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

JASON KELLAHIN (RETIRED 1991)

July 3, 2000

Hand Delivered

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

Re: Outland State Unit Well No. 1
W/2 Section 12, T21S, R34E, NMPM
Application of Santa Fe Snyder Corporation
for an unorthodox gas well location,
Lea County, New Mexico

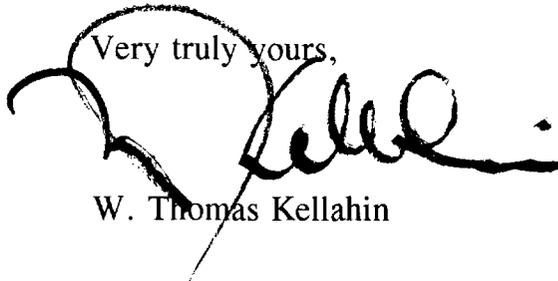
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12462

Dear Ms. Wrotenbery:

On behalf of Santa Fe Snyder Corporation, please find enclosed our application for an unorthodox gas well location which we request be set for hearing on the next available Examiner's docket now scheduled for July 27, 2000. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Santa Fe Snyder Corporation
Attn: Steve Smith

Proposed notification/advertisement for OCD docket

12462

Case _____: Application of Santa Fe Snyder Corporation for an unorthodox gas well location, Lea County, New Mexico. Applicant seeks approval to produce its Outland State Unit Well No. 1 at an unorthodox gas well location 739 feet from the west line and 638 feet from the south line (Unit M) of Section 12, Township 21 South, Range 34 East, NMPM, for production from the Morrow formation, Wilson-Morrow Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the W/2 of this section. This location is located approximately 16 miles west-northwest of Eunice, New Mexico.

**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 AN UNORTHODOX GAS WELL LOCATION,
LEA COUNTY, NEW MEXICO**

CASE: 12462

APPLICATION

Comes now SANTA FE SNYDER CORPORATION ("Santa Fe") by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division ("NMOCD") for approval to produce its Outland State Unit Well No. 1 at an unorthodox gas well location 739 feet from the west line and 638 feet from the south line (Unit M) of Section 12, Township 21 South, Range 34 East, NMPM, for production from the Morrow formation, Wilson-Morrow Gas Pool to be dedicated to a 320-acre gas spacing and proration unit consisting of the W/2 of this section.

In support thereof, Applicant states:

1. Applicant, Santa Fe, is the operator of the Outland State Unit Well No. 1 which was drilled at an unorthodox gas well location when the drilling of the original wellbore at a standard location failed at approximately 5,000 feet and the rig was skid and the well redrilled to a location 739 feet from the west line and 638 feet from the south line of Section 12, T21S, R34E, NMPM.
2. This well location is subject to the Division's General Rule 104 which provides for 320-acre spacing units and standard well locations not closer than 660 feet to any boundary of that 160 acre portion of the 320-acre spacing unit in which the well is location.

3. Chesapeake proposes to dedicate the E/2 of Section 15 to the well if it is capable of gas production from the Morrow formation.

4. This well is located at a standard distance from diagonally offsetting Section 14 but encroaches towards Section 13.

5. Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

6. Chesapeake has sent notification of this application and hearing to the parties shown on Exhibit "A".

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

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