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February 23, 2007

HAND-DELIVERED

Mr. Will Jones
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87501

Re: NMOCD Case No. 13711; Application of Kaiser-Francis Oil Company for Promulgation of Special Pool Rules for the East Happy Valley Bone Spring Pool, for an Exception to the Gas-Oil Ratio Limitation, and Assignment of a Special Depth Bracket Allowable, Eddy County, New Mexico

Dear Mr. Jones:

In response to your February 19, 2007 message on the above, please find enclosed the following:

(1) A copy of the Cement Bond Log for the Mesa Grande 11 Well No. 2 run in April of 2006 showing adequate bond above and below the test interval (6,321' to 6,426'). Kaiser-Francis informs me that the workover treatment and results confirmed that the zone was isolated.

(2) A copy of the survey for the pipeline to the Mesa Grande 11 No. 1 well located in the NW/4 of irregular Section 11 T22SR26E. The survey shows the variable dimensions for the N, E, W and S boundaries of the section and is the basis for the estimates for the footages for each of the tracts within the W/2 of Section 11 reflected on the C-102 plat (also enclosed). If this information is not sufficient to address your concerns, please let me know.

(3) A list of the royalty and overriding royalty interest owners in the E/2 W/2 of Section 11 and the quantum of interest owned by each is enclosed. The proportionate working interest participation remains the same under a JOA that covers the W/2. The decimal division of interest on the list is expressed on a 323.112 acre basis. The E/2 W/2 equivalent is comprised of Tract 2 (E/2 NW/4), Tract 4 (NE/4 SW/4) and Tract 5 (SE/4 SW/4). Tract 4 is comprised of twenty-eight individual sub-tracts. Tract 5 contains three sub-tracts. Except as discussed below, each of these

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Mr. Will Jones
February 23, 2007
Page 2

interest owners was sent notice to their last known address in conformance with Rule 1210 B. The notice affidavit (Exhibit 19) included proof of receipt of notice, where such was available, in conformance with Rule 1210 C(3). We have also indicated on the enclosed list those interest owners for whom proof of receipt was not available. Notice of the hearing was also published in the local newspaper. At the time of the second hearing on October 26, 2006, the affidavit of publication was not available. The record was subsequently supplemented to include the affidavit of publication. On review, it was determined that we did not send notice of the amended application to Sammy J. Miller and Barbara L. Miller, owners of a .0007872 royalty interest in Tract 4. Although Rule 1210 A(4) does not require notice to the royalty interest owners in the first place, we have sent new notice to the Millers and have taken the precaution of having this case scheduled for the March 15, 2007 examiner hearing docket, should the Division determine it is necessary to further address the notice issue. Otherwise, we believe notice is complete.

It is hope we have adequately addressed the above matters. If additional information is required, please do not hesitate to contact us.

Very truly yours,

MILLER STRATVERT P.A.



J. Scott Hall

JSH/glb

Enclosures

cc: Jim Bruce, Esq. (w/encl.-except bond log)
Ocean Munds-Dry, Esq. (w/encl.-except bond log)
David Brooks, Esq. (w/encl.-except bond log)
Jim Wakefield (w/o encl.)