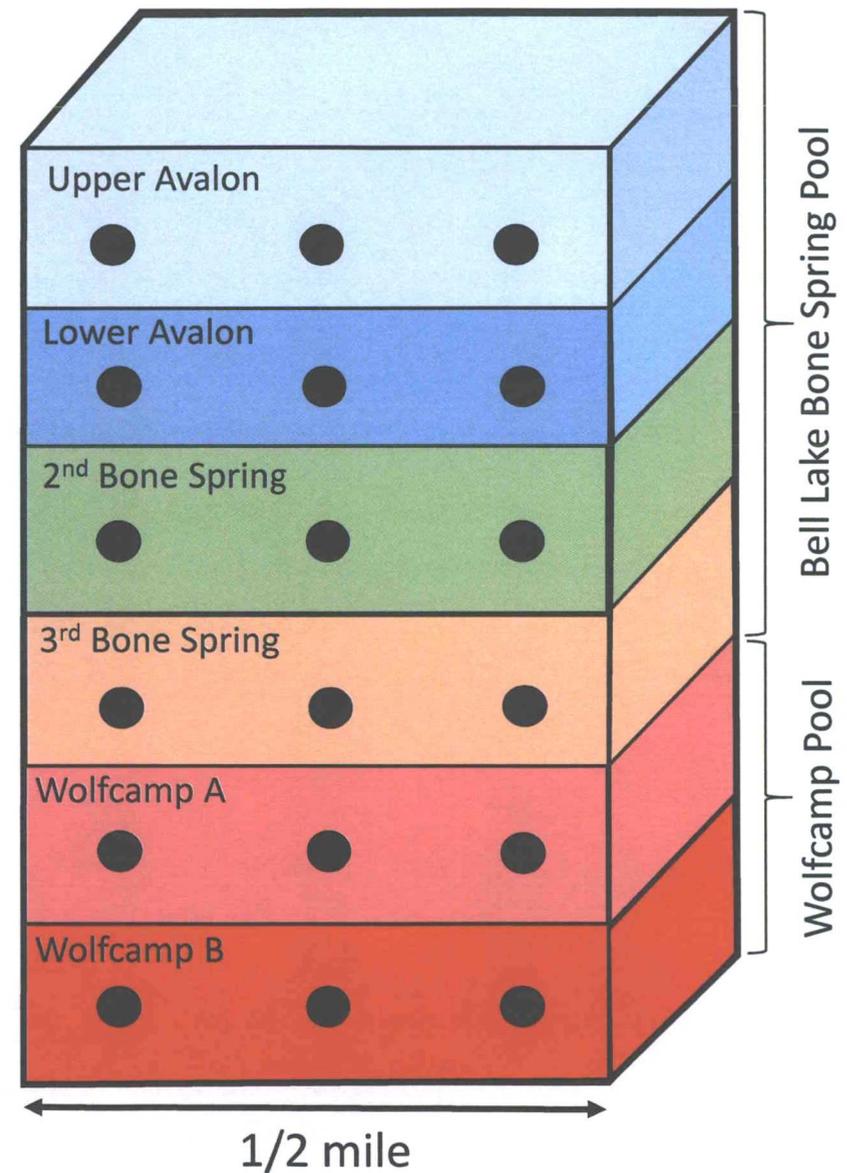
Development of Multiple Stacked Pay Zones

Bell Lake Bone Spring Pool

- Over 3000 ft of gross interval
- Four discrete development zones:
 - . Upper Avalon
 - . Lower Avalon
 - . 2nd Bone Spring
 - . 3rd Bone Spring
- Technical work suggest 6 wells per 1 mile wide drainage area is optimal

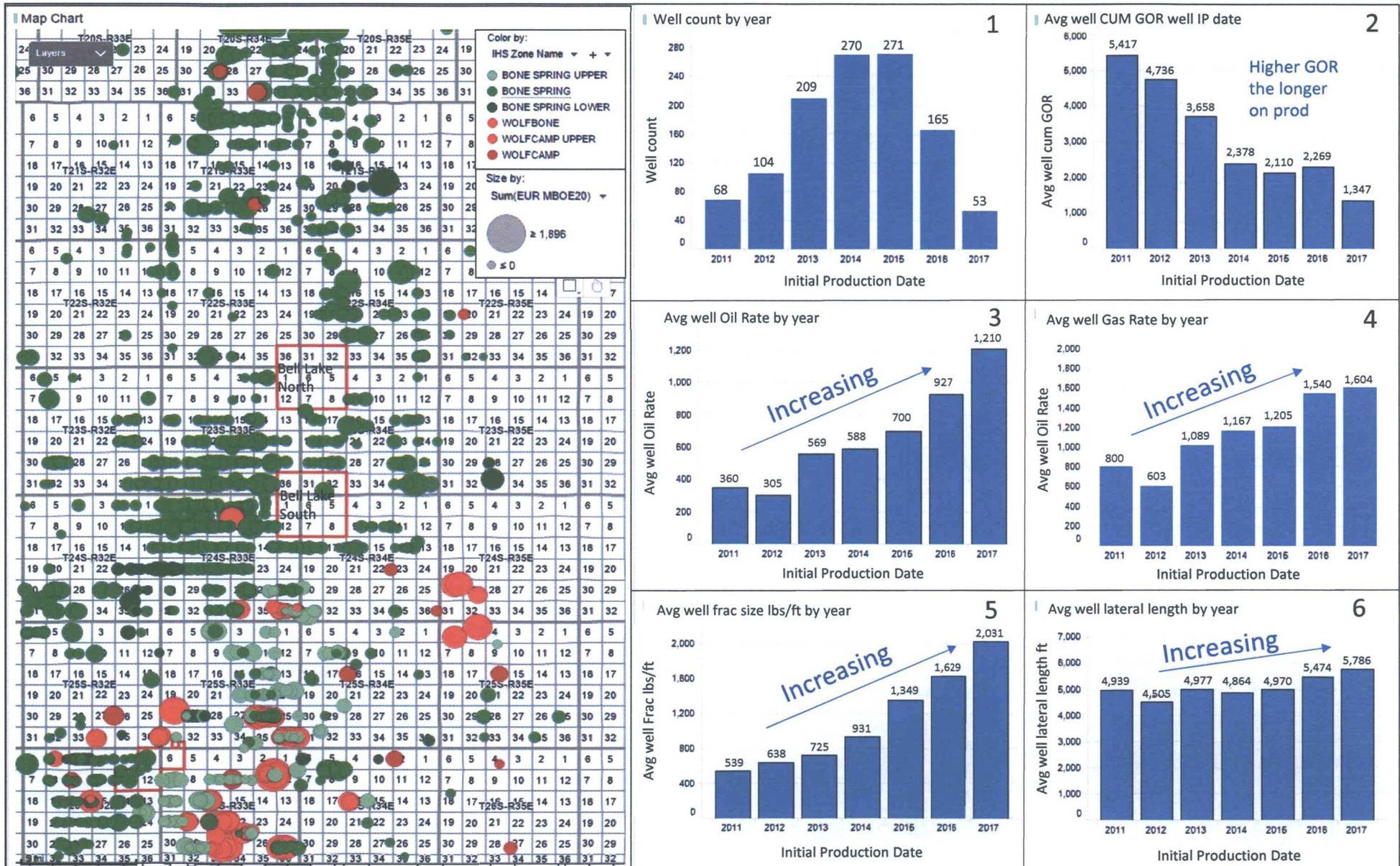
Wolfcamp Pool

- Over 1700 ft of gross interval
- Two discrete development zones:
 - .Wolfcamp A
 - .Wolfcamp B
- Technical work suggest 6 wells per 1 mile wide drainage area is optimal



Offset production info

- Average well rates are continuing to improve each year due to larger fracs and longer laterals.
- Average well rates were used in reservoir simulation and production forecasting efforts.



Reservoir Simulation Work

Input Summary:

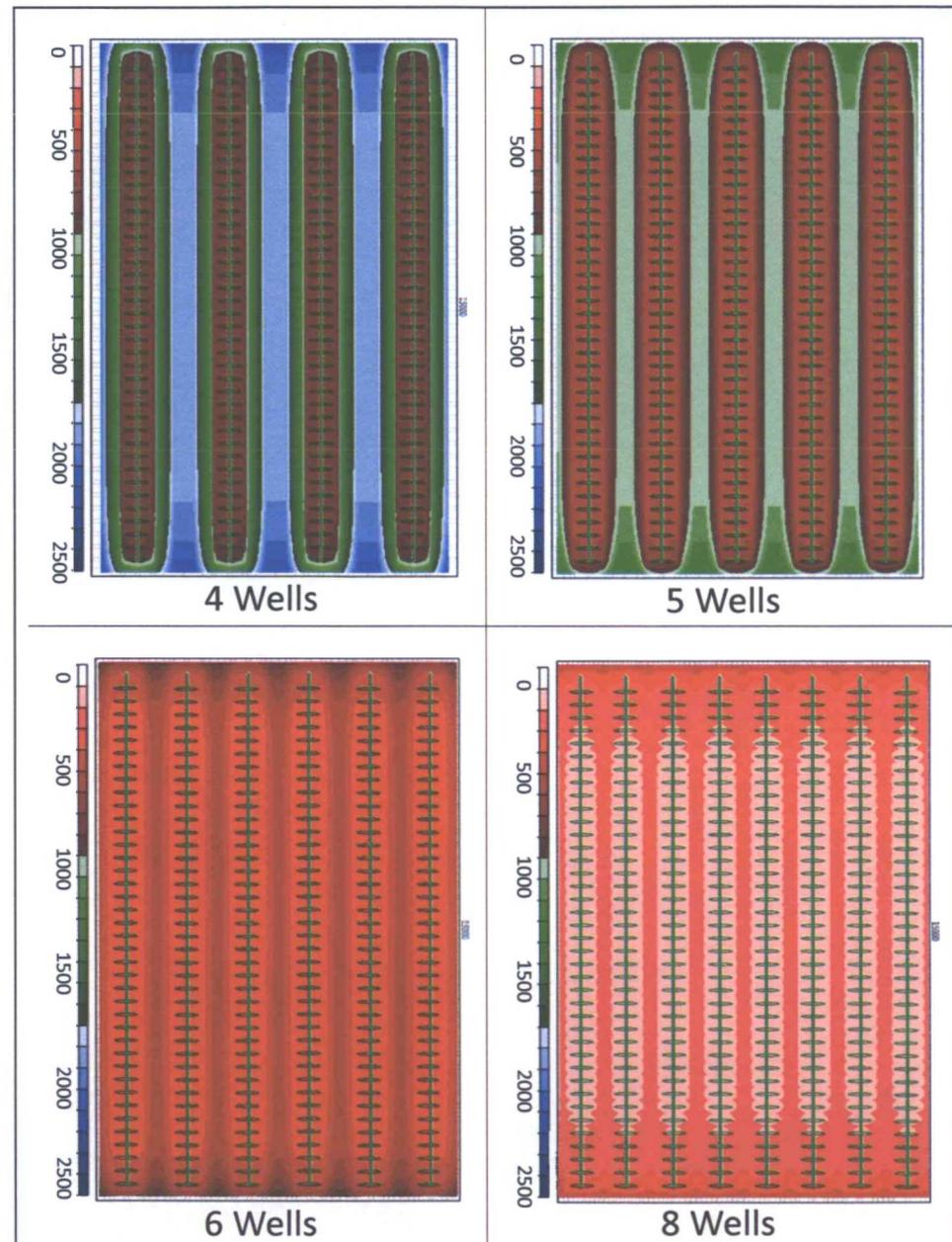
- 960 ac drainage area (1.5 mile X 1.0 mile)
- 7500' laterals, 40 stage fracs, 2200 lbs/ft
- 2 md in fractures, 0.2 md in fracture web, 0.01 md in reservoir, 250' frac half length

Model Results Summary:

- More wells increases drainage area and increases total recovery of oil and gas
- More wells also results in lower reservoir pressure and increased GOR

Well No.	Total Case MBbl Oil	Per Well MBbl Oil	Final Res Press psi	Per Well GOR scf/bbl
4	3,560	890	1,379	4,775
5	3,820	764	759	4,974
6	4,200	700	441	5,000
8	4,440	555	227	5,180

Pressure Maps for Each Simulation Case



Reservoir Simulation Work

- Total oil and gas recovery increases as number of wells increases.
- But recovery per well decreases as number of wells increases.

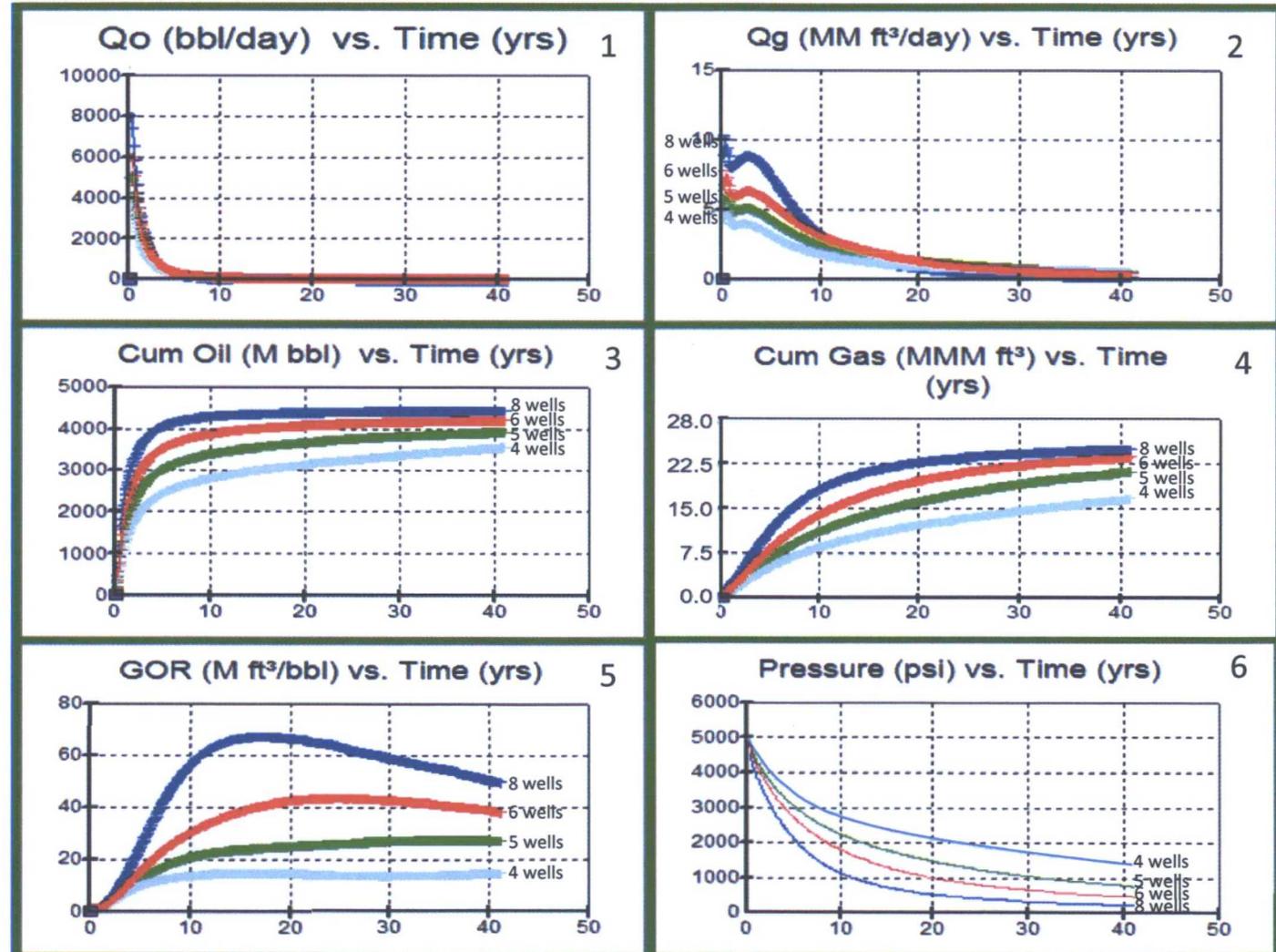
Predicted Production Plots for Each Simulation Case

Results for 960 AC Model

Well No.	Total Case MBbl Oil	Total MMcf	Total GOR scf/bbl
4	3,560	17,000	4,775
5	3,820	19,000	4,974
6	4,200	21,000	5,000
8	4,440	23,000	5,180

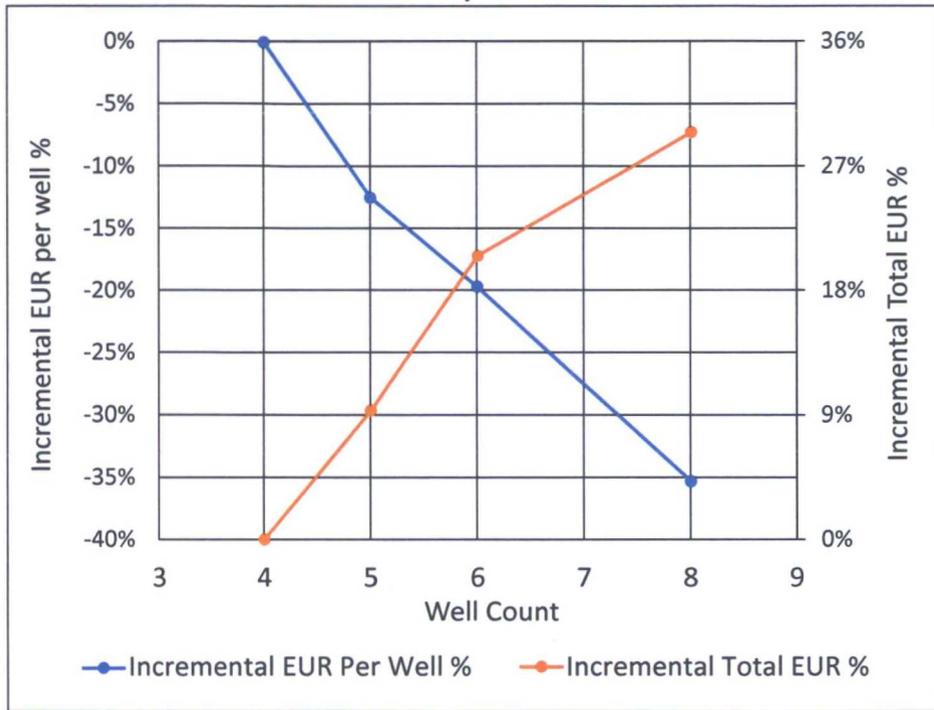
Results per Well

Well No.	Per Well MBbl Oil	Per Well MMCF	Per Well GOR scf/bbl
4	890	4,250	4,775
5	764	3,800	4,974
6	700	3,500	5,000
8	555	2,875	5,180



Development Economics

Well Density vs Reserves



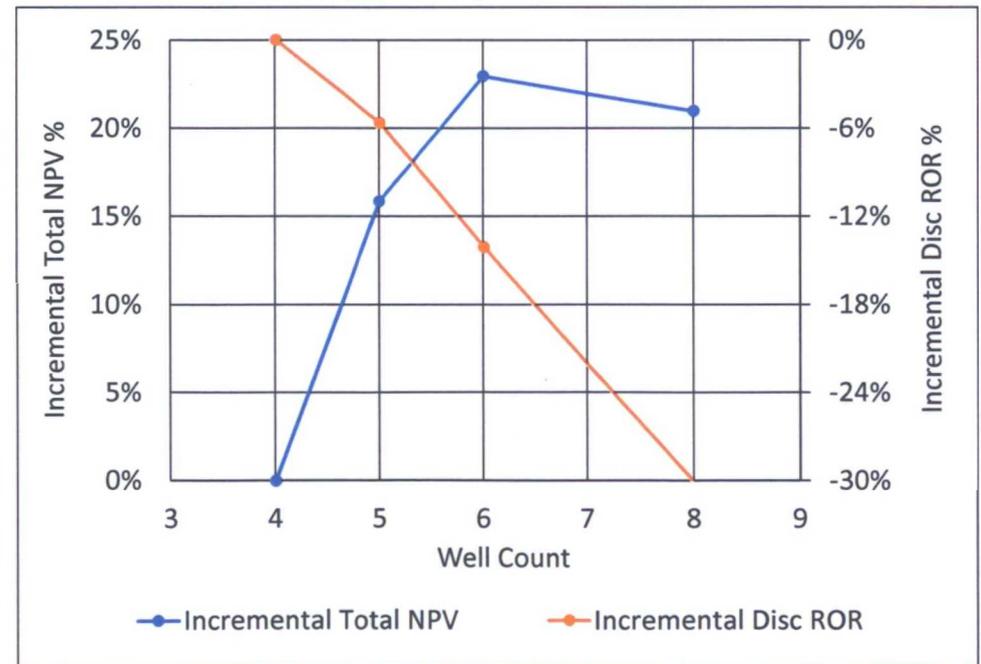
Total EUR increases as well count increases but EUR per well decreases.

Well No.	Incremental Total EUR	Incremental EUR Per Well
4	0%	0%
5	9%	-13%
6	20%	-20%
8	29%	-35%

Optimum spacing is 6 wells per 1 mile wide drainage area.

Well No.	Incremental Total NPV	Incremental Disc ROR
4	0%	0%
5	16%	-6%
6	23%	-14%
8	21%	-30%

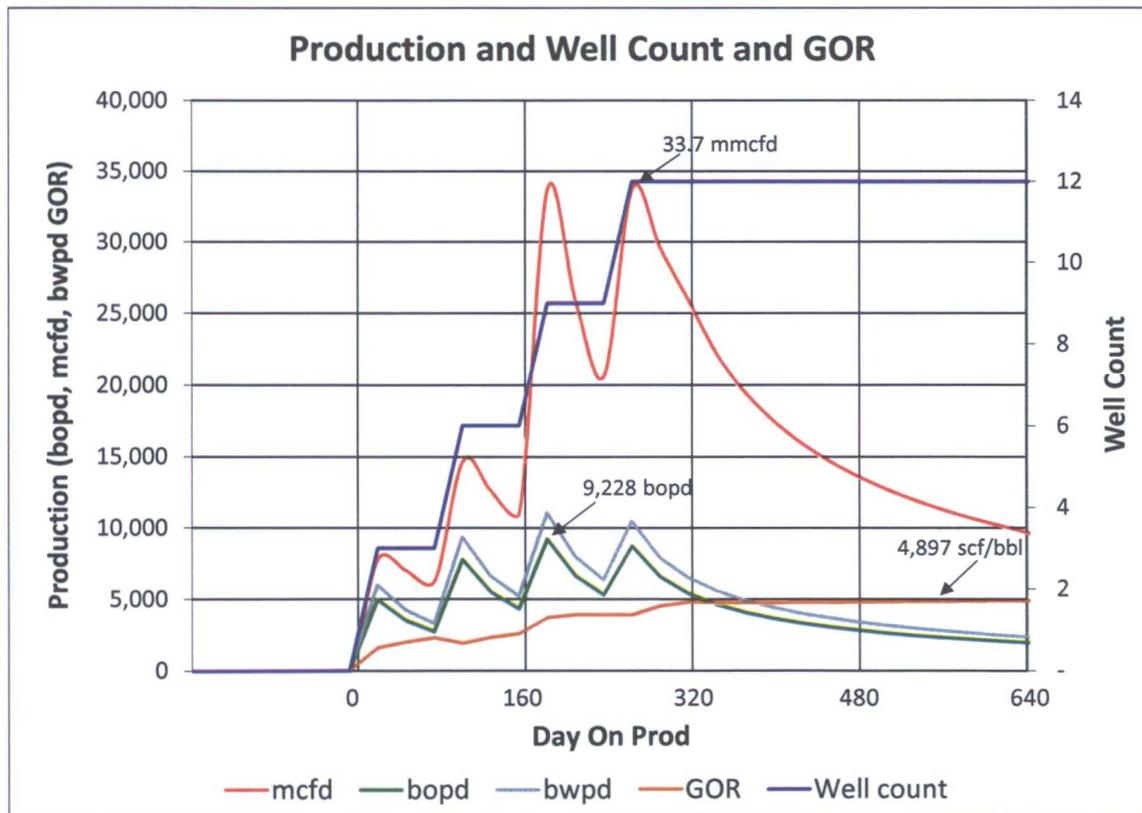
Well Density vs Economics



Bone Spring Unit – Bell Lake North

Unit Production Forecast

- Based on well forecasting for 480 ac spacing unit.
- Uses best estimates from reservoir simulation work.
- Maximum rates are 9,228 bopd and 33.7 mmcf/d.
- Max GOR is 4,897 scf/bbl.



Production Forecast Assumptions

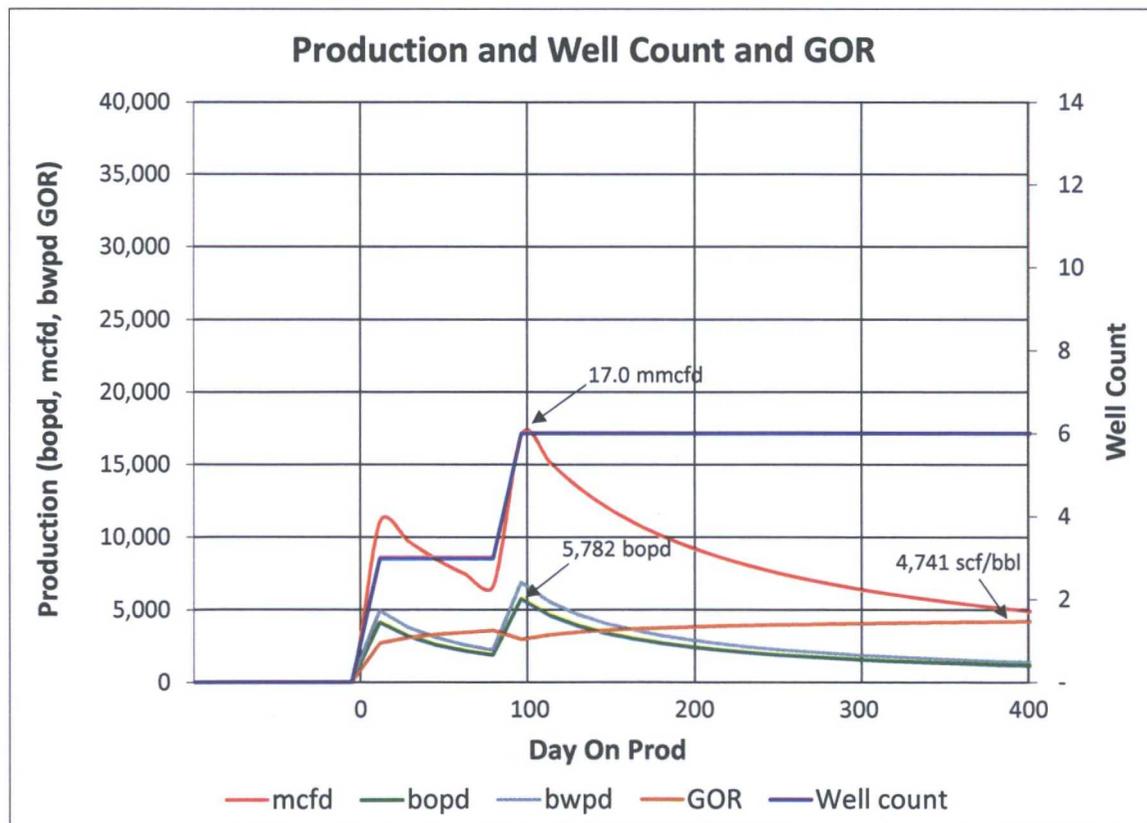
- Development Zone: Bone Spring
- 480 AC Unit
- 4 zones, 3 wells per zone, 12 total wells
- IP rates based on offset well trends
- GOR evolution based on reservoir simulation
- Well schedule reflects current rig plan

Well No.	Zone	Day On
1	2nd Bone Spring Sand	1
2	2nd Bone Spring Sand	1
3	2nd Bone Spring Sand	1
4	3rd Bone Spring Sand	90
5	3rd Bone Spring Sand	90
6	3rd Bone Spring Sand	90
7	Lower Avalon	180
8	Lower Avalon	180
9	Lower Avalon	180
10	Upper Avalon	270
11	Upper Avalon	270
12	Upper Avalon	270

Wolfcamp Unit – Bell Lake North

Unit Production Forecast

- Based on well forecasting for 480 ac spacing unit
- Uses best estimates from reservoir simulation work
- Maximum rates are 5,782 bopd and 17.0 mmcf/d
- Maximum GOR is 4,741 scf/bbl



Production Forecast Assumptions

- Development Zone: Wolfcamp
- 480 AC Unit
- 2 zones, 3 wells per zone, 6 total wells
- IP rates based on offset well trends
- GOR evolution based on reservoir simulation
- Well schedule reflects current rig plan

Well Count	Zone	Day On
1	Wolfcamp-A	1
2	Wolfcamp-A	1
3	Wolfcamp-A	1
4	Wolfcamp-B	90
5	Wolfcamp-B	90
6	Wolfcamp-B	90

Summary

- Multiple landing zones exist within the Bone Spring and Wolfcamp intervals
- A large amount of technical work has been done to assess various development schemes for the Unit.
- Optimum economic recovery appears to be at 6 wells per 1 mile wide drainage area.
- In order to accommodate 6 wells per 1 mile wide drainage area, an increase in current allowable and GOR is requested.
- Requesting an allowable increase as follows:

<u>Zone</u>	<u>Oil Allowable</u>	<u>GOR</u>
Bone Spring	800 bopd/40 acre unit 9,600 bopd/480 acre unit	5,000 scf/bbl
Wolfcamp	500 bopd/40 acre unit 6,000 bopd/480 acre unit	5,000 scf/bbl