

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

IN THE MATTER OF THE HEARING CALLED BY THE OIL
CONSERVATION DIVISION FOR THE PURPOSE OF
CONSIDERING:

APPLICATION OF KAISER-FRANCIS OIL
COMPANY FOR AN EXCEPTION TO DIVISION
RULE 104.C(2), LEA COUNTY, NEW MEXICO.

CASE NO. 14173

PRE-HEARING STATEMENT

Holland & Hart LLP submits this Pre-Hearing Statement as required by the rules of the
Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Kaiser-Francis Oil Company

ATTORNEY

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2151 Facsimile

OPPOSITION

Occidental Permian, Ltd.
Attn: Elizabeth Bush-Ivie
5 Greenway Plaza
Houston, Texas 77046

ATTORNEY

William F. Carr, Esq.
Holland Hart, LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

STATEMENT OF CASE

APPLICANT:

Applicant seeks an exception to Division Rule 104.C(2) to drill and produce its Bell Lake
Unit Well No. 33 as an infill well in an existing 318.38 acre gas spacing unit in the South
Bell Lake-Morrow Gas Pool comprising Lots 6, 7, E/2 SW/4, and SE/4 (S/2 equivalent) of

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Section 6, Township 24 South, Range 34 East, NMPM, at an orthodox gas well location in the NE/4SE/4 (Unit I) of Section 6. Applicant further seeks to simultaneously dedicate production from the South Bell Lake-Morrow Gas Pool in Section 6 to the Bell Lake Unit Well No. 33 and the Kaiser-Francis Oil Company's existing Bell Lake Well No. 26, located 1650 feet from the south line and 660 feet from the east line (Unit I) of Section 6. The two wells shall not produce concurrently from the same Morrow sands.

OPPOSITION:

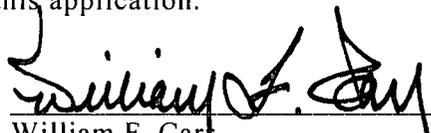
Occidental Permian, Ltd. opposes the application of Kaiser-Francis. If granted it would increase well density in the Morrow formation beyond what is allowed under current rules and thereby impair the correlative rights of Occidental Permian in offsetting properties. It would also result in imprudent development of this reservoir increasing costs and causing waste.

PROPOSED EVIDENCE

<u>WITNESSES:</u>	ESTIMATED TIME	EXHIBITS
Robbie Abrams (Landman)	15 Minutes	Approx. 3
Bob Doty (Geologist)	30 Minutes	Approx. 5
Engineering Witness (may call for rebuttal testimony)		

PROCEDURAL MATTERS

Occidental has requested that this hearing be continued to enable the parties to meet and attempt to resolve the issues with this application.

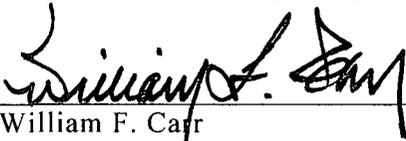


William F. Carl
Attorney for Occidental Permian, Ltd.

CERTIFICATE OF SERVICE

I certify that on August 14, 2008, I served a copy of the foregoing document to the following by Hand Delivery or by Facsimile:

James Bruce, Esq.
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2151 Facsimile
ATTORNEY FOR
KAISER-FRANCIS OIL COMPANY



William F. Carr