

**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 VANCO OIL & GAS CORP. AND ITS  
AFFILIATE CBS OPERATING CORP. FOR AMENDMENT  
OF DIVISION ORDER NO. R-11435 TO AUTHORIZE A  
PRESSURE MAINTENANCE PROJECT IN THE NORTH  
SQUARE LAKE UNIT AREA, ESTABLISH PROCEDURES  
FOR APPROVAL OF ADDITIONAL INJECTION WELLS,  
AND FOR QUALIFICATION OF THE PROJECT AREA  
FOR THE RECOVERED OIL TAX RATE PURSUANT TO  
THE ENHANCED OIL RECOVERY ACT, EDDY COUNTY,  
NEW MEXICO.**

**CASE NO. 12112  
(REOPENED)**

**PRE-HEARING STATEMENT**

This Pre-Hearing Statement is submitted by Holland & Hart LLP as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

CBS Partners, Ltd.  
Attention: David Cotner  
Post Office Box 2236  
Midland, Texas 79702-2236  
(915) 682-5871

**ATTORNEY**

William F. Carr, Esq.  
Holland & Hart LLP  
Post Office Box 2208  
Santa Fe, New Mexico 87504-2208  
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**STATEMENT OF CASE**

**APPLICANT**

Applicant seeks an amendment of Division Order No. R-11435 to authorize a pressure maintenance project in the North Square lake Unit Area, establish procedures for approval of

**Pre-Hearing Statement**  
**NMOCD Case No. 12112 (Reopened)**  
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additional injection wells, and for Qualification of the project area for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Eddy County, New Mexico. Applicant seeks amendment of Division Order No. R-11435 which approved a waterflood project in the North Square Lake Unit Area to authorize a pressure maintenance project by injection of water into the Grayburg and San Andres formations through and additional injection wells to be either drilled or re-completed to injection in the North Square Lake Unit Area with injection to be allowed once all remedial work, if any, has been performed in the 1/2 mile area of review for each proposed injection well as required by the rules of the Oil Conservation Division. Applicants also seek the establishment of an administrative procedure whereby additional wells within the North Square Lake Unit Area can be drilled and/or converted to injection without the necessity of additional hearings and to qualify this project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act. The North Square Lake Unit is located in the following described lands in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 25: E/2  
Section 36: N/2

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM

Section 19: S/2  
Section 20: S/2  
Section 27: SW/4, W/2 SE/4,  
SE/4 SE/4, SW/4 NE/4,  
S/2 NW/4, NW/4 NW/4  
Section 28 -34: All

The unit area is approximately five miles northeast of Loco Hills, New Mexico.

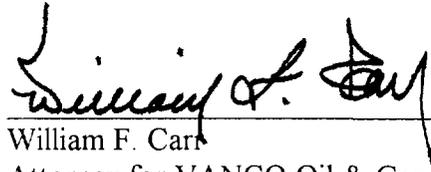
**PROPOSED EVIDENCE**

APPLICANT

<u>WITNESSES</u> (Name and Expertise)	<u>ESTIMATED TIME</u>	<u>EXHIBITS</u>
David Cotner (Land)	Approx. 15 Minutes	Approx. 2
Russell K. Hall (Petroleum Eng.)	Approx. 20 Minutes	Approx. 4

**PROCEDURAL MATTERS**

VANCO Oil & Gas Corp. and its affiliate, CBS Operating Corp., have none at this time.

  
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William F. Carr  
Attorney for VANCO Oil & Gas Corp.  
and its affiliate, CBS Operating Corp.