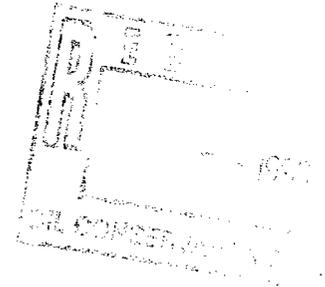


BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF KINLAW OIL CORPORATION
FOR A HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT,
SPECIAL OPERATING RULES THEREFORE, A
NON-STANDARD OIL PRORATION UNIT, AN
UNORTHODOX WELL LOCATION, AND A
SPECIAL PROJECT OIL ALLOWABLE,
LEA COUNTY, NEW MEXICO.



CASE NO. 10809

APPLICATION

KINLAW OIL CORPORATION, through its undersigned attorneys, hereby makes application for approval of a high angle/horizontal directional drilling pilot project, special operating rules, a non-standard oil proration unit, an unorthodox well location, and a special allowable, and in support thereof states:

1. Applicant is the operator of the Devonian formation, Denton-Devonian Pool, underlying the E/2 NE/4 of Section 5, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico.

2. Applicant proposes to re-enter and horizontally drill its V. F. Petroleum Huber State No. 1 Well from an unorthodox surface location 330 feet from the North line and 1,150 feet from the East line of Section 5 by re-entering the wellbore, plugging back the well and then directionally drilling in a southeasterly direction to reach the Devonian formation at a depth of approximately 12,868 feet and then drilling horizontally until approximately 1,500 feet of lateral distance is attained.

3. The project area for the proposed horizontal well will be a non-standard oil proration unit comprised of the E/2 NE/4 of Section 5.

4. Applicant seeks the adoption of special operating provisions and rules within the project area including the designation of a target window for the horizontal portion of the wellbore from 330 feet to 990 feet from the East line and from 330 feet to 2,310 feet from the North lines of Sections 5 thereby requiring the horizontal portion of the wellbore be set back at least 330 feet from the outer boundary of the non-standard unit

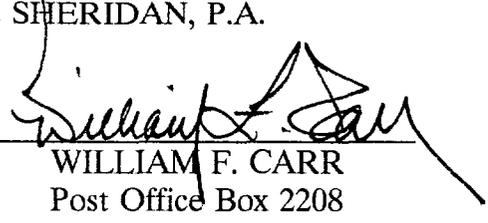
5. Applicant also seeks an exception to the spacing and well location requirements of General Rule 104 for the V. F. Petroleum Huber State No. 1 Well and a special project oil allowable based on the total acreage dedicated to this well.

6. Granting this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Applicant requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 26, 1993, and, after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 

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ATTORNEYS FOR KINLAW OIL
CORPORATION

CASE 10809:

Application of Kinlaw Oil Corporation for a high angle/horizontal directional drilling pilot project, special operating rules therefore, a non-standard oil proration unit, an unorthodox well location, and a special project oil allowable, Lea County, New Mexico. Applicant in the above-styled cause, seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool underlying the E/2 NE/4 of Section 5, Township 16 South, Range 38 East, thereby creating a non-standard 80-acre spacing and proration unit for said pool. Applicant proposes to re-enter its V. F. Petroleum Huber State Well No. 1 which is at an unorthodox surface location 330 feet from the North line and 1150 feet from the East line (Unit A) of said Section 5, kick-off from vertical in a southeasterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of the proration unit, and for a special project allowable. Said project is located approximately ___ miles ___ of _____, New Mexico.

