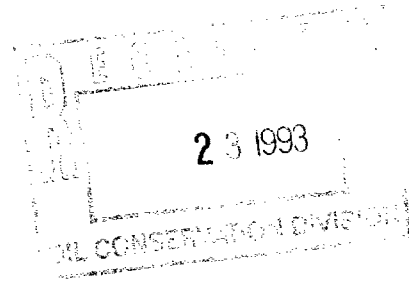


**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

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

CASE NO. 10806

APPLICATION OF KINLAW OIL  
CORPORATION FOR A HIGH ANGLE/  
HORIZONTAL DIRECTION DRILLING PILOT  
PROJECT, SPECIAL OPERATING RULES  
THEREFOR, A NON-STANDARD OIL  
PRORATION UNIT, AN UNORTHODOX  
WELL LOCATION, AND A SPECIAL  
PROJECT OIL ALLOWABLE, LEA COUNTY,  
NEW MEXICO.



**PRE-HEARING STATEMENT**

This prehearing statement is submitted by William F. Carr, as required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

Kinlaw Oil Corporation  
3301 Northland, Suite 102  
Austin, Texas 78731  
Attn: Mike Hill  
(512) 454-4736

name, address, phone and  
contact person

**ATTORNEY**

William F. Carr, Esq.  
Campbell, Carr, Berge & Sheridan, P.A.  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
(505) 988-4421

**OPPOSITION OR OTHER PARTY**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

name, address, phone and  
contact person

**ATTORNEY**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**STATEMENT OF CASE**

**APPLICANT**

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Kinlaw seeks to initiate a horizontal drilling project in the Devonian formation, Denton-Devonian Pool, underlying the NE/4 SE/4 of Section 35 and the NW/4 SW/4 of Section 36, Township 15 South, Range 37 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. Applicant proposes to re-enter its Magnolia Petroleum New Mexico "M" Well No. 1 which is at an orthodox location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 36, kick-off from vertical in a southwesterly direction commencing to build angle at an appropriate rate to vertically and horizontally traverse the proposed producing area. Applicant further seeks the adoption of special operating provisions and rules within the project area including the designation of a target window such that the horizontal or producing portion of the wellbore shall be no closer than 330 feet to any boundary of the proration unit, and for a special project allowable.

**OPPOSITION OR OTHER PARTY**

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

**PROPOSED EVIDENCE**

APPLICANT

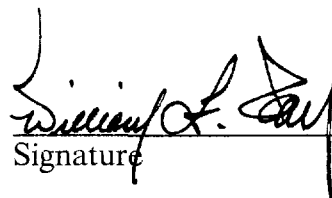
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Mike Hill, Geologist	15 Min.	Approximately 4
Dave Phillips, Petroleum Engineer	10 Min.	Approximately 3

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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**PROCEDURAL MATTERS**

(Please identify any procedural matters which  
need to be resolved prior to hearing)

  
\_\_\_\_\_  
Signature