

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

**IN THE MATTER OF THE APPLICATION OF  
PALADIN ENERGY CORP. FOR A  
NON-STANDARD OIL SPACING UNIT,  
LEA COUNTY, NEW MEXICO.**

CASE NO. 12923

**APPLICATION**

PALADIN ENERGY CORP. ("Paladin"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order approving a 40-acre non-standard oil spacing unit in the Bagley Siluro-Devonian Pool, and in support of this application states:

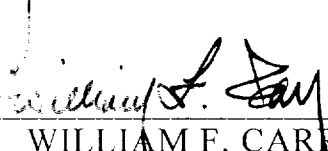
1. Paladin is the operator of the NW/4 SW/4 of Section 35, Township 11 South, Range 33 East, NMPM, Lea County, New Mexico and the owner of the the State BTC Well No. 3 located 1980 feet from the South line and 660 feet from the West line of Section 35. The State BTC Well No. 3 has been shut in since 1997.
2. Paladin proposes to re-enter and sidetrack the well to a bottomhole location in the Devonian formation, Bagley Siluro-Devonian Pool, at a point 1880 feet from the South line and 660 feet from the West line of Section 33 to attempt to produce reserves from the Bagley Siluro-Devonian Pool.
3. The Bagley Siluro-Devonain Pool is governed by Special Pool Rules and Regulations adopted by Division Order No. R-69-D, dated June 30, 1954, which provides for wells to be located on 80-acre spacing and proration units.
4. Recent experience with wells in this pool show that they drain small areas and, therefore, this well should only drain reserves from the NW/4 SW/4 of the Section.
5. Dedication of an 80-acre spacing unit to the well could change the economics of the well so as to make it unattractive to re-enter and thereby result in reserves being left in the ground.

6. Paladin has reviewed its plans to re-enter the State BTC Well No. 3 with Apache Corporation, the owner of the working interest in the SW/4 SW/4 of Section 35. Apache Corporation has indicated that it will not oppose this application for a 40-acre non-standard oil spacing unit.

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

WHEREFORE, Paladin Energy Corp. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 4, 2002, that notice be given as required by law and the rules of the Division, and that the application be approved.

Respectfully submitted,  
HOLLAND & HART, LLP

By:   
WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

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CORP.

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William F. Carr

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November 14, 2002

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

Apache Corporation  
1700 Lincoln Street  
Suite 2000  
Denver, Colorado 80203-4520

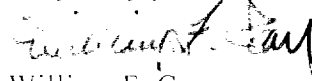
Ladies and Gentlemen:

This letter is to advise you that Paladin Energy Corp. has filed the enclosed application with the New Mexico Oil Conservation Division seeking an exception to the Special Pool Rules and Regulations for the Bagley Siluro-Devonian Pool for a 40-acre non-standard oil spacing and proration unit comprised of the NW/4 SW/4 of Section 35, Township 11 South, Range 33 East, NMPM. Paladin Energy Corp. will dedicate this non-standard unit to its State BTC Well No. 3 which it proposes to re-enter and side track from a surface location 1980 feet from the South line and 660 feet from the West line to a bottomhole location 1880 feet from the South line and 660 feet from the West line of said Section 35.

This application has been set for hearing before a Division Examiner on December 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 at the Division's offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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  
ATTORNEYS FOR PALADIN ENERGY CORP.

Enclosure

cc: Mr. George Fenton  
Paladin Energy, Corp.

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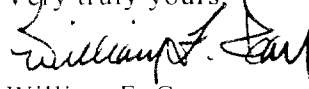
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William F. Carr

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Paladin Energy, Corp.