

Kaiser-Francis Oil Company proposes the adoption of special pool rules for the East Happy Valley Bone Spring Pool in the W/2 of Section 11 T-22-S, R-36-E along the following terms:

- 1.) The vertical limits of the pool under the proposed special pool rules will be limited to the Second Bone Spring limestone zone in the Bone Spring formation between the depths of 6,312 feet and 6,452 feet as delineated by the open hole log for the Mesa Grande "11" Well No. 2 (API No. 30-015-33720).
- 2.) The Second Bone Springs limestone zone described above would be spaced on the basis of standup 160 acre units. For the Mesa Grande "11" Well No. 2, the unit would be comprised of the W/2 W/2 of Section 11-22S-26E (W/2 NW/4 and W/2 SW/4).
- 3.) The oil allowable for this pool would be based upon the established NMOCD depth bracket allowable for 160-acre units of 382 BOPD.
- 4.) The 2000:1 GOR limitation for oil wells would be increased to a 4000:1 GOR.
- 5.) The horizontal boundaries designated for the pool would initially be limited to the W/2 of Section 11-22S-26E. These pool rules will only be expanded to offset completions if such wells are completed in the stratigraphic equivalent zone described in item 1 above and such well produces at rates in excess of 568 MCF/D. Otherwise statewide spacing and allowable rules will apply to offset Bone Spring formation completions that are not capable of producing at those rates.
- 6.) The pool rules shall also provide for the drilling of an additional infill well in the remaining 80 acre tract in each 160 acre spacing unit.