

PLAN OF OPERATION/DEVELOPMENT

563

FOR CALENDAR YEAR 2007

BELL LAKE SOUTH UNIT (CR: NM68292X)

LEA COUNTY, NEW MEXICO

BUREAU OF LAND MANAGEMENT
2909 W. 2nd St.
ROSWELL, NEW MEXICO 88201
ATTN: MINERALS

COMMISSIONER OF PUBLIC LANDS (3)
STATE OF NEW MEXICO
P.O. BOX 1148
SANTA FE, NEW MEXICO 87501

OIL CONSERVATION DIVISION (2)
DEPARTMENT OF ENERGY & MINERALS
STATE OF NEW MEXICO
1220 S. SAINT FRANCIS DR.
SANTA FE, NEW MEXICO 87505-4000

Gentlemen:

In compliance with Section 10 of the Bell Lake Agreement dated May 12, 1953, Kaiser-Francis, as Unit Sub-Operator, hereby submits for approval a Plan of Operation/Development for the year 2007.

SUMMARY OF 2006 OPERATIONS

The participating area "A" produced gas and liquids during 2006 as shown below:

<u>Participating Area "A"</u>	<u>For Year Through 12/31</u>		<u>Daily AVG.</u>	
	<u>MCF</u>	<u>Bbls</u>	<u>MCF</u>	<u>Bbls</u>
Atoka	112,786	937	309.0	2.6
Morrow	198,943	477	545.0	1.3
Bone Springs	4830	1435	13.2	3.9
Cherry Canyon	3848	2015	10.5	5.5
Delaware	84,879	12,576	232.5	34.4
Devonian	295,232	0	808.8	0

Plan of Operation/Development
For Calendar Year 2007
Bell Lake South Unit (CR: NM68292X)
Page 2

ACTIVITY IN 2006

Sold Bell Lake #19 to Chaparral.

DEVELOPMENT IN 2007

Bold via farmout from Kaiser Francis is planning to recomplete the South Bell Lake Unit 23 well from the present very weak Atoka zone to the Bone Springs, and possible the Delaware...but the Delaware is not a part of the South Bell Lake Unit. Bold is currently drilling the South Bell Lake Unit 25 well to the Morrow. Depending upon results at the South Bell Lake 25 well, Bold may drill other Morrow tests in Sec. 14-24S-34E. Chaparral is planning to retest the Bone Springs at the South Bell Lake 19 well...where Kaiser Francis failed to find commercial production in 2006.

OFFSET OBLIGATIONS

Unit owners will take appropriate action within their control to prevent drainage of unitized substances from lands subject to the Bell Lake Unit Agreement or, pursuant to applicable regulations, fair and reasonable compensatory royalty will be paid as provided in Section 18 of said Agreement. There have been no wells drilled in recent years offsetting the South Bell Lake Unit.

MODIFICATION

It is understood that portions of the Plan of Operation/Development outlined above are dependent upon certain information to be obtained subsequent to work done in the past as well as other contingencies, and for these reasons, this Plan of Operation/Development may be modified from time to time, with like approval to meet changing conditions.

EFFECTIVE DATE

This Plan of Operation/Development shall be effective upon approval by the Supervisor, Commissioner, and Division.

Date: March 7, 2007

Plan of Operation/Development
For Calendar Year 2007
Bell Lake South Unit (CR: NM68292X)
Page 3

TERM

This Plan of Operation/Development is submitted for the period ending December 31, 2007. Subsequent to that date, another Plan of Operation/Development will be submitted for approval

Submitted by:

Robert Major

Robert Major
Production Records Manager
Kaiser-Francis Oil Company
Bell Lake South Unit Sub-Operator
Tulsa, Oklahoma

Approved:

Bureau of Land Management

Date

Commissioner of Public Lands

Date

New Mexico Oil Conservation Division

Date

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