

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

**IN THE MATTER OF THE APPLICATION  
OF MANZANO OIL CORPORATION  
FOR APPROVAL OF A UNIT AGREEMENT,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 12515**

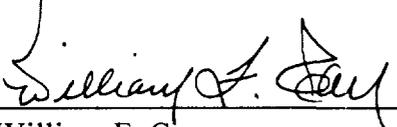
**IN THE MATTER OF THE APPLICATION  
OF MANZANO OIL CORPORATION  
FOR DIRECTIONAL DRILLING AND  
AN UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

**CASE NO. 12516**

**AFFIDAVIT**

STATE OF NEW MEXICO        )  
  ) ss.  
COUNTY OF SANTA FE        )

William F. Carr, attorney in fact and authorized representative of Manzano Oil Corporation, the applicant herein, being first duly sworn, upon oath, states that notice has been given to all interested parties entitled to receive notice of these applications under Oil Conservation Division rules, and that notice has been given at the addresses shown on Exhibit "A" attached hereto.

  
\_\_\_\_\_  
William F. Carr

b  
1

SUBSCRIBED AND SWORN to before this 15<sup>th</sup> day of November, 2000 by William F. Carr.

My Commission Expires: 8/21/2001

  
Notary Public

**EXHIBIT A**

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Paladin Energy Corporation  
10290 Monroe Drive, Suite 301  
Dallas, Texas 75229-5718

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

MICHAEL B. CAMPBELL  
WILLIAM F. CARR  
BRADFORD C. BERGE  
MARK F. SHERIDAN  
MICHAEL H. FELDEWERT  
TANYA M. TRUJILLO  
JACK M. CAMPBELL  
1916-1999

JEFFERSON PLACE  
SUITE 1 - 110 NORTH GUADALUPE  
POST OFFICE BOX 2208  
SANTA FE, NEW MEXICO 87504-2208  
TELEPHONE: (505) 966-4421  
FACSIMILE (505) 963-6043  
E-MAIL: law@westofpecos.com

September 28, 2000

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Paladin Energy Corporation  
10290 Monroe Drive, Suite 301  
Dallas, Texas 75229-5718

Attention: George Fenton

Re: Application of Manzano Oil Corporation for directional drilling and an unorthodox well location, Lea County, New Mexico.

Application of Manzano Oil Corporation for approval of a unit agreement, Lea County, New Mexico.

Dear Mr. Fenton;

This letter is to advise you that Manzano Oil Corporation has filed the enclosed applications with the New Mexico Oil Conservation Division seeking authority to re-enter and drill Manzano New Mexico C - #3 Well (previously the Paladin State "C" Well No. from a surface location 1550 feet from the North line and 10 feet from the West line of Section 36, and directionally drill to a bottom hole location 2400 feet from the North line and 190 feet from the East line of Section 35, both in Township 13 South, Range 37 East, NMPM, Lea County, New Mexico. The SE/4 NE/4 of Section 35 will be dedicated to the well in the King Devonian pool. In a companion case, Manzano is seeking approval of a voluntary unit in the Devonian formation Comprised of the SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36.

These applications have been set for hearing before a Division Examiner on October 19, 2000. 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.

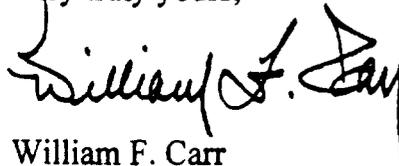
Paladin Energy Corporation

September 28, 2000

Page 2

Parties appearing in cases are required by Division Rule 1208.B to file a Prehearing Statement three days in advance of a scheduled hearing. This statement must include: the names of the parties and their attorneys; a concise statement of the case; the names 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,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is written in a cursive style with a large, stylized initial "W".

William F. Carr  
ATTORNEY FOR MANZANO OIL  
CORPORATION

Enc.

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

**APPLICATION OF MANZANO OIL  
CORPORATION FOR APPROVAL  
OF A UNIT AGREEMENT,  
LEA COUNTY, NEW MEXICO.**

CASE NO. \_\_\_\_\_

00 SEP 26 AM 4:4  
OIL CONSERVATION DIVISION

**APPLICATION**

MANZANO OIL CORPORATION ("Manzano"), through its undersigned attorneys, hereby makes application for an order approving its King State Exploratory Unit and in support of this application states:

1. That the proposed Unit consists of 80 acres, more or less, of State of New Mexico and fee lands, situated in Lea County, New Mexico. The horizontal limits of said unit are described as follows:

**Township 13 South, Range 37 East, N.M.P.M.**

Section 35: SE/4 NE/4  
Section 36: SW/4 NW/4

2. The Unit Agreement has been approved by a sufficient percentage of the interest owners within the proposed Unit Area to provide effective control of unit operations.

3. The Applicant, Manzano Oil Corporation, is designated as Unit Operator in said Unit Agreement and all oil and gas in the all formations are unitized.

4. The proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved.

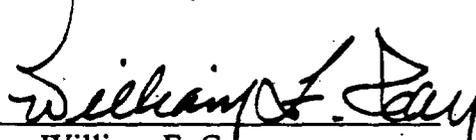
5. Said Unit Agreement and the unitized operation and management of the Unit Area will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

WHEREFORE, Manzano Oil Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 19, 2000, that notice be given as required by law and the rules of the Division, and that the Diamond State Unit be approved.

Respectfully submitted,

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

By:

  
William F. Carr

ATTORNEY FOR MANZANO OIL  
CORPORATION

CASE NO. \_\_\_\_\_: Application of Manzano Oil Corporation for approval of a Unit Agreement, Lea County, New Mexico. Applicant seeks approval of the King State Exploratory Unit for an area comprising 80 acres of State of New Mexico and fee lands in Sections 35, and 36 of Township 13 South, Range 37 East, NMPM which is located approximately 9 miles east of McDonald, New Mexico.

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

**IN THE MATTER OF THE APPLICATION  
OF MANZANO OIL CORPORATION  
FOR DIRECTIONAL DRILLING AND  
AN UNORTHODOX WELL LOCATION,  
LEA COUNTY, NEW MEXICO.**

**CASE NO.**

OIL CONSERVATION DIV.  
00 SEP 26 AM 4:41

**APPLICATION**

MANZANO OIL CORPORATION. ("Manzano"), through its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order approving an directional drilling and an unorthodox well location, and in support of this application states:

1. Applicant is a working interest owner in the SE/4 NE/4 of Section 35 and the SW/4 NW/4 of Section 36, Township 13 South, Range 37 East, N.M.P.M., Lea County, New Mexico which, in a companion case, Manzano is seeking to unitize for the re-entry of the proposed Manzano New Mexico C - #3 Well.

2. A unit comprised of this acreage was previously formed by Paladin Energy Corporation (Division Case No. 10916, Order No. R-10916) but was terminated when Paladin's State "C" Well No. 3 was dry in the Devonian formation.

3. Manzano has acquired a portion of the interest of Paladin Energy Corporation in this acreage and now proposes to re-enter the former Paladin well (now the Manzano New Mexico C - #3 Well) at a previously approved unorthodox surface location 1550 feet from

the North line and 10 feet from the West line (Unit E) of Section 36 (Case 11871, Order No. R-10917), and kick the well off and directionally drill in a south southwesterly direction and complete it in the Devonian formation, King-Devonian Pool, at an unorthodox gas well bottomhole location 2400 feet from the North line and 190 feet from the East line (Unit H) of Section 35.

2. Applicant seeks an exception to Rule 104 of the General Rules and Regulations of the Oil Conservation Division to permit the drilling of this well at this unorthodox gas well location.

3. The SE/4 NE/4 of Section 35 should be dedicated to the well.

4. Approval of this application will afford the interest owners in this unit the opportunity to produce their just and equitable share of the reserves under the subject spacing and proration unit and will otherwise be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Manzano Oil Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on October 19, 2000, that notice be given as required by law and the rules of the Division, and that the Division enter its Order granting this application.

**APPLICATION,**

**Page 2**

Respectfully submitted,

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

By:   
\_\_\_\_\_

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR MANZANO OIL  
CORPORATION

CASE \_\_\_\_\_: Application of Manzano Oil Corporation for directional drilling and an unorthodox well location, Lea County, New Mexico. Applicant in the above-styled cause seeks authorization to re-enter its New Mexico C - #3 Well at a previously approved unorthodox surface location 1550 feet from the North line and 10 feet from the West line of Section 36, Township 13 South, Range 37 East, NMPM, and directionally drill in the Devonian formation, King Devonian Pool, to an unorthodox bottom hole location 2400 feet from the North line and 190 feet from the East line of Section 35, Township 13 South, Range 37 East, N.M.P.M., Lea County, New Mexico. The SE/4 NE/4 of Section 35 is to be dedicated to said well. Said unit is located approximately 9 miles east of McDonald, New Mexico.

SEN

PLACE STICKER AT TOP OF ENVELOPE TO THE RIGHT OF RETURN ADDRESS FOLD AT DOTTED LINE

THIS SECTION ON DELIVERY

- 1. Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- 2. Print your name and address on the reverse so that we can return the card to you.
- 3. Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Yates Petroleum Corporation  
 Attn: Dave Pearson  
 105 South Fourth Street  
 Artesia, NM 88210

A. Received by (Please Print Clearly) \_\_\_\_\_ B. Date of Delivery 10-2-98

C. Signature [Signature]  Agent  Addressee

D. Is delivery address different from item 1?  Yes  No  
 If YES, enter delivery address below: \_\_\_\_\_

3. Service Type  
 Certified Mail  Express Mail  
 Registered  Return Receipt for Merchandise  
 Insured Mail  C.O.D.

4. Restricted Delivery? (Extra Fee)  Yes

2. Article Number (Copy from service label)

7000 0600 0024 3129 6345

PS Form 3811, July 1999

Domestic Return Receipt

102595-99-10000000

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

7000 0600 0024 3129 6345

WFC ~~7000~~  
74.597

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
<b>Total Postage &amp; Fees</b>	\$

Postmark Here

Yates Petroleum Corporation  
 Attn: Dave Pearson  
 105 South Fourth Street  
 Artesia, NM 88210

Use for Instructions

PLACE STICKER AT TOP OF ENVELOPE

**SENDER: COMPLETE THIS SECTION**      **SECTION ON DELIVERY**

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

**Paladin Energy Corporation  
 Attn: George Fenton  
 10290 Monroe Drive, Suite 301  
 Dallas, TX 75225**

A. Received by (Please Print Clearly)      B. Date of Delivery  
 \_\_\_\_\_      10-2-00

C. Signature: **JOANN GRIGGS**  
 \_\_\_\_\_  
 Agent  
 Addressee

D. Is delivery address different from the one on the mailpiece?  
 YES, enter delivery address below       No

3. Service Type  
 Certified Mail       Express Mail  
 Registered       Return Receipt for Merchandise  
 Insured Mail       C.O.D.

4. Restricted Delivery? (Extra Fee)       Yes

2. Article Number (Copy from service label)  
**7000 0600 0024 3129 6338**

**U.S. Postal Service**  
**CERTIFIED MAIL RECEIPT**  
 (Domestic Mail Only; No Insurance Coverage Provided)

7000 0600 0024 3129 6338

**WFC 74.597**

Postage	\$	
Certified Fee		
Return Receipt Fee (Endorsement Required)		
Restricted Delivery Fee (Endorsement Required)		
<b>Total Postage &amp; Fees</b>	\$	

Postmark Here

**Paladin Energy Corporation  
 Attn: George Fenton  
 10290 Monroe Drive, Suite 301  
 Dallas, TX 75225**

for Instructions