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William F. Carr

wcarr@hollandhart.com

June 17, 2003

**HAND-DELIVERED**

**RECEIVED**

Lori Wrotenbery, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

JUN 17 2003

Oil Conservation Division

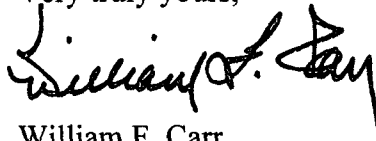
*Case 13103*

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

Dear Ms. Wrotenbery:

Enclosed is the application of V-F Petroleum Inc. in the above-referenced case as well as a copy of the legal advertisement. V-F Petroleum Inc. requests that this matter be placed on the docket for the July 10, 2003 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Jerry Gahr  
V-F Petroleum Inc.

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

**RECEIVED**

**IN THE MATTER OF THE APPLICATION  
OF V-F PETROLEUM INC.  
FOR COMPULSORY POOLING,  
EDDY COUNTY, NEW MEXICO.**

JUN 17 2003

Oil Conservation Division  
CASE NO. 73703

**APPLICATION**

V-F PETROLEUM INC. ("V-F") through its undersigned attorney 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 from a depth of 3,500 feet (the approximate base of the San Andres formation) to 11,152 feet (the approximate base of the Morrow formation) underlying the N/2 of Section 34, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in the following manner:

A. The N/2 forming a standard 320-acre spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Turkey Track-Morrow Gas pool;

B. The NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent; and,

C. The NE/4 NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within said vertical extent.

In support of its application, V-F Petroleum states:

1. V-F Petroleum is a working interest owner in the N/2 of said Section 34 and has the right to drill thereon.

2. V-F proposes to dedicate the above-referenced spacing or proration units to its Samuel Burns "34" State Well No. 3 located at a standard gas well location within the NW/4

NE/4 of said Section 34 at a point 450 feet from the North line and 2,100 feet from the East line (Unit B), to be re-entered and deepened to an approximate depth of 11,152 feet to test any and all formations from a depth of 3,500 feet through the Morrow formation.

3. V-F has sought and been unable to obtain a voluntary agreement for the development of these lands from certain interest owners in the N/2 of Section 34 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 V-F Petroleum 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 July 10, 2003 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 Inc. to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by V-F Petroleum Inc. in drilling and completing the well against any working interest owner who does not

voluntarily participate in the drilling of the well.

Respectfully submitted,  
HOLLAND & HART LLP

By: 

WILLIAM F. 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,  
N/2 SECTION 34, TOWNSHIP 18 SOUTH, RANGE 28 EAST, NMPM  
EDDY COUNTY, NEW MEXICO.

The Anderson-Malone Trust  
Baynard W. Malone, Trustee  
P.O. Box 87  
Roswell, NM 88202

BP America Production Company  
Permian Performance Unit  
P.O. Box 3092  
Houston, Texas 77253-3092

Lisa L. Durban  
P.O. Box 400  
Roswell, NM 88202

Esther L. Kelly, a widow;  
Joseph J. Kelly and John Michael Kelly  
P.O. Box 310  
Roswell, NM 88202

Hugh E. Hanagan and wife,  
Betty L. Hanagan  
P.O. Box 1737  
Roswell, NM 88202

Anne S. Johnson  
6529 Highway 42 South  
Fort Valley, GA 31030

KCS Resources, Inc.  
7130 South Lewis Avenue, Ste 700  
Tulsa, Oklahoma 74136  
Attn: Chuck Stoltz

Dan M. Leonard  
P.O. Box 3422  
Midland, Texas 79702

Robert K. Leonard  
P.O. Box 332  
Midland, Texas 79702

Charles F. Malone  
2701 Chrysler Drive  
Roswell, NM 88201

Earl L. Malone  
310 W. Mescalero Road, #5  
Roswell, NM 88201

Oxy USA WTP Limited Partnership  
P.O. Box 50250  
Midland, Texas 79710

Rosser E. Schwarz  
324 West Ramona Ave.  
Colorado Springs, CO 80906

Western Reserves Oil Co., Inc.  
P.O. Box 933  
Midland, Texas 79702  
Attn: Land Department

Constance A. White  
7007 Lawler Ridge  
Houston, Texas 77055

Gretchen S. White  
700 North Kentucky  
Roswell, New Mexico 88201

Theodore P. White and wife,  
Marianne White  
P.O. Box 533  
Roswell, NM 88202

Zia Royalty LLC  
P.O. Box 2160  
Hobbs, NM 88241  
Attn: Land Department

CASE 13/03:

**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 all formations from a depth of 3,500 feet (the approximate base of the San Andres formation) to 11,152 feet (the approximate base of the Morrow formation) underlying the N/2 of Section 34, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico, in the following manner:

- A. The N/2 forming a standard 320-acre spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent, which presently includes but is not necessarily limited to the Undesignated North Turkey Track-Morrow Gas pool;
- B. The NW/4 forming a standard 160-acre spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent; and
- C. The NE/4 NW/4 forming a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within said vertical extent.

Said units are to be dedicated to its Samuel Burns "34" State Well No. 3 located at a standard gas well location 450 feet from the North line and 2,100 feet from the East line (Unit B) of said Section 34. 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, designation of V-F Petroleum Inc. as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Artesia, New Mexico.

HOLLAND & HART <sup>LLP</sup>  
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William F. Carr

wcarr@hollandhart.com

June 19, 2003

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

**TO AFFECTED INTEREST OWNERS:**

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

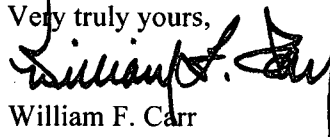
Ladies and Gentlemen:

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 the N/2 of Section 34, Township 18 South, Range 28 East, NMPM, Eddy County, New Mexico. Said units will be dedicated to V-F Petroleum Inc.'s proposed Samuel Burns "34" State Well No. 3 which it proposes to re-enter and deepen at a standard gas well location in the NW4 NE/4 of said Section 34 to test all formations from a depth of 3,500 feet to the base of the Morrow formation.

This application has been set for hearing before a Division Examiner on July 10, 2003. 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 with the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505, 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

cc: Jerry Gahr  
V-F Petroleum Inc.