

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 HORIZONTAL DIRECTIONAL  
DRILLING PILOT PROJECT AREA  
AND SPECIAL OPERATING RULES THEREFOR,  
LEA COUNTY, NEW MEXICO.

CASE NO. 10878

APPLICATION

KINLAW OIL CORPORATION ("Kinlaw"), through its undersigned attorneys, hereby makes application for approval of a horizontal directional drilling pilot project area and special operating rules therefor and in support thereof states:

1. Kinlaw is the operator of the Devonian formation, South Crossroads-Devonian Pool, underlying its Mexico "F" lease, comprised of the N/2 N/2, SW/4 NW/4 and SW/4 NE/4 of Section 2, Township 15 South, Range 7 East, N.M.P.M., Lea County, New Mexico, hereinafter referred to as the "Project Area."

2. Within the Project Area, Kinlaw seeks authority to:

(a) reenter and horizontally drill the following existing wells:

Mexico "F" No. 1 Well from a surface location 660 feet from the North line and 1980 feet from the West line (Unit C) of Section 2, Township 15 South, Range 37 East;

Mexico "F" No. 3 Well from a surface location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 2, Township 15 South, Range 37 East;

Mexico "F" No. 5 Well from a surface location 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 2, Township 15 South, Range 37 East;

Mexico "F" No. 10 Well from a surface location 984 feet from the North line and 990 feet from the East line (Unit A) of Section 2, Township 15 South, Range 37 East;

using short-radius or medium-radius drilling techniques in a direction and lateral distance to be determined by Kinlaw;

- (b) traverse quarter and quarter-quarter section lines within the Project Area by any of its proposed horizontal wellbores;
- (c) drill the proposed horizontal wellbores to within 100 feet of the outer boundary of the Project Area; and
- (d) administratively receive an adjustable project allowable based upon the number of 40-acre proration units within the Project Area which are developed or traversed by a horizontal wellbore.

3. Kinlaw also seeks the promulgation of special operating rules and procedures within the Project Area including provisions for administrative authorization of additional horizontal wellbores, the formation of non-standard or irregular sized spacing units, and the assignment of special oil allowables.

4. Kinlaw seeks flexibility to traverse quarter-quarter section lines within the Project Area with any of its proposed horizontal wellbores in order to remove unnecessary restrictions on lateral wellbore distances which may restrict applicant's ability to test the limits of horizontal drilling technology.

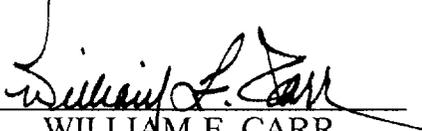
5. Horizontally drilling within the Project Area should result in the recovery of significant volumes of oil and gas which was not recovered by the existing conventional vertical wellbores, thereby preventing waste.

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

WHEREFORE, Kinlaw Oil Corporation requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on December 2, 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: 

WILLIAM F. CARR  
TANYA M. TRUJILLO  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR KINLAW OIL  
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using short-radius or medium-radius drilling techniques in a direction and lateral distance to be determined by Kinlaw;

- (b) traverse quarter and quarter-quarter section lines within the Project Area by any of its proposed horizontal wellbores;
- (c) drill the proposed horizontal wellbores to within 330 feet of the outer boundary of the Project Area; and
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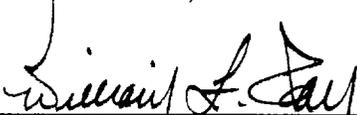
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