

**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
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12847

APPLICATION

V-F PETROLEUM INC. ("V-F Petroleum"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat.Ann. § 70-2-17, (1978), for an order pooling all mineral interests in all formations in the following described spacing and proration units located in Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Golden Lane-Strawn Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and either the NW/4 NW/4 or the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Dos Hermanos Yates-Seven Rivers Pool and the Undesignated P.C.A. (Yates) Pool, and in support of its application states:

1. V-F Petroleum is a working interest owner in Section 22 and has the right to drill and operate wells thereon.

2. V-F Petroleum proposes to dedicate the above-referenced pooled spacing and proration units to its Hale Federal Com Well No. 3 which will be drilled to test any and all formations from the surface to the base of the Morrow formation (an approximate total vertical depth of 12,400 feet). The working interest in the Morrow formation is owned by V-F Petroleum and it is unnecessary to pool interests in this formation.

3. Do to its proximity to potash reserves, V-F Petroleum proposes to drill the Hale Federal Com Well No. 3 as a directional well from a surface location 1450 feet from the South line and 660 feet from the West line (Unit L) to non-standard bottom hole location in the

Morrow formation 950 feet from the North line and 760 feet from the West line (Unit D) of said Section 22. The bottomhole location in the Morrow formation, Dos Hermanos-Morrow Gas Pool, will be unorthodox under the provisions of Special Pool Rules and Regulations which provide for 640-acre spacing with wells to be located no closer than 1650 feet to the outer boundary of the section. The well should be at a standard location in each of the pooled formations.

3. The unorthodox bottomhole location in the Morrow formation for the Hale Federal Com Well No. 3 was approved by Division Order No. R-11692, entered in Case 11692, on November 26, 2001. V-F Petroleum has obtained appropriate waivers from affected potash operators and an approved Application for Permit to Drill this well.

4. Applicant has sought and been unable to obtain voluntary agreement for the development of these spacing and proration units with those interest owners identified on Exhibit A to this application.

4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and V-F Petroleum Inc. should be designated the operator of the well to be drilled.

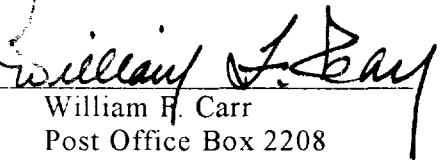
WHEREFORE, V-F Petroleum Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 4, 2002, and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating V-F Petroleum Inc. operator of these units and the well to be drilled thereon,

- C. authorizing V-F Petroleum to recover its costs of drilling, equipping and completing the well,
- D. approving the operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures,
- E. providing for subsequent operations on the pooled acreage in accordance with the operating agreement between the parties, and
- F. imposing a 200% penalty for the risk assumed by V-F Petroleum in drilling and completing the well against any working interest which is not voluntarily committed to the well.

Respectfully submitted,

HOLLAND & HART, LLP

By: 
William H. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR V-F PETROLEUM INC.

EXHIBIT A

APPLICATION OF V-F PETROLEUM INC.
FOR COMPULSORY POOLING,
SECTION 22, TOWNSHIP 20 SOUTH, RANGE 30 EAST, NMPM
EDDY COUNTY, NEW MEXICO.

NOTIFICATION LIST

Matador Petroleum Corporation
8340 Meadow Road, Suite 150
Dallas, Texas 75231-3751

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

OXY USA, Inc.
580 WestLake Park Blvd.
Houston, Texas 77079

Attention: Rick Foppiano

CASE 12847:

Application of V-F Petroleum Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in the following described spacing and proration units in Section 22, Township 20 South, Range 30 East as follows: the N/2 for all formations and/or pools developed on 320-acre spacing which includes but is not necessarily limited to the Undesignated Golden Lane-Strawn Gas Pool; the NW/4 for all formations and/or pools developed on 160-acre spacing; and the NW/4 NW/4 or the SW/4 NW/4 for all formations and/or pools developed on 40-acre spacing which includes but is not necessarily limited to the Undesignated Dos Hermanos Yates-Seven Rivers Pool and the Undesignated P.C.A. (Yates) Pool. Said unit is to be dedicated to its Hale Federal Com Well No. 3 to be directionally drilled from an unorthodox surface location 1450 feet from the South line and 660 feet from the West line to a previously approved unorthodox bottom hole location in the Morrow formation 950 feet from the North line and 760 feet from the West line of said Section 22 to a depth sufficient to test all formations from the surface to the base of the Morrow formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, provisions governing subsequent operations on the pooled units, designation of V-F Petroleum Inc. as operator of the well and a charge for risk involved in drilling the well. Said area is located approximately 17 miles South of Loco Hills, New Mexico.

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

William F. Carr

wcarr@hollandhart.com

March 14, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Case 12847

TO ALL AFFECTED PARTIES:

Re: Application of V-F Petroleum Inc. for compulsory pooling, Eddy
County, New Mexico.

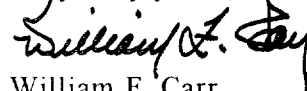
Ladies and Gentlemen:

This letter is to advise you that V-F Petroleum Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the compulsory pooling of certain spacing and proration units in Section 22, Township 20 South, Range 30 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to V-F Petroleum Inc.'s proposed Hale Federal Com Well No. 3 which it proposes to directionally drill from an unorthodox surface location 1450 feet from the South line and 660 feet from the West line to an unorthodox bottomhole location in the Morrow formation within 100 feet of a point 950 feet from the North and 760 feet from the West line of said Section 22. The well will test all formations from the surface to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on April 4, 2002. 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.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing 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,



William F. Carr
ATTORNEY FOR
V-F PETROLEUM INC.

Enclosure