

**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:

CASE NO. 10878

APPLICATION OF KINLAW OIL CORPORATION
FOR A LEASEWIDE HIGH ANGLE/HORIZONTAL
DIRECTIONAL DRILLING PILOT PROJECT
AND FOR THE PROMULGATION OF SPECIAL
OPERATING RULES THEREFOR,
LEA COUNTY, NEW MEXICO.

DEC 1

PRE-HEARING STATEMENT

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Kinlaw Oil Corporation
3301 Northland, Suite 102
Austin, Texas 78731
Attn: Mike Hill

(512) 454-4736 _____

name, address, phone and
contact person

ATTORNEY

William F. Carr
Campbell, Carr, Berge & Sheridan
Post Office Box 2208
Santa Fe, New Mexico 87504

(505) 988-4421 _____

OPPOSITION OR OTHER PARTY

Pennzoil Exploration and _____
Production Company _____

name, address, phone and
contact person

ATTORNEY

W. Thomas Kellahin _____
Kellahin & Kellahin _____
Post Office Box 2265 _____
Santa Fe, New Mexico 87504 _____

(505) 982-4285 _____

STATEMENT OF CASE

APPLICANT

Kinlaw Oil Corporation, applicant, proposes to establish a high angle/horizontal directional drilling pilot project in the Denton-Devonian Pool within its Mexico "F" (State) Lease comprising Lots 1 through 4 (N/2 N/2 equivalent) and the SW/4 NE/4 and SW/4 NW/4 of Section 2, Township 15 South, Range 37 East. Further, applicant seeks the promulgation of special operating rules and procedures for wells within said lease including provisions for administrative authorization for horizontal/high angle wellbores, the formation of oversized and irregular shaped spacing and proration units to accommodate such wellbores, and the assignment of a special oil allowable or formula for the project area.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

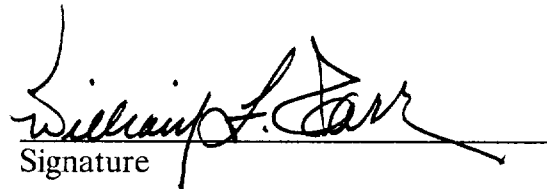
APPLICANT

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Mike Hill, Geologist	15 Min.	Approximately 5

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
-----------------------------------	-----------	----------

PROCEDURAL MATTERS


Signature