

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF KAISER-FRANCIS OIL COMPANY
TO RE-OPEN CASE NO. 15824 FOR POOL CREATION
AND SPECIAL RULES AND REGULATIONS THEREFOR,
LEA COUNTY, NEW MEXICO.

Case No. 15824 (Re-opened)

APPLICATION

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:

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 Bell Lake Unit (the "Unit"), comprised of 5,727.58 acres of Federal, State, and Fee land. It is referred to as the North Block of the Unit.

2. Applicant intends to drill multiple Wolfcamp 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 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 proposed to create a new pool for horizontal Wolfcamp development within the North Block, and special rules and regulations for the new pool.

4. Applicant requested the creation of a new pool, named the Southwest Ojo Chiso-Wolfcamp Pool (the "Pool"), to include the lands described in paragraph 1 above. The Pool will cover the entire Wolfcamp formation. Applicant requested 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 requested that the pool rules be limited to lands within the Unit.

7. Division Order No. R-14527 was issued in Case No. 15823, covering the proposed Bone Spring pool in the North Block of the Bell Lake Unit. It granted most of the relief requested by applicant, but it contained several factual errors, and one major change that adversely affects operations. These are as follows:

(a) All references to the North Bell Lake Unit should be changed to the Bell Lake Unit North Block;¹

(b) Any references to a depth severance in an operating agreement, as in Finding Paragraph 8(e) in Order No. R-14527, is incorrect. That only applies in the South Block;

(c) The word "units" or "unit" when referencing the unit area should be changed to "blocks" or "block." See Finding Paragraph 9 in Order No. R-14527.

(d) The words "two exploratory units" in an order should be changed to "Bell Lake Unit." See Finding Paragraph 12 in Order No. R-14527.

(e) Applicant requests that any provisions which permit 480 acre units only after the "interior" well in a proposed well unit is drilled should be deleted. See Finding Paragraph 11, a portion of Rule 3, Rule 6, and Ordering Paragraph 6 in Order No. R-14527.

The lands within the North Block and South Block are unitized, thus minimizing any correlative rights concerns related to well locations. Furthermore, each block will be placed in Participating Areas covering the entirety of each block after several wells are drilled, thus negating any need to dictate the

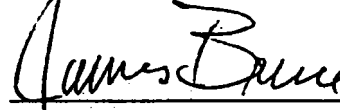
¹ The Bell Lake Unit, although comprised of two separated blocks, is still one unit. Therefore, references should be to the North Block or South Block. This is an error by the drafter of the application.

sequence of drilling and the administrative burden of serially changing well unit designations in the Division's records.

8. 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,

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Kaiser-Francis Oil Company

PROPOSED ADVERTISEMENT

Case No. 15824 (re-opened):

Application of Kaiser-Francis Oil Company to re-open Case No. 15824 for pool creation and special pool rules, Lea County, New Mexico. Applicant seeks an order (i) creating a new pool for horizontal development of the Wolfcamp formation, designated the Southwest Ojo Chiso-Wolfcamp Pool, and (ii) instituting special rules and regulations for the pool. The new pool will include Section 36 of Township 22 South, Range 33 East, NMPM, Sections 31 and 32 of Township 22 South, Range 34 East, NMPM, Sections 1 and 12 of Township 23 South, Range 33 East, NMPM, and Sections 5-8 of Township 23 South, Range 34 East, NMPM. The special rules will include standard 480 acre oil spacing and proration units, special well location requirements, a depth bracket allowable of 6000 barrels of oil per day for a standard 480 acre unit, and a gas:oil ratio of 5000:1. The proposed pool is centered approximately 15-1/2 miles southwest of Oil Center, New Mexico.

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