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W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 11, 1997

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AUG 11 1997

Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Oil Conservation Division

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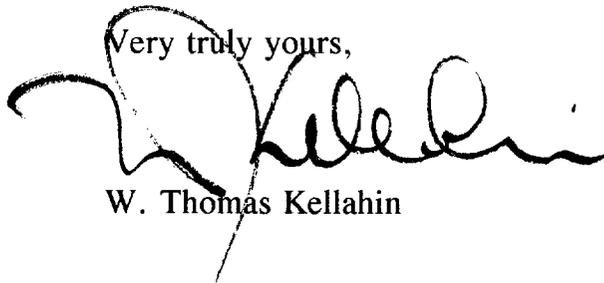
Re: State "8" Well No. 9
N/2 Section 8, T16S, R35E, NMPM
Application of Kaiser-Francis Oil Company
for an Unorthodox Gas Well Location,
Lea County, New Mexico

Oil Conservation Division

Dear Mr. LeMay:

On behalf of Kaiser-Francis Oil Company, please find enclosed our Application for an unorthodox gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for September 4, 1997. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Kaiser-Francis Oil Company
Attn: Wayne A. Fields

Proposed notification/advertisement for OCD docket

Case 11842: Application of Kaiser-Francis Oil Company for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to drill its proposed State "8" Well No. 9 at an unorthodox location 1980 feet from the North line and 660 feet from East line (Unit H) Section 8, Township 16 South, Range 35 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Townsend-Morrow Gas Pool and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 8. Said location is located approximately 7 miles southwest from Lovington, New Mexico.

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Oil Conservation Division

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 AN UNORTHODOX GAS WELL,
LEA COUNTY, NEW MEXICO

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Oil Conservation Division

CASE: 11842

APPLICATION

Comes now KAISER-FRANCIS OIL COMPANY ("Kaiser-Francis") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for an unorthodox gas well location in order to drill its proposed State "8" Well No. 9 at an unorthodox well location 1980 feet from the North line and 660 feet from the East line (Unit H) Section 8, Township 16 South, Range 35 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Townsend-Morrow Gas Pool and, if productive, to be dedicated to a 320-acre gas spacing unit consisting of the N/2 of said Section 8.

In support thereof, Applicant states:

1. Applicant, Kaiser-Francis, is the proposed operator of the State "8" Well No. 9 to be located 1980 feet from the North line and 660 East line (Unit H) Section 8, T16S, R35E, Lea County, New Mexico.

2. Kaiser-Francis proposes to drill this well to a depth sufficient to test for gas production from the Morrow formation and shallower formations.

3. The well location is within the current boundary of the Townsend-Morrow Gas Pool which is subject to General Rule 104:

Rule 104.C(2)(b) well shall be located no closer than 1600 feet to the end boundary nor closer than 660 feet to the side boundary.

A standard GPU in this pool contains 320 acres.

4. Kaiser-Francis proposes to dedicate the N/2 of Section 8 to the well if it is capable of gas production from the top of the Wolfcamp to the base of the Morrow formation.

5. This proposed location is the optimum location in the N/2 of said Section 8 at which to drill to test for Morrow gas production and is necessary in order to protect this spacing unit from offset drainage.

6. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

7. Notification of this application has been sent to all adjoining and offsetting operators as set forth on Exhibit "A" attached.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY _____
W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

EXHIBIT "A"

V-F Petroleum, Inc.
One Marienfeld Place Suite 580
Midland, Texas 79701

Charles B. Gillespie, Jr.
P. O. Box 8
Midland, Texas 79702-0008

J & G Enterprises, Ltd
P. O. Box 100
Artesia, New Mexico 88211-0100