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October 13, 1993

HAND-DELIVERED

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

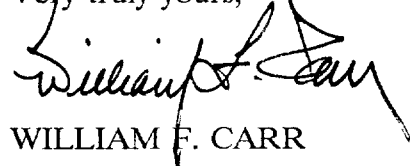
Re: Case No. 10806:
Application of Kinlaw Oil Corporation for horizontal drilling, Lea County,
New Mexico

Dear Mr. Stogner:

As Kinlaw indicated at the September 23, 1993 hearing in Cases 10807, 10808 and 10809, they were unable to successfully reenter the Magnolia Petroleum New Mexico "M" Well No. 1 which was the subject of Division Case No. 10806. Accordingly, Kinlaw now requests that its application in Case 10806 be dismissed.

Your attention to this matter is appreciated.

Very truly yours,


WILLIAM F. CARR

WFC:mlh



RAY B. POWELL
COMMISSIONER

State of New Mexico
OFFICE OF THE
Commissioner of Public Lands
Santa Fe

P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

September 2, 1993

Campbell, Carr, Berge & Sheridan, P.A.
P.O. Box 2208
Santa Fe, New Mexico 87504
Attn: Ms. Tanya Trujillo

Dear Ms. Trujillo:

I have reviewed the information you supplied regarding the horizontal test well that your client, Kinlaw Oil Corporation, has proposed in Section(s) 35 & 36, Township 15 South, Range 37 East, Lea County, New Mexico. As understood, the test well is to have a surface location in the NW/4 SW/4 of section 36 in the above mentioned township and range, and have a projected bottom hole location in the NE/4 SE/4 of section 35 in the above mentioned township and range. The surface location incorporates state oil and gas lease # VA-965 and the proposed bottom hole location incorporates state oil and gas lease # VA-964, both held by Energy Pro as the lessee of record. The prospective productive pool is the South Denton-Devonian (Oil) which requires a 40 acre proration unit.

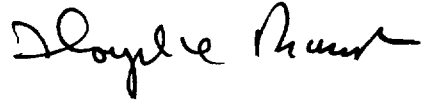
The State Land Office will not object to the above mentioned proposal by Kinlaw Oil Co. if the following conditions are met:

- 1) A commercial lease is obtained through the State Land Office Commercial Division for the surface use of section 36 of the above mentioned township and range. Lease No. VA-965.
- 2) Oil Conservation Division approval is obtained, and that such approval reflects the conditions of the State Land Office as mentioned above in article #1.
- 3) Documentation verifying approval from the lessee of record, Energy Pro, must be received prior to State Land Office concurrence.

As we discussed, Kinlaw Oil Company has expressed interest in applying to the OCD for a special pool rule allowing for an 80 acre proration unit. It is the policy of this office to concur with the decisions by the OCD. If the OCD approves communitization for the E/2 SE/4 (80 ac.), of section 35, or the NE/4 SE/4 of section 35 plus the NW/4 SW/4 of section 36 (80 ac.), we will concur.

If you have any questions please call Jeff Albers at (505) 827-5759.

Sincerely,

A handwritten signature in black ink, appearing to read "Floyd O. Prando". The signature is fluid and cursive, with the first name "Floyd" being more prominent.

Floyd O. Prando, Director
Oil, Gas and Minerals Division

cc: Mr. Mike Stogner, Oil Conservation Division, Santa Fe
Mr. Mike Hill, Kinlaw Oil Corporation

FOP/JB/JJA



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
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October 14, 1993

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

RE: CASE NO. 10806
ORDER NO. R-9989

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Martinez
Sally E. Martinez
Administrative Secretary

cc: BLM Carlsbad Office