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W. THOMAS KELLAHIN*

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RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

June 6, 2000

12442

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

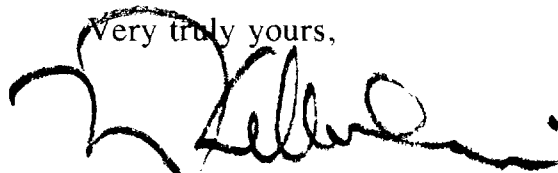
**Re: State "R" Well No. 2
Lots 9-16 of Irregular Section 1, T21S, R34E, NMPM
Application of Santa Fe Snyder Corporation
for compulsory pooling, Lea County, New Mexico**

01 JUN 13 2001
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Dear Ms. Wrotenbery:

On behalf of Santa Fe Snyder Corporation, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 29, 2000. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Santa Fe Snyder Corporation
Attn: Steve Smith

CASE 2442 Application of Santa Fe Snyder Corporation, for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests underlying Lot 9 through Lot 16 (middle third equivalent) of Irregular Section 1, Township 21 South, Range 34 East to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent. The units are to be dedicated to its State "R" Well No. 2 to be drilled and completed at a standard well location 3300 feet from the south line and 660 feet from the west line of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 17 miles west of Eunice, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF SANTA FE SNYDER CORPORATION
FOR COMPULSORY POOLING
LEA COUNTY, NEW MEXICO.

CASE NO. 12442

OIL CONSERVATION DIVISION
60 JUL-6 PM 12:32

A P P L I C A T I O N

Comes now SANTA FE SNYDER CORPORATION, by its attorneys, Kellahin & Kellahin and, in accordance with NMSA 1978, Section 70-2-17.C, applies to the New Mexico Oil Conservation Division for an order pooling all interests underlying lots 9 through Lot 16 (middle third equivalent) of Irregular Section 1, Township 21 South, Range 34 East, NMPM to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent. The units are to be dedicated to its State "R" Well No. 2 to be drilled and completed at a standard well location 3300 feet from the south line and 660 feet from the west line of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, Santa Fe Snyder Corporation, ("Santa Fe") states:

1. Santa Fe has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying Lots 9-16 of Irregular Section 1, T21S, R34E, NMPM, Lea County, New Mexico.
2. Santa Fe has proposed this well to all of the appropriate interest owners in this spacing and proration unit.
3. Despite its good faith efforts, Santa Fe has been unable to obtain a written voluntary agreement from those remaining working interest owner listed on Exhibit "A."
4. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

5. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 29, 2000.

WHEREFORE, Santa Fe, as applicant, requests that this application be set for hearing on June 29, 2000 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the spacing unit for the drilling of this well at a standard gas well location upon terms and conditions which include:

- (1) Santa Fe Snyder Corporation be named operator;
- (2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating this well;
- (3) In the event a working interest or unleased mineral interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTEULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. THOMAS KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

EXHIBIT "A"

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
Attn: Sam F. Thompson

Phillips Petroleum Company
4001 Penbrook Street
Odessa, Texas 79762
Attn: Randy Liewicki