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July 14, 1998

HAND-DELIVERED

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

12023

98 JUL 14 PM 3:07
OIL CONSERVATION DIV.

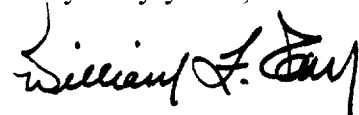
Re: *Application of Hanagan Petroleum Corporation for Amendment of Division Order No. R-8611 to authorize a 40-acre five spot injection pattern in its Twin Lakes San Andres Unit Waterflood Project Area, and to qualify said project for the recovered oil tax rate pursuant to the Enhanced Oil Recovery Act, Chaves County, New Mexico*

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Hanagan Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Hanagan requests that this matter be set for hearing before a Division Examiner on August 6, 1998.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mike Hanagan (w/enclosures)
Hanagan Petroleum Corporation
Post Office Box 1737
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STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF HANAGAN PETROLEUM CORPORATION
FOR AMENDMENT OF DIVISION ORDER
NO. R-8611 WHICH AUTHORIZED THE
TWIN LAKES SAN ANDRES UNIT WATERFLOOD
PROJECT, AND TO QUALIFY SAID PROJECT,
AS AMENDED, FOR THE RECOVERED
OIL TAX RATE PURSUANT TO THE
ENHANCED OIL RECOVERY ACT,
CHAVES COUNTY, NEW MEXICO.

OIL CONSERVATION DIV.
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CASE NO. 12023

APPLICATION

HANAGAN PETROLEUM CORPORATION ("Hanagan") through its attorneys, Campbell, Carr, Berge & Sheridan, P. A., hereby makes application for an order amending Division Order No. R-8611 to permit the implementation of a 40-acre five spot injection pattern within the Twin Lakes San Andres Unit Waterflood Project area for the injection of water into the San Andres formation, Twin Lakes-San Andres Associated Pool and the qualification of this project for the recovered oil tax rate pursuant to the provisions of the New Mexico Enhanced Oil Recovery Act, and in support thereof states:

1. By Order No. R-8557, dated December 2, 1987, statutory unitization was approved for the Twin Lakes San Andres Unit Area. The unit boundaries include the following acreage in Chaves County, New Mexico:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM

Section 25: SE/4 NW/4, NE/4 SW/4, S/2 SW/4 and SE/4
Section 26: SE/4 SE/4
Section 35: E/2 E/2
Section 36: All

TOWNSHIP 8 SOUTH, RANGE 29 EAST, NMPM

Section 30: Lots 3 and 4, E/2 SW/4 and SW/4 SE/4
Section 31: All
Section 32: W/2 SW/4

TOWNSHIP 9 SOUTH, RANGE 28 EAST, NMPM

Section 1: Lots 1 through 4, S/2 N/2, SE/4 and E/2 SW/4
Section 2: Lot 1
Section 12: NE/4, E/2 SE/4 and NW/4 SE/4

TOWNSHIP 9 SOUTH, RANGE 29 EAST, NMPM

Section 5: Lots 3 and 4, S/2 NW/4 and SW/4
Section 6 and 7: All
Section 8: N/2 NW/4 and SW/4 NW/4
Section 18: Lot 1, E/2 NW/4, and W/2 NE/4

2. Pursuant to the provisions of Division Order No. R-8611 dated September 9, 1987, and subsequent expansion pursuant to Division Order No. WFX-582, Hanagan operates the Twin Lakes San Andres Unit Waterflood Project in the Twin Lakes San Andres Pool Unit for the injection of water into the Twin Lakes-San Andres Associated Pool.

3. Hanagan seeks an amendment of Order No. R-8611 to authorize the implementation of 40-acre five spot injection pattern within the waterflood project utilizing 79 producing wells, 47 of which will be new wells and 93 injection wells, 34 of which are

APPLICATION,

conversions of existing producing wells and 59 existing injection wells. Oil Conservation Division Form C-108 is being filed contemporaneously with this application and contains all information required by Division rules for the proposed Amendment of this waterflood project.

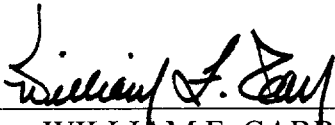
4. Hanagan also seeks to qualify this project for the recovered oil tax rate pursuant to the New Mexico Enhanced Oil Recovery Act being Laws 1992, Chapter 38, Sections 1 through 5.

5. Approval of this application will afford Hanagan the opportunity to produce its just and equitable share of the remaining reserves in the Twin Lakes San Andres Unit Waterflood Project Area and will otherwise be in the best interest of the conservation, the protection of correlative rights and the prevention of waste.

WHEREFORE, Hanagan Petroleum Corporation requests that this matter be set for hearing before a duly appointed Examiner of the Oil Conservation Division on August 6, 1998, and after notice and hearing as required by law, the Division enter its Order granting this application.

Respectfully submitted,

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

By: 
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CORPORATION