

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

**IN THE MATTER OF THE HEARING CALLED BY THE
OIL CONSERVATION DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**APPLICATION OF VANCO OIL & GAS CORP. AND ITS
AFFILIATE CBS OPERATING CORP. FOR AMENDMENT
OF DIVISION ORDER NO. R-11435 TO AUTHORIZE A
PRESSURE MAINTENANCE PROJECT IN THE NORTH
SQUARE LAKE UNIT AREA, ESTABLISH PROCEDURES
FOR APPROVAL OF ADDITIONAL INJECTION WELLS,
AND FOR QUALIFICATION OF THE PROJECT AREA
FOR THE RECOVERED OIL TAX RATE PURSUANT TO
THE ENHANCED OIL RECOVERY ACT, EDDY COUNTY,
NEW MEXICO.**

**CASE NO. 12112
(REOPENED)**

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Holland & Hart LLP as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

CBS Partners, Ltd.
Attention: David Cotner
Post Office Box 2236
Midland, Texas 79702-2236
(915) 682-5871

ATTORNEY

William F. Carr, Esq.
Holland & Hart LLP
Post Office Box 2208
Santa Fe, New Mexico 87504-2208
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STATEMENT OF CASE

APPLICANT

Applicant seeks an amendment of Division Order No. R-11435 to authorize a pressure maintenance project in the North Square lake Unit Area, establish procedures for approval of

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additional injection wells, and for Qualification of the project area for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act, Eddy County, New Mexico. Applicant seeks amendment of Division Order No. R-11435 which approved a waterflood project in the North Square Lake Unit Area to authorize a pressure maintenance project by injection of water into the Grayburg and San Andres formations through and additional injection wells to be either drilled or re-completed to injection in the North Square Lake Unit Area with injection to be allowed once all remedial work, if any, has been performed in the 1/2 mile area of review for each proposed injection well as required by the rules of the Oil Conservation Division. Applicants also seek the establishment of an administrative procedure whereby additional wells within the North Square Lake Unit Area can be drilled and/or converted to injection without the necessity of additional hearings and to qualify this project for the Recovered Oil Tax Rate pursuant to the Enhanced Oil Recovery Act. The North Square Lake Unit is located in the following described lands in Eddy County, New Mexico:

TOWNSHIP 16 SOUTH, RANGE 30 EAST, NMPM

Section 25: E/2
Section 36: N/2

TOWNSHIP 16 SOUTH, RANGE 31 EAST, NMPM

Section 19: S/2
Section 20: S/2
Section 27: SW/4, W/2 SE/4,
SE/4 SE/4, SW/4 NE/4,
S/2 NW/4, NW/4 NW/4
Section 28 -34: All

The unit area is approximately five miles northeast of Loco Hills, New Mexico.

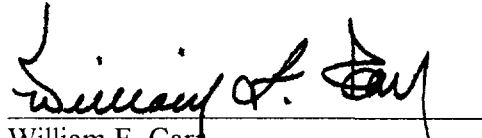
PROPOSED EVIDENCE

APPLICANT

WITNESSES (Name and Expertise)	ESTIMATED TIME	EXHIBITS
David Cotner (Land)	Approx. 15 Minutes	Approx. 2
Russell K. Hall (Petroleum Eng.)	Approx. 20 Minutes	Approx. 4

PROCEDURAL MATTERS

VANCO Oil & Gas Corp. and its affiliate, CBS Operating Corp., have none at this time.

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a horizontal line.

William F. Carr

Attorney for VANCO Oil & Gas Corp.
and its affiliate, CBS Operating Corp.