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June 20, 1988

W. Thomas Kellahin
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RECEIVED Telephone 982-4285
Area Code 505

JUN 21 1988

OIL CONSERVATION DIVISION

Mr. William J. LeMay
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Application of Terra Resources, Inc.
For Compulsory Pooling and
Unorthodox Location, Eddy County
New Mexico.

Case 9438

Dear Mr. LeMay:

Please find enclosed our application on behalf of Terra Resources Inc. for a compulsory pooling order and an unorthodox location. We request that this application be set on the examiner's docket now scheduled for July 20, 1988.

We suggest the following for an advertisement for the newspaper and for the docket:

Application of Terra Resources Inc. for compulsory pooling and an unorthodox well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the top of Wolfcamp to either the base of the Morrow formation or to a depth of 11,500 feet, whichever is deeper, underlying the E/2 of Section 8, T21S, R27E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for a well to be drilled at an unorthodox gas location 660 feet from the South line and 660 feet from the East line of Section 8 to be dedicated to its subject well.

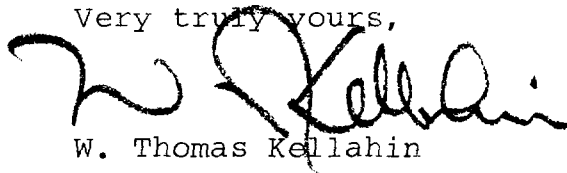
By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are directed to contact the Division or the applicant's

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attorney to determine what additional rights they may have. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production from the subject well.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Kevin Pfister
Terra Resources, Inc.
10 Desta Drive
Suite 500 West
Midland, Texas 79705

"Certified-Return Receipt Requested"

All parties listed in Exhibit "A" and "B"

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY AND MINERALS
OIL CONSERVATION DIVISION

RECEIVED

JUN 21 1988

OIL CONSERVATION DIVISION

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

CASE: 9438

A P P L I C A T I O N

COMES NOW TERRA RESOURCES INC., by and through his attorneys, Kellahin, Kellahin & Aubrey, and in accordance with Section 7-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest from top of Wolfcamp to the base of the Morrow formation or 11,500 feet, which ever is deeper, underlying the E/2 of Section 8, T21S, R27E, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for a well to be drilled at an unorthodox gas location 660 feet from the South line and 660 feet from the East line of Section 8 to be dedicated to the subject well to be drilled to a depth of approximately 11,500 feet.

1. Applicant, owns a 100% leasehold interest in the SE/4SE/4 Section of 8, T21S, R27E, Eddy County, New Mexico.

2. Exxon Company, U.S.A. owns the leasehold interest in the NE/4 of Section 8 which Applicant proposes to include in the spacing unit.

3. Applicant proposes to drill a well to test the Burton Flats Morrow Pool at an unorthodox location 660 feet from the South and East lines of said Section 8.

4. Applicant has recently acquired this interest and must commence the subject well by September 1, 1988 or lose its lease.

5. Concurrently with this application, Applicant is seeking either voluntary agreement for pool or farmout from Exxon, USA, Inc., but in the event it is unable to do so on a voluntary basis seeks to have this interest pooled. Applicant has provided notice to Exxon, USA, Inc. as shown on Exhibit "A".

6. The adjacent offset operators towards whom the subject well will be located are as set forth on Exhibit "B".

7. Pursuant to Division notice requirements, applicant has notified the parties listed in Exhibit "A" and "B", attached hereto, of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on July 20, 1988.

8. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing 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 interest described herein. Applicant further prays that it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling the subject well at an unorthodox location, completing and equipping it, costs of operation, including costs of supervision and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,



By
W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

Exhibit "A"

Mr. Bill Duncan
Exxon Company, U. S. A.
P. O. Box 1600
Midland, Texas 79702

Exhibit "B"

OFFSET OPERATORS

Mr. Bill Duncan
Exxon Company, USA
P. O. Box 1600
Midland, Texas 79702

Mr. Dick Hocker
OXY, USA, Inc.
Box 300
Tulsa, Oklahoma 74102

Yates Drilling Company
Attn: Mr. Randy Patterson
110 South Fourth Street
Artesia, New Mexico 88210

Yates Petroleum Corporation
Attn: Mr. Randy Patterson
105 South Fourth Street
Artesia, New Mexico 88210

ABO Petroleum Corporation
207 South 4th Street
Artesia, New Mexico 88210

Myco Industries, Inc.
207 South 4th Street
Artesia, New Mexico 88210