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October 14, 2003

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Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Oil Conservation Division

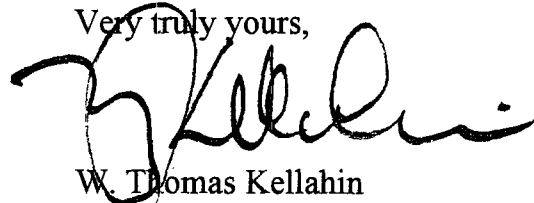
Re: Application of Kaiser-Francis Oil Company
For Creation of a New Pool and Special Rules for
Paddock formation production
Cooper "3" Well No. 7 (discovery well)
Unit C of Section 3, T20S, R37E
Lea County, New Mexico

Case 13180

Dear Ms. Wrotenbery:

On behalf of Kaiser-Francis Oil Company, find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 6, 2003. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Kaiser-Francis Oil Company
Attn: Jim Wakefield

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF KAISER-FRANCIS OIL COMPANY
FOR THE ADOPTION OF SPECIAL RULES
FOR THE PADDOCK FORMATION,
LEA COUNTY, NEW MEXICO.**

CASE NO. 13/80

APPLICATION

Kaiser-Francis Oil Company ("Kaiser-Francis") by its attorneys, Kellahin & Kellahin, applies to the New Mexico Oil Conservation Division for creation of a new pool for Paddock formation oil production and the adoption of special rules and regulations this pool, including 80-acre spacing and proration units and a special oil allowable of 300 barrels of oil per day. This application is based upon a "new discovery" for production from the Cooper "3" Well. No. 7 located in Unit C of Section 3, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico to be dedicated to the E/2NW/4 of this section.

In support of its application, Kaiser-Francis states:

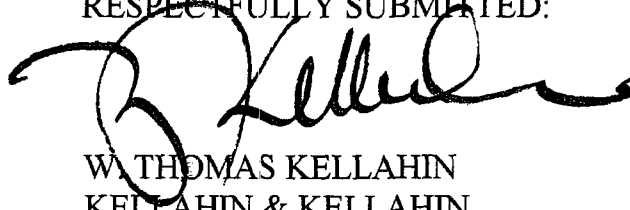
- (1) On June 11, 2003, Matador Operating Company completed its Cooper "3" Well No. 7 located 990 feet FNL and 2310 feet FWL (Unit C) of Section 3, T20S, R37E for oil production from the Paddock formation.
- (2) Kaiser-Francis is the successor operator from Matador Operating Company.

- (3) This well is within 1 mile of the northeast corner of the Monument Paddock Pool, but constitutes a “new discovery” in accordance with Division Rule 509.
 - (4) On July 23, 2003, Kaiser-Francis requested a temporary oil allowable from the OCD-Hobbs in order to test this well. The OCD-Hobbs approved this request and advised Kaiser-Francis to file its request for a new pool with the OCD-Santa Fe.
 - (5) Kaiser-Francis request that the OCD-Santa Fe (OCD-form C-109) declare that production from this well qualified as a “new discovery”.
 - (6) Based upon data from the discovery well, Kaiser-Francis has evidence that demonstrates:
 - a. This is a solution gas drive reservoir;
 - b. This well has the capacity to produce at daily rates of 319 barrels of oil per day which is in excess of the 40-acre standard depth bracket oil allowable of 107 BOPD set forth in Rule 505.A;
 - c. This well has a reasonable probability of draining more than 40-acres and it along with any other wells within 1 mile if this well should be spacing on 80-acre spacing and proration unit;
 - d. That an exception to Rule 505.A be approved thereby adopting a special 300-barrel a day allowable per spacing unit.
- (6) Approval of this application will protect correlative rights and prevent waste.

(7) In accordance with the Division's notice requirements, a copy of this application has been sent to the operators within 1 mile of the proposed outer boundary of this pool as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 6, 2003.

WHEREFORE, Kaiser-Francis, as applicant, requests that this application be set for hearing on November 6, 2003 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order adopting special rules as requested.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the printed name.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN

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Amerada Hess Corporation
P.O. Box 2040
Houston, TX 77252

BP Amoco
501 Westlake Park Boulevard
Houston, TX 77079

Lewis B. Burleson, Inc.
P.O. Box 2479
Midland, TX 79702

Chevron U.S.A. Inc.
Claydesta Plaza
15 Smith Road
Midland, TX 79705
Or
Chevron U.S.A. Inc.
Box 688
Eunice, NM 88231

Conoco Phillips Co.
P.O. Box 7500
Bartlesville, OK 74005

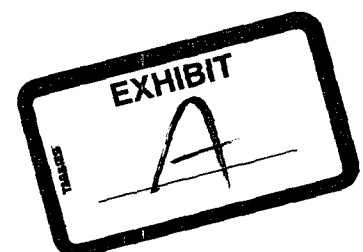
Exxon Mobil Corporation
P.O. Box 2024
Houston, TX 77252

Finley Resources Inc.
1308 Lake Street
Ste. 200
Ft. Worth, TX 76102

Gruy Petroleum Management Co.
P.O. Box 140907
Irving, TX 75014

John H. Hendrix Corporation
P.O. Box 3040
Midland, TX 79702
Or
John H. Hendrix Corporation
P.O. Box 910
Eunice, NM 88231

Marathon Oil Company
P.O. Box 2409
Hobbs, NM 88240



Matador Operating Co.
415 Wall St.
Ste. 1101
Midland, TX 79701
Or
Matador Operating Co.
8340 Meadow Rd.
Ste. 158
Dallas, TX 75231

Me-Tex Oil & Gas Inc.
P.O. Box 2070
Hobbs, NM 88240

Mirage Energy Inc.
P.O. Box 551
Lovington, NM 88260

Occidental Permian Limited
P.O. Box 27570
Houston, TX 77227

Permian Resources Inc.
P.O. Box 590
Midland, TX 79702

Rice Operating Company
122 West Taylor
Hobbs, NM 88240

CASE 13180 Application of Kaiser-Francis Oil Company for pool creation and adoption of special rules and regulations for a new Paddock oil pool, Lea County, New Mexico. Applicant seeks a order creating a new Devonian oil pool for production from its Cooper "3" Well No. 7, located in Unit C of Section 3, Township 20 South, Range 37 East to be dedicated to an 80-gas oil spacing and proration unit consisting of the E/2NW/4 of this section. The requested special pool rules include provisions for 80-acre oil spacing and proration units and a special 300-barrels per day oil allowable. This unit is located approximately 1/2 mile Southeast from Monument, New Mexico.