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August 1, 1991

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New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504
Telecopy No. (505) 827-5741****Re: Case No. 10,332, The Application of Veteran Exploration,
Inc. to Drill a Horizontal Well Crossing Section Lines,
Sandoval County, New Mexico****Dear Stogner:**

Enclosed for your information is a composite of Exhibits B and D from the hearing, which shows the basement fault trace, line of maximum flexure, and their relation to the commercial wells in the unit.

Also, applicant submits the following proposed findings:

1. A basement fault traverses the Unit from the southwest to the northeast. A "line of maximum flexure" in the Mancos formation approximates the path of the basement fault.
2. The successful conventional wells within the Unit are located on or near the line of maximum flexure in the Mancos formation.
3. The San Isidro 12-10 well, a horizontal well, crosses the line of maximum flexure in the Mancos formation and is a commercial well.
4. It is necessary for a well to be near the line of maximum flexure in the Mancos formation to ensure a reasonable chance of drilling a commercial well.

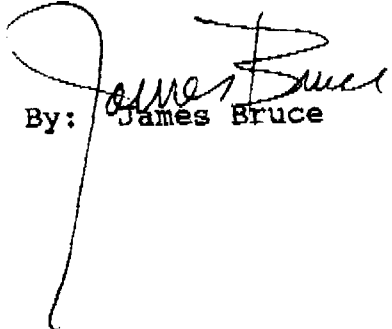
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Mr. Michael E. Stogner
Mr. Robert G. Stovall
August 1, 1991
Page 2

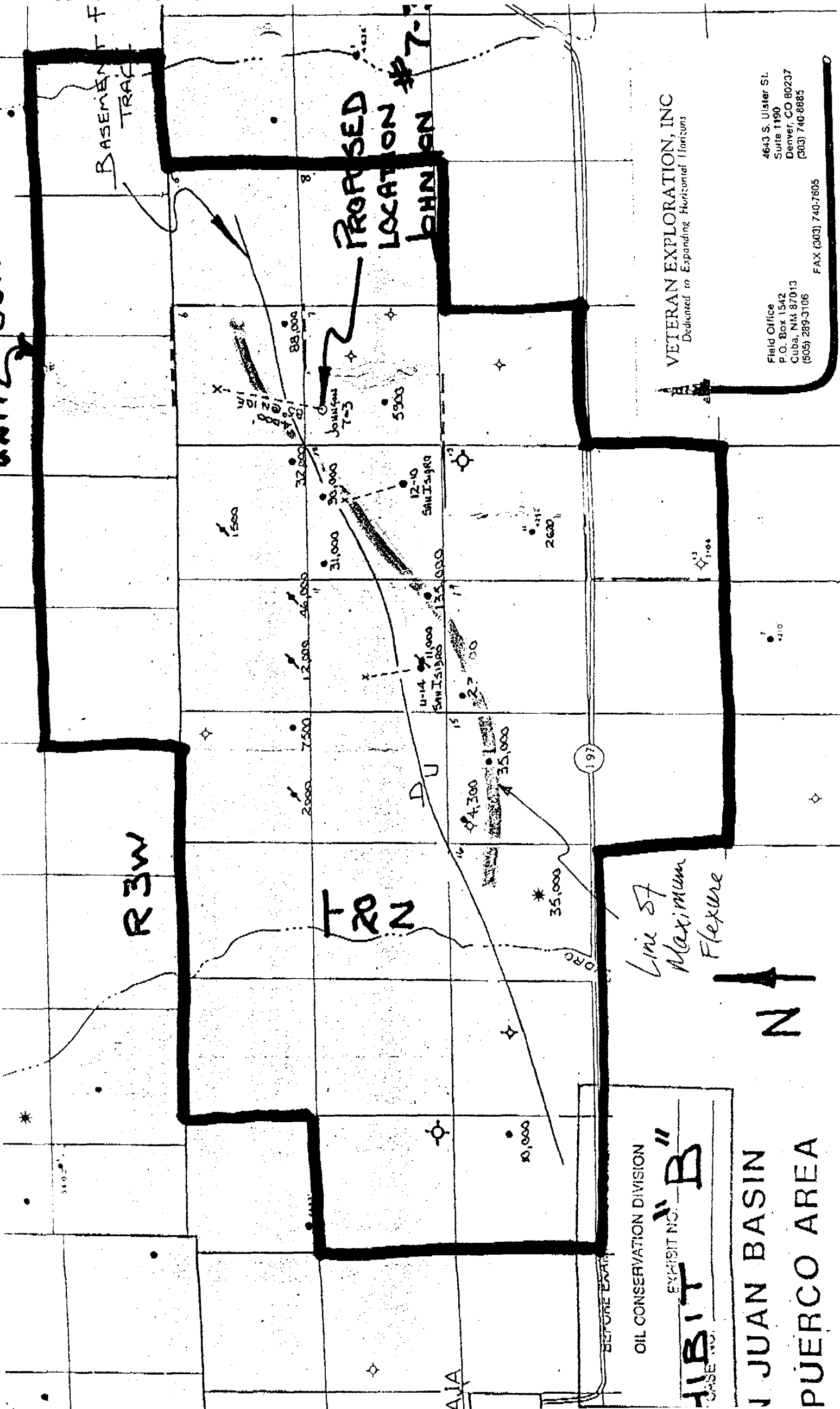
Your consideration of these matters is appreciated.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le
Enclosures



VETERAN EXPLORATION, INC.
Dedicated to Expanding Horizontal Horizons

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Line 57
Maximum
Flexure

N

OIL CONSERVATION DIVISION

EXHIBIT NO. "B"

CASE NO.

JUAN BASIN
PUERCO AREA