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February 23, 1988

HAND DELIVERED

Florine Davidson
NMOCD
State Land Office Bldg.
Santa Fe, New Mexico 87501

Case 9333

Re: Applications of Terra Resources, Inc.

Dear Florine:

Enclosed is the information for two cases we request
to be advertised for the March 16, 1988 docket.

Please let me know if there are any problems.

Very truly yours,



J. Scott Hall

JSH/dmg

encl.

RECEIVED

FEB 23 1988

OIL CONSERVATION DIVISION

RECEIVED

FEB 23 1989

OIL CONSERVATION DIVISION

BEFORE THE
NEW MEXICO OIL CONSERVATION DIVISION
DEPARTMENT OF ENERGY AND MINERALS

IN THE MATTER OF THE APPLICATION OF
TERRA RESOURCES, INC. FOR COMPULSORY
POOLING AND UNORTHODOX WELL LOCATION,
CHAVES COUNTY, NEW MEXICO

CASE NO. 9333

APPLICATION

Terra Resources, Inc., through its undersigned counsel, applies for an order pooling all mineral interests for the surface to the base of the Atoka Morrow Formation underlying the N/2 of Section 22, T-15 S, R-27 E, N.M.P.M., Chaves County, New Mexico. Applicant also seeks an unorthodox well location and in support thereof would show the Division:

1. Applicant proposes to dedicate the above referenced pooled unit to its Harris Federal Comm. 22 Well No. 1 to be drilled at a proposed unorthodox gas well location 1650' FNL and 660' FEL of said Section 22 to a depth adequate to test the Atoka-Morrow formation.

2. A standard 320 acre gas spacing and proration unit is proposed to be dedicated to the well.

3. Applicant also seeks an exception to the rules for the Buffalo Valley Pennsylvanian Gas Pool for the completion of its well in the NE/4 of said Section 22.

4. The pooling of interests and approval of the unorthodox well location will avoid the drilling of unnecessary wells, will prevent waste, and will protect correlative rights.

5. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the mineral interests should be pooled, the unorthodox well location should be granted and Applicant should be designated the Operator of the well to be drilled.

Wherefore, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on March 16, 1988, and that after notice and hearing as required by law, the Division enter its order pooling the lands and approving the unorthodox well location. Also to be considered will be the cost cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Applicant as operator of the well and a charge for the risk involved in drilling said well.

Respectfully submitted:

CAMPBELL & BLACK, P.A.

By



J. Scott Hall

P.O. Box 2208

Santa Fe, New Mexico 87504-2208

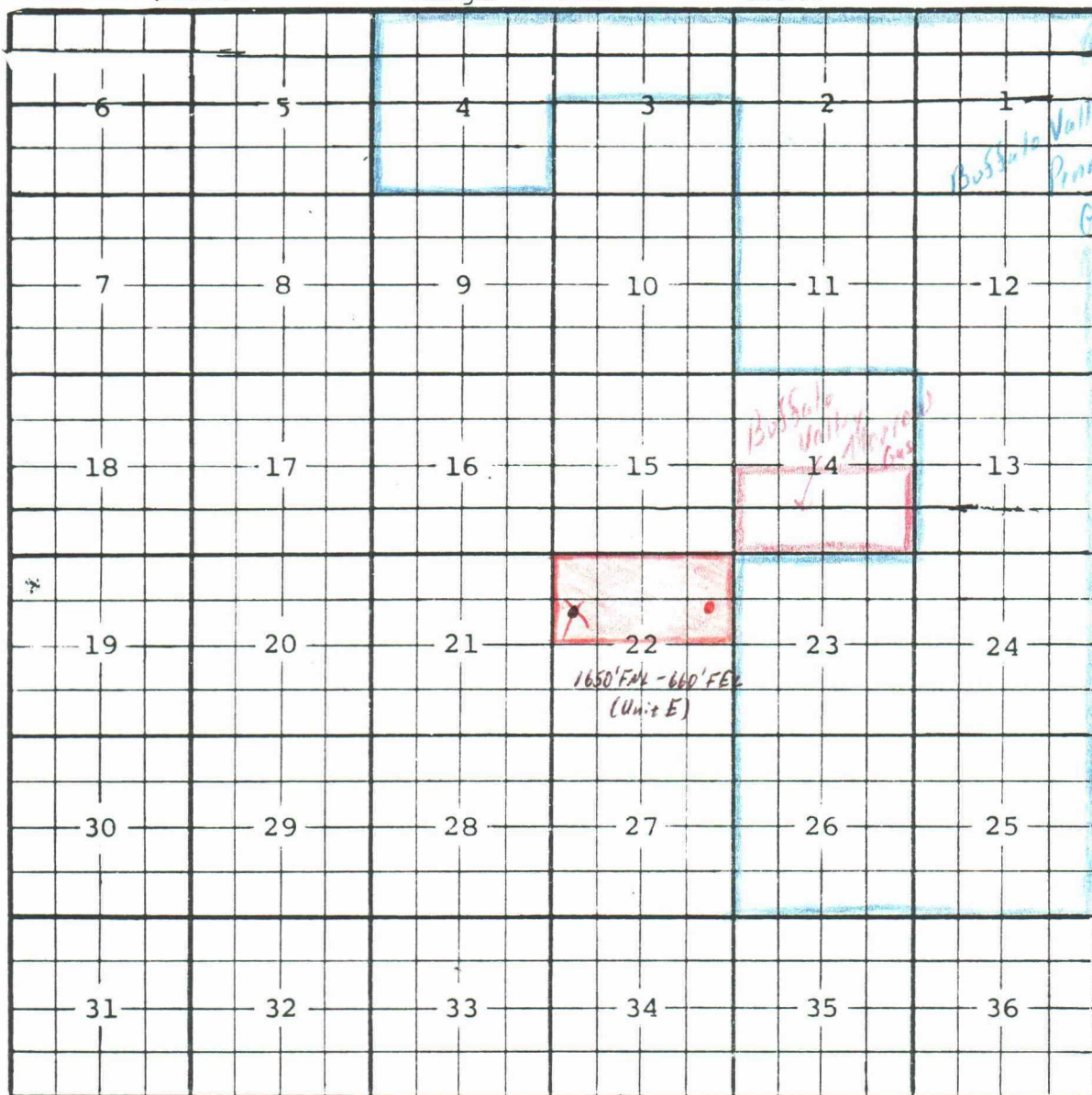
(505) 988-4421

County *Chaves*

Pool

TOWNSHIP *15 South*Range *27 East*

NMPM



*Special Pool Rules for the Buffalo Valley Pennsylvania Gas Pool
as promulgated by R-8170, as amended.*

GENERAL RULES FOR THE PRORATED
GAS POOLS OF NEW MEXICO

(See Special Pool Rules in each pool for rules applicable to those pools only. Special Pool Rules will be found in the same sequence as in the General Section, and unless the special rules conflict with the general rule, the general rule is applicable.)

APPLICATION OF THESE RULES: Any well drilled to the producing formation of a gas pool regulated by this order and within said pool or within one mile outside the boundary of that pool, and not nearer to nor within the boundaries of another designated pool producing from the same formation, shall be spaced, drilled, operated, and prorated in accordance with these rules or the special rules in effect in that pool.

RULE 1 DEFINITIONS

ACREAGE FACTOR: A GPU's Acreage Factor shall be determined to the nearest hundredth of a unit by dividing the acreage assigned to the GPU by a number equal to the number of acres in a standard GPU for such pool. However, the acreage tolerance provided in Rule 2(a)2 shall apply.

AD FACTOR: Acreage times Deliverability Factor is calculated in pools where acreage and deliverability are proration factors. The product obtained by multiplying the acreage factor by the calculated deliverability (expressed as MCF per day) for that GPU shall be known as the AD factor for that GPU. The AD factor shall be computed to the nearest whole unit.

BALANCING DATE: The date 7:00 a.m. April 1 of each year shall be known as the balancing date, and the twelve months following this date shall be known as the gas proration period.

GAS POOL: Any pool which has been designated as a gas pool by the Division after notice and hearing.

GAS PRORATION UNIT (GPU): The acreage allocated to a well, or in the case of an infill well or wells to a group of wells, for purposes of spacing and proration shall be known as the gas proration unit (GPU).

GPUs may be either of a standard or non-standard size as provided in these rules.

CASE 8749
ORDER R-8170
EXHIBIT "A"

(b) If two-stage separation is used, the low-pressure gas shall be directed into a low-pressure gas gathering system, and said low-pressure gas need not be measured separately from the other low-pressure gas produced on the lease, provided that certain test facilities are available and periodic tests made in accordance with Rule 27 above.

SPECIAL RULES AND REGULATIONS FOR THE
BUFFALO VALLEY-PENNSYLVANIAN GAS POOL

The Buffalo Valley-Pennsylvanian Gas Pool, Chaves County, New Mexico, was created November 1, 1962 and gas proration in this pool became effective May 1, 1969.

A. DEFINITIONS

THE VERTICAL LIMITS of the Buffalo Valley-Pennsylvanian Gas Pool shall be the Pennsylvanian formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Buffalo Valley-Pennsylvanian Gas Pool shall be 320 acres.

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RULE 2(b). Each well completed or recompleted in the Buffalo Valley-Pennsylvanian Gas Pool shall be located in the northwest quarter or the southeast quarter of the section and shall be located no nearer than 990 feet to the outer boundary of the quarter section nor nearer than 330 feet to any governmental quarter-quarter section line; provided, however, that any well drilling to or completed in said pool on or before October 31, 1962, is hereby excepted from the requirements of this rule.

D. ALLOCATION AND GRANTING OF ALLOWABLES

RULE 5. Acreage is the only proration factor in the Buffalo Valley-Pennsylvanian Gas Pool.

SPECIAL RULES AND REGULATIONS FOR THE
BURTON FLAT-MORROW GAS POOL

The Burton Flat-Morrow Gas Pool, Eddy County, New Mexico was created March 1, 1973 and gas proration in this pool became effective April 1, 1974.

A. DEFINITIONS

THE VERTICAL LIMITS of the Burton Flat-Morrow Gas Pool shall be the Morrow formation.

B. WELL LOCATION AND ACREAGE REQUIREMENTS

RULE 2(a). A standard GPU in the Burton Flat-Morrow Gas Pool shall be 320 acres.

RULE 2(b). Each well completed or recompleted in the Burton Flat-Morrow Gas Pool shall be located no closer than 1980 feet to the end boundary nor closer than 660 feet