



August 1, 2006

HAND-DELIVERED

Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13767

2006 JUL 32 PM 2 33

Re: Application of Western Minerals & Oil Ltd. for approval of a pilot project for purposes of determining proper well density and well location requirements in the South Blanco Pictured Cliffs Gas Pool, San Juan County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the Application of Western Minerals & Oil Ltd. in the above-referenced case as well as a copy of a legal advertisement. Western requests that this application be placed on the docket for the August 31, 2006 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Mike Pippin (w/enclosures)
3104 N. Sullivan
Farmington, NM 87401

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE APPLICATION OF WESTERN MINERALS & OIL LTD. FOR APPROVAL OF A PILOT PROJECT FOR PURPOSES OF DETERMINING PROPER WELL DENSITY AND WELL LOCATION REQUIREMENTS IN THE SOUTH BLANCO-PICTURED CLIFFS GAS POOL, SAN JUAN COUNTY, NEW MEXICO.

CASE NO. 13767

APPLICATION

WESTERN MINERALS & OIL LTD. ("Western"), through its undersigned attorneys, pursuant to Oil Conservation Division Rule 104.D (3), hereby makes application for an order approving a pilot project for purposes of establishing a program to determine proper well density and well location requirements in the South Blanco-Pictured Cliffs Gas Pool and in support thereof Western states:

1. Western is the operator of a standard 160-acre gas spacing and proration unit in the South Blanco-Pictured Cliffs Gas Pool comprised of the SW/4 of Section 24, Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico.
2. Western's Marron Well No. 6 (API No. 30-045-21323) is located in Unit K at a standard gas well location 1520 feet from the South line and 1670 from the West line and currently produces from the Pictured Cliffs formation, South Blanco-Pictured Cliffs Gas Pool.
3. Western shut-in the Marron Well No. 1 (API No. 30-045-06310) in August 2005 which is located in Unit M at an unorthodox gas well location 380 feet from the South line and 345 feet from the West line.

4. In Case No. 13654, Western sought to simultaneously dedicate the Marron Well No. 1 and the Marron Well No. 6 to the existing 160-acre spacing unit in order to produce the remaining reserves under this spacing unit. Western also sought approval of the unorthodox well location for the Marron Well No. 1. By Order No. R-12560, the Division denied Western's application for simultaneous dedication but approved the unorthodox location for the Marron Well No. 1.

5. The Division denied Western's application, in part, because there was insufficient evidence to demonstrate whether the Marron Well No. 6 will ultimately drain the remaining gas reserves underlying the SW/4 of Section 24.

6. The production data available on the Blanco-Pictured Cliffs Pool shows that there are two northwest-southeast sand trends that run parallel to each other in this portion of the pool. Good producing wells appear to be located in the northeast sand bar while poorer wells are producing from the southwestern trend.

7. Western believes that both wells are needed in order to recover all the gas underlying the SW/4 of Section 24 and that similar well density may be required to efficiently produce reserves elsewhere in this pool. However, Western currently does not have sufficient data to support a change of the pool rules to allow the needed increase in well density.

8. Western seeks authorization to conduct a pilot project in the SW/4 of Section 24 by producing both Marron wells in the spacing unit for the purposes of determining proper well density and well location requirements in the South Blanco-Pictured Cliffs Gas Pool.

9. Western proposes to test whether it can recover new reserves by closely monitoring production and pressure interference between the Marron wells for a period of eighteen months.

10. This spacing unit is ideal for a pilot project because the Marron Well No. 6 is a good producing well located in the better part of the formation, and the Marron Well No. 1, a marginal well, is located in the poorer portion of the pool. Approval of this pilot project would enable Western to obtain information that would show whether or not there are areas in this reservoir where a second well in the spacing unit is needed to prevent the waste of reserves.

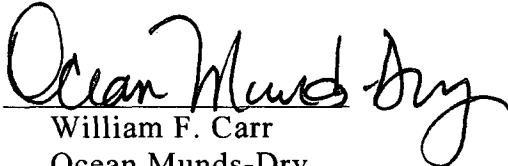
11. Approval of this application will result in the efficient recovery of hydrocarbons from the South Blanco-Pictured Cliffs Gas Pool thereby preventing waste and will otherwise be in the best interest of conservation.

12. Exhibit A to this application is a list of affected persons as defined by Division Rules. Western has given notice to the listed parties and advised that if they have objection to this application it must be filed in writing in the Division's Santa Fe office within twenty days from the date this notice was sent.

WHEREFORE, Western Minerals & Oil Ltd. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on August 31, 2006 and, after notice and hearing as required by law, the Division enter its order approving the pilot project to determine well density and location for the South Blanco Pictured Cliffs Gas Pool of the SW/4 of Section 24, Township 27 North, Range 8 West, NMPM.

Respectfully submitted,

HOLLAND & HART LLP

By: 

William F. Carr

Ocean Munds-Dry

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR WESTERN MINERALS &
OIL LTD.

Exhibit A

**Application Of Western Minerals & Oil
For Approval Of A Pilot Project
For Purposes Of Determining Proper Well Density
And Well Location Requirements
In The South Blanco-Pictured Cliffs Gas Pool,
San Juan County, New Mexico**

Burlington Resources Oil & Gas Company
Post Office Box 4289
Farmington, New Mexico 87499

ConocoPhillips
Three West Lake Park, WL 3003
Post Office Box 2197
Houston, Texas 77252

CASE 13767: **Application of Western Minerals & Oil Ltd. for Approval of a Pilot Project for Purposes of Determining Proper Well Density and Well Location Requirements in the South Blanco-Pictured Cliffs Gas Pool, San Juan County, New Mexico.** Applicant in the above-styled cause seeks authorization to conduct a pilot project in the SW/4 of Section 24 by producing the Marron Well No. 6 (API No. 30-045-21323) located in Unit M at a standard location 1520 feet from the South line and 1670 feet from the West line of said Section 24 and its Marron Well No. 1 (API No. 30-045-06310) located in Unit K at an unorthodox well location 380 feet from the South line and 345 feet from the West line in Section 24, Township 27 North, Range 8 West, NMPM in a standard 160-acre spacing unit for the purposes of determining proper well density and well location requirements in the South Blanco-Pictured Cliffs Gas Pool. Said unit is located approximately 12 miles south of Blanco, New Mexico.



August 1, 2006

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO AFFECTED INTEREST OWNERS

Re: Application of Western Minerals & Oil, Ltd. for Approval of a Pilot Project for Purposes of Determining Proper Well Density and Well Location Requirements in the South Blanco-Pictured Cliffs Gas Pool, San Juan County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Western Minerals & Oil, Ltd. has filed the enclosed application with the New Mexico Oil Conservation Division seeking authorization to conduct a pilot project in the SW/4 of Section 24 by producing its Marron Well No. 1 and Marron Well No. 6 for the purposes of determining proper well density and well location requirements in the South Blanco-Pictured Cliffs Gas Pool. Said wells are dedicated to a standard 160-acre spacing or proration unit in Section 24, Township 27 North, Range 8 West, NMPM.

This application has been set for hearing before a Division Examiner on August 31, 2006. The hearing will be held in Porter Hall at the Division's Santa Fe offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Any person desiring to appear and present technical evidence at the hearing is required by Division Rules 1208 and 1211 to file an entry of appearance five business days in advance of a scheduled hearing, and a prehearing statement four days in advance of the hearing, but in no event later than the Thursday preceding the scheduled hearing date. The prehearing statement must include: the party and the party's attorney; the reasons a party supports or opposes the application; the names and expertise of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

OCEAN MUNDS-DRY
ATTORNEY FOR WESTERN MINERALS & OIL, LTD.
Enc.