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October 9, 2001
VIA HAND DELIVERY

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Case 12746

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Re: *Application of V-F Petroleum, Inc., for exceptions to special pool rules permitting an unorthodox well location and a second well on 640-acre proration unit, Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

Enclosed in triplicate is an Application of V-F Petroleum, Inc. in the above-referenced case as well as a copy of a legal advertisement. V-F Petroleum, Inc. respectfully requests that this matter be placed on the docket for the November 1, 2001 Examiner hearings.

The legal advertisement is also on the enclosed disk in WordPerfect and Word format. You will note that the advertisement contains the statement that "in the absence of objection, this matter will be taken under advisement." I discussed this matter several times with Michael Stogner. During our discussions, it appeared appropriate to docket this case to be taken under advisement in the absence of objection because the requested relief is in accordance with statewide rules. I intended to discuss the matter with Mr. Stogner again, and discuss technical data in support of the application, before the application was filed, and confirm with Mr. Stogner that the case was appropriate for advertisement as indicated. However, because he is out of the office today, I did not confirm that the advertisement is appropriate. I will discuss this matter again with Mr. Stogner as soon as he returns.

Please let me know if the application will not be advertised with the "absence of objection" language.

Ms. Lori Wrotenbery
October 9, 2001
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If you have any questions, please call.

Very truly yours,

A handwritten signature in black ink, appearing to read "Paul R. Owen". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Paul R. Owen

Enclosures

cc: Mr. Larry Brazile
V-F Petroleum, Inc.

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

IN THE MATTER OF THE APPLICATION OF
V-F PETROLEUM, INC., FOR EXCEPTIONS TO
SPECIAL POOL RULES PERMITTING AN
UNORTHODOX WELL LOCATION AND A
SECOND WELL ON 640-ACRE PRORATION
UNIT, EDDY COUNTY, NEW MEXICO.

CASE NO. 12746

APPLICATION

V-F PETROLEUM, INC. ("V-F Petroleum"), through its undersigned attorneys, hereby makes application for an order granting an exception to special pool rules established by Order No. R-3022, approving an unorthodox well location and a second well on a 640-acre proration unit comprised of all acreage within Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico. In support of this Application, V-F Petroleum states

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1. Said Section 22 is located within the Dos Hermanos Morrow Gas Pool, which is subject to special pool rules established by Order No. R-3022, adopted January 1, 1966.
2. Order No. R-3022, Rule number 2, provides that the standard spacing unit for Dos Hermanos Gas Pool is 640 acres. Order No. R-3022, Rule number 4, provides that each well within the subject pool shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line.
3. V-F Petroleum is a working interest owner in said Section 22 and proposes to drill its Hale Federal Com. Well No. 3 to the Morrow formation, Dos Hermanos Morrow Gas Pool, to a bottom hole location 950 feet from the north line and 760 feet from the west line of said section.
4. The existing 640-acre spacing unit, standard under Order No. R-3022, comprised

of all acreage within said Section 22 should be dedicated to the well.

5. A well producing from the Morrow formation is already located on the subject acreage. V-F Petroleum is the operator of the existing and producing Hale Federal Com. Well No. 2, located within the South half of said Section.

6. Both the requested location and the requested acreage dedication are standard under Division Rule 104. However, due to the special pool rules established by Order No. R-3022, to efficiently drain the reserves underlying the subject acreage, to prevent waste and to protect correlative rights, it is necessary to grant an exception to special pool rules 2 and 4, and permit V-F Petroleum to drill, produce and operate the Hale Federal Com. Well No. 3 at the proposed location.

7. Listed on Exhibit "A" hereto are all operators, leaseholders, and surface owners of whom notification is required pursuant to Division Rule 1207(A).

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

Therefore, V-F Petroleum requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 1, 2001, and, after notice and hearing as required by law, the Division enter its order granting exceptions to special pool rules established by Order No. R-3022, approving an unorthodox well location and a second well on a 640-acre proration unit comprised of all acreage within Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By: 

PAUL R. OWEN
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
Telephone: (505) 982-3873

ATTORNEYS FOR V-F PETROLEUM INC.

**EXHIBIT A
NOTIFICATION LIST
APPLICATION OF V-F PETROLEUM INC.
FOR EXCEPTIONS TO SPECIAL POOL RULES
PERMITTING AN UNORTHODOX WELL LOCATION
AND A SECOND WELL ON 640-ACRE PRORATION UNIT,
EDDY COUNTY, NEW MEXICO**

**SECTION 22, TOWNSHIP 20 SOUTH, RANGE 30 EAST,
NMPM, EDDY COUNTY, NEW MEXICO**

Bass Enterprises Production Co.
Post Office Box 2760
Midland, Texas 79702

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

EGL Resources Inc.
214 West Texas Avenue, Suite 900
Midland, Texas 79702

Devon Energy Production Company, LP
20 North Broadway #1500
Oklahoma City, Oklahoma 73102-8260

GRB Properties, Inc.
3300 North "A" Street
Midland, Texas 79705

Phillips Petroleum Company
Post Office Box 7500
Bartlesville, Oklahoma 74005-7500

Occidental Permian Ltd.
Post Office Box 50250
Midland, Texas 79710

McRae & Henry
1600 Stout Street, Suite 580
Denver, Colorado 80202

OXY USA WTP Limited Partnership
580 Westlake Park Boulevard
Houston, Texas 77079

BP Amoco
200 Westlake Park Boulevard
Houston, Texas 77079

Mobil Production Texas & New Mexico
12450 Greenspoint Drive
Houston, Texas 77060-1991

Trigg Family Trust
Post Office Box 1520
Roswell, New Mexico 88202

Five States Trading
4925 Greenville Avenue
Dallas, Texas 75206

Crescent Porter Hale Foundation
655 Redwood Highway # 301
Mill Valley, California 94941

Covenant Production Company
310 Wall Street, Suite 1104
Midland, Texas 79701

CASE 274: Application of V-F Petroleum, Inc. L.L.C. for order granting exceptions to special pool rules established by Order No. R-3022. Applicant in the above-styled cause seeks an order approving a proposed bottom hole well location 950 feet from the North line and 760 feet from the West line of said Section, and a second well on a 640-acre proration unit comprised of all acreage within Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico. Said acreage is subject to special pool rules established by Order No. R-3022, adopted January 1, 1966, which provide that the standard spacing unit for Dos Hermanos Gas Pool is 640 acres and that each well within the subject pool shall be located no nearer than 1650 feet to the outer boundary of the section and no nearer than 330 feet to any governmental quarter-quarter section line. Both the requested location and the requested acreage dedication are standard under Division Rule 104. However, due to the special pool rules established by Order No. R-3022, to efficiently drain the reserves underlying the subject acreage, to prevent waste and to protect correlative rights, it is necessary to grant an exception to special pool rules 2 and 4, and permit V-F Petroleum to drill, produce and operate the Hale Federal Com. Well No. 3 at the proposed bottom hole location. Said area is located approximately 17 miles Northeast of Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS MATTER WILL BE TAKEN UNDER ADVISEMENT.**

OIL AND GAS DIVISION
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