

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

RECEIVED

AUG 13 2002

**IN THE MATTER OF THE APPLICATION
OF V-F PETROLEUM INC. AN UNORTHODOX
GAS WELL LOCATION AND SIMULTANEOUS
DEDICATION, EDDY COUNTY, NEW MEXICO.**

Oil Conservation Division

CASE NO. 12921

APPLICATION

V-F PETROLEUM INC. ("V-F"), through its undersigned attorneys, hereby makes application for an order authorizing the simultaneous dedication of the following wells to an existing 320-acre spacing unit comprised of N/2 of Section 33, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico in the East Cedar Lake-Morrow Gas Pool:

- A. Denali "33" Federal Well No. 2 located at a standard gas well location 1580 feet from the North line and 760 feet from the West line of said Section 33 which produces from the Middle Morrow formation, and
- B. Dow "B" Federal Well No. 2 to be re-entered and re-completed at a non-standard gas well location 660 feet from the North line and 2310 feet from the West line of said Section 33 in the Lower Morrow formation.

In support of its application, V-F states:

- 1. The Morrow formation in the East Cedar Lake-Morrow Gas Pool consists of multiple pay intervals (the Lower Morrow zone and the Middle Morrow zone) which are separate from and not in communication with other pay intervals in the Morrow formation.

2. V-F is the operator of a 320-acre spacing and proration comprised of the N/2 of Section 33, Township 17 South, Range 31 East, NMPM, Eddy County New Mexico. This spacing unit is currently dedicated in the Denali "33" Federal Well No.2 which produces from the Middle Morrow zone. The Lower Morrow zone is also present under this spacing unit but is not present in the Denali "33" Federal Well No. 2. An additional well is therefore needed to enable V-F to produce the reserves in this Lower Morrow sand.

3. V-F therefore seeks authorization to re-enter and re-complete the Dow "B" Federal Well No. 2 in the Lower Morrow zone. It will be the only well on this spacing unit capable of producing these Lower Morrow reserves.

4. This pool is governed by the acreage and well location requirements of Division Rule 104.C.(2) of the General Rules and Regulations of the Oil Conservation Division which provide in part:

- (A) the initial well on a 320-acre unit shall be located no closer than 660 feet to the outer boundary of the quarter section on which the well is located and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary; and
- (B) only one infill well on a 320-acre unit shall be allowed provided that the well is located in the quarter section on the 320-acre unit not containing the initial well and is no closer than 660 feet to the outer boundary of the quarter section and no closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

5. V-F seeks an exception to Rule 104.C.(2)(b) to permit it to re-enter and produce the Dow "B" Federal Well No. 2 from the Lower Morrow Zone of the East Cedar Lake-Morrow Gas Pool. This location will be in the same quarter section containing the initial Morrow well on this spacing unit and is unorthodox by being 330 feet too close to the outer boundary of the quarter section on which it is located -- the east line of the NW/4 of Section 33. Although V-F seeks permission for only two wells on this 320-acre unit, both wells will be located in the same quarter section.

6. Approval of the re-entry and re-completion of the Dow "B" Federal Well No. 2 and the simultaneous dedication of the Denali "33" Federal Well No. 2 and the Dow "B" Federal Well No. 2 to the 320-acre Morrow spacing unit comprised of the N/2 of said Section 33 will protect correlative rights by affording V-F the opportunity to produce the reserves in the separate and distinct Morrow pay zones under this spacing unit which cannot currently be produced by the Denali "33" Federal Well No. 2.

6. The names and addresses of the persons to whom notice of this application will be provided in accordance with Oil Conservation Division Rules and Regulations is attached hereto as Exhibit A.

7. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, V-F Petroleum Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on September 5, 2002 and after notice and hearing as required by law, the Division enter its order granting an exception to Division Rule 104.C.(2)(b) and approving the simultaneous dedication of the existing 320-acre spacing unit comprised of the N/2 of Section 33, Township 17

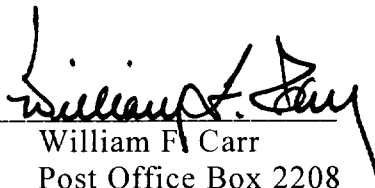
APPLICATION

Page 3

South, Range 33 East, NMPM, Eddy County, New Mexico to the V-F Petroleum Inc. Denali "33" Federal Well No. 2 to produce reserves from the Middle Morrow formation at a standard gas well location 1580 feet from the North line and 760 feet from the West line of Section 33; and the Dow "B" Federal Well No. 2 to produce reserves from the Lower Morrow at a standard gas well location 660 feet from the North line and 2310 feet from the West line which produces from the Lower Morrow formation

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 AN UNORTHODOX GAS WELL LOCATION AND
SIMULTANEOUS DEDICATION,
EDDY COUNTY, NEW MEXICO.**

NOTICE LIST

Bureau of Land Management
2909 West 2nd Street
Roswell, New Mexico 88201

Texaco Exploration and Production Inc.
Post Office Box 3109
Midland, Texas 79702

Harvey E. Yates Company
Post Office Box 1933
Roswell, New Mexico 88202

Prairie Sun Inc.
Post Office Box 8280
Roswell, New Mexico 88201

CASE 12921:

Application of V-F Petroleum Inc. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant in the above-styled cause seeks an exception to Division Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to an existing 320-acre spacing and proration unit in the Morrow formation, East Cedar Lake-Morrow Gas Pool, comprised of the N/2 of Section 33, Township 17 South, Range 31 East, NMPM:

- A. the Daneli "33" Federal Well No. 2 which produces from the Middle Morrow zone at a location 1580 feet from the North line and 760 feet from the West line; and
- B. the Dow "B" Federal Well No. 2 which V-f proposes to re-enter and re-complete in the Lower Morrow zone located at an unorthodox gas well location 660 feet from the North line and 2310 feet from the west line.

Said wells are located approximately 7 miles East 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

August 13, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS:

Re: Application of V-F Petroleum Inc. for an unorthodox gas well location
and simultaneous dedication, Eddy County, New Mexico.

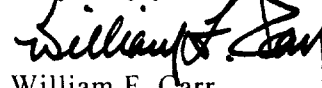
Ladies and Gentlemen:

This letter is to advise you that V-F petroleum Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an exception to Rule 104.C.(2)(b) to permit the simultaneous dedication of the following wells to an existing 320-acre spacing and proration unit in the Morrow formation comprised of the N/2 of Section 33, Township 17 South, Range 31 East, NMPM: the Denali "33" Federal Well No. 2 which produces from the Middle Morrow Zone at a standard gas well location 1580 feet from the North line and 760 feet from the West line; and the Dow "B" Federal Well No. 2 to be re-entered and re-completed in the Lower Morrow zone at an unorthodox gas well location 660 feet from the North line and 2310 feet from the West line of said Section 33 in the East Cedar Lake-Morrow Gas Pool.

This application has been set for hearing before a Division Examiner on September 5, 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 Prehearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Oil Conservation Division's Santa Fe office located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 and shall 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.