

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

August 8, 1988

RECEIVED

AUG 8 1988

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

OIL CONSERVATION DIVISION

"Hand Delivered"

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

Case 9472

Dear Mr. LeMay:

Please find enclosed our application on behalf of Terra Resources Inc. for a compulsory pooling order. We request that this application be set on the examiner's docket now scheduled for August 31, 1988.

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

Application of Terra Resources Inc. for compulsory pooling, 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 9300 feet, whichever is deeper, underlying the W/2 of Section 31, T18S, R26E, NMPM, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for a well to be drilled at a standard location 1650 feet from the North line and 1516 feet from the West line of Section 31 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

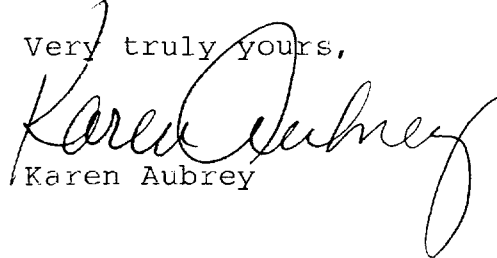
Mr. William J. LeMay
August 8, 1988
Page 2

AUG 8 1988

OIL CONSERVATION DIVISION

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,



Karen Aubrey

WTK/pm
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"

RECEIVED

AUG 8 1983

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

OIL CONSERVATION DIVISION

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

CASE: 9472

A P P L I C A T I O N

COMES NOW TERRA RESOURCES INC., by and through its 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 interests from top of Wolfcamp to the base of the Morrow formation or 9300 feet, which ever is deeper, underlying the W/2 of Section 31, T18S, R26E, Eddy County, New Mexico, forming a standard 320-acre spacing and proration unit for its Sleepy #1 Well to be drilled at a standard gas well location 1650 feet from the North line and 1516 feet from the West line of Section 31 to be dedicated to the subject well to be drilled to a depth of approximately 9300 feet.

1. Applicant owns the right to drill and develop the W/2 Section 31, T18S, R26E, Eddy County, New Mexico.
2. Applicant has sought the voluntary participation of all parties in the creation of the above described

spacing and proration unit and the drilling of the above well.

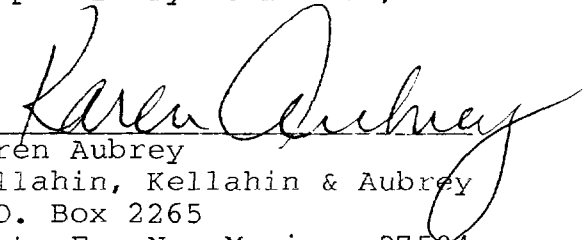
3. Pursuant to Division notice requirements, applicant has notified the parties listed in Exhibit "A", attached hereto, of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on August 31, 1988.

4. 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 interests 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 a standard 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 
Karen Aubrey
Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

Exhibit "A"

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

Yates Petroleum Corporation
Attn. Mr. Randy Patterson
207 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

Claudia Jane Burch
c/o P.O. Drawer 10505
Midland, TX 79702

R.J. Barnes Ramsland
c/o P.O. Drawer 10505
Midland, TX 79702

R.J. Ramsland, Jr.
c/o P.O. Drawer 10505
Midland, TX 79702

J. Clem Barnes
c/o P.O. Drawer 10505
Midland, TX 79702

Laurie M. Barr
c/o P.O. Box 505
Midland, TX 79702

Steve C. Barnes
c/o P.O. Box 505
Midland, TX 79702

Lonita S. Curtis
P.O. Box 440
Artesia, NM 88210

Ralph Nix
101 S. 7th
Artesia, NM 88210

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fé, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

August 9, 1988

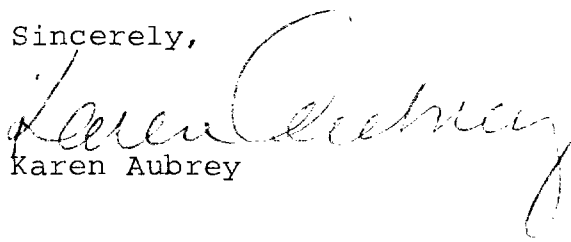
Mr. William J. LeMay
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87504

Case 9472

Dear Mr. LeMay:

I enclose Exhibit "B" to the application of Terra Resources. The Exhibit lists additional parties to whom notice, by certified mail has been given.

Sincerely,


Karen Aubrey

KA/pm
Enc

cc: To parties on Exhibit "B"

Exhibit "B"

Mark D. Wilson
4501 Greentree Blvd.
Midland, TX 79707

Yates Petroleum Corp.
105 South 4th Street
Artesia, NM 88210

Yates Drilling Company
105 South 4th Street
Artesia, New Mexico 88210

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

Amoco Production Company
200 North Lorraine, Suite 1200
Midland, Texas 79701

Roy G. Barton, Jr.
P.O. Box 978
Hobbs, New Mexico 88240

Richard Lyons Moore
310 West Wall, Suite 404
Midland, Texas 79701

Michael Harrison Moore
310 West Wall, Suite 404
Midland, Texas 79701

Stephen Scott Moore
310 West Wall, Suite 404
Midland, Texas 79701

Eugene E. Nearburg
P.O. Box 31405
Dallas, Texas 75231

Tom L. Ingram
P.O. Box 1757
Roswell, New Mexico 88201

S. P. Yates
105 South 4th Street
Artesia, New Mexico 88210

John A. Yates
105 South 4th Street
Artesia, New Mexico 88210

Los Chicos
105 South 4th Street
Artesia, New Mexico 88210

Loco 79 Ltd.
305 South 5th Street
Artesia, New Mexico 88210

Robert E. Bowling
305 South 5th Street
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Post Office Box 2265

Santa Fé, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

August 11, 1988

Call No. 9477

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

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

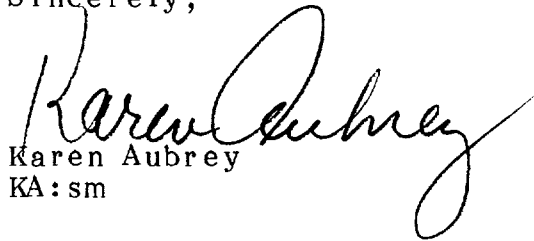
Dear Mr. LeMay:

This letter constitutes an amendment to the Application of Terra Resources for Compulsory Pooling, Eddy County New Mexico filed on August 8, 1988.

We have been informed that the well location set out in that application may be unorthodox. Therefore, we ask the Division to approve, as an unorthodox location, a well located 1650 FNL and 1516 FWL, Section 31, T18S, R26E, Eddy County New Mexico.

By copy of this letter sent by certified mail, we are notifying all offset operators of our request for approval of this location, if indeed it is unorthodox.

Sincerely,


Karen Aubrey
KA:sm

KELLAHIN, KELLAHIN & AUBREY

xc:

William R. Humphries
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148

Yates Petroleum Corp.
105 S. 4th St.
Artesia, New Mexico 88210

Yates Drilling Co.
105 S. 4th St.
Artesia, New Mexico 88210

Martin Yates III
105 S. 4th St.
Artesia, New Mexico 88210

John A. Yates
105 S. 4th St.
Artesia, New Mexico 88210

Marathon Oil
125 W. Missouri
Midland, Texas 79701

Jennings Production Co.
1910 Pacific Avenue
Dallas, Texas 75201

S. P. Yates
1055 4th St.
Artesia, New Mexico 88210

MYCO
1055 4th St.
Artesia, New Mexico 88210

Maralo
Attn: Mark Wheeler
P. O. Box 832
Midland, Texas 79702

ABO Petroleum Co.
105 S. 4th St.
Artesia, New Mexico 88210

KELLAHIN, KELLAHIN and AUBREY

Attorneys at Law

W. Thomas Kellahin
Karen Aubrey

El Patio - 117 North Guadalupe
Post Office Box 2265

Telephone 982-4285
Area Code 505

Jason Kellahin
Of Counsel

Santa Fé, New Mexico 87504-2265

RECEIVED

August 24, 1988

AUG 24 1988

OIL CONSERVATION DIVISION

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

"Hand Delivered"

Re: First Amended Application
of Terra Resources, Inc
For Compulsory Pooling
Eddy County New Mexico.
NMOCD Case 9472

Dear Mr. LeMay:

Please find enclosed our first amended application on behalf of Terra Resources, Inc. for a compulsory pooling and unorthodox well location order. The original application was filed on August 31, 1988 as Division Case 9472. Terra Resources is moving its location so that it will be a standard well location as to all the deep gas pools with the exception of the Atoka-Penn pool. Accordingly, please readvertise and continue Case 9472 to the Examiner docket set for September 14, 1988.

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

(Continued and readvertised from August 31, 1988 examiner's hearing) 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 the Wolfcamp to either the base of the Morrow formation or to a depth of 9300 feet, whichever is deeper, (which includes but is not necessarily limited to the Undesignated Dayton-Wolfcamp Gas Pool, Undesignated Boyd-Morrow Gas Pool, and Undesignated Atoka-Pennsylvanian Gas Pool) underlying Lots 1 through 4 and the E/2 W/2 of Section 31, Township 18 South, Range 26 East, NMPM, Eddy County, New Mexico, forming a standard 316-acre, more or less, gas

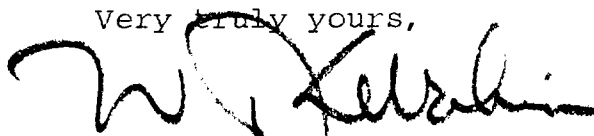
KELLAHIN, KELLAHIN and AUBREY

Mr. William J. LeMay
August 24, 1988
Page 2

spacing and proration unit, to be dedicated to a well to be drilled at an unorthodox gas well location 1980 feet from the North line and 1513 feet from the West line (Unit F) of said Section 31. Also to be considered will be the 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 the applicant as operator of the well and a charge for risk involved in drilling said well. Said location is approximately 6 miles northwest by north of Lakewood, New Mexico.

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 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:pm
Enc.

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

"Certified Return-Receipt Requested"
All Parties listed in Exhibit "B", "C" & "D"

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

IN THE MATTER OF THE APPLICATION
OF TERRA RESOURCES INC
COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO.

CASE: 9472

FIRST AMENDED
A P P L I C A T I O N

COMES NOW, TERRA RESOURCES INC., by and through its 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 interests from top of Wolfcamp to the base of the Morrow formation or 9300 feet, which ever is deeper, underlying the W/2 of Section 31, T18S, R26E, Eddy County, New Mexico, forming a standard 316 acre spacing and proration unit for its Sleepy #1 well to be drilled at an unorthodox gas well location 1980 feet from the North line and 1513 feet from the West line of Section 31 to be dedicated to the subject well to be drilled to a depth of approximately 9300 feet.

1. Applicant owns the right to drill and develop the W/2 Section 31, T18S, R26E, Eddy County, New Mexico.

2. Applicant proposes to drill the subject well at an unorthodox well location in the event of production

from the Atoka-Pennsylvanian Gas Pool and at a standard well location in the event of gas production from any other "deep" gas formation which is spaced on 320 acre spacing as shown on Exhibit "A" attached hereto.

3. Applicant has sought the voluntary participation of all parties in the creation of the above described spacing and proration unit and the drilling of the above well.

4. As of the date of this application, Terra Resources has been unable to obtain voluntary agreement from the following interested parties shown on Exhibit "B" attached hereto and incorporated by reference herein.

5. Applicant notified all of the offsetting parties shown on Exhibit "C" of the possibility of an unorthodox well location. Those parties are again notified that the applicant has amended its location to a standard location as to all deep gas pools except for the Atoka Penn Pool for which the subject well location will be crowding an interior quarter section line.

6. Applicant is unable to determine if the Yates Petroleum Corporation operated "Cost-A-Plente" Working Interest Unit, dated August 31, 1979, and covering the S/2 of the subject section 31 (along with other acreage) is still in full force and effect. Accordingly, in the

event said unit is not effective, then applicant has notified and intends by this application to pool any and all mineral interest owners in the Cost-A-Plente Unit that are affected by this application. Said mineral interest owners are shown on Exhibit "D" attached hereto.


7. Pursuant to Division notice requirements, applicant has notified the parties listed in Exhibit "B,C,D", attached hereto, of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on September 14, 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, completing and equipping the subject

well, 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,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is written in a cursive style with a large initial "W" and a long, sweeping tail.

By W. Thomas Kellahin
W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

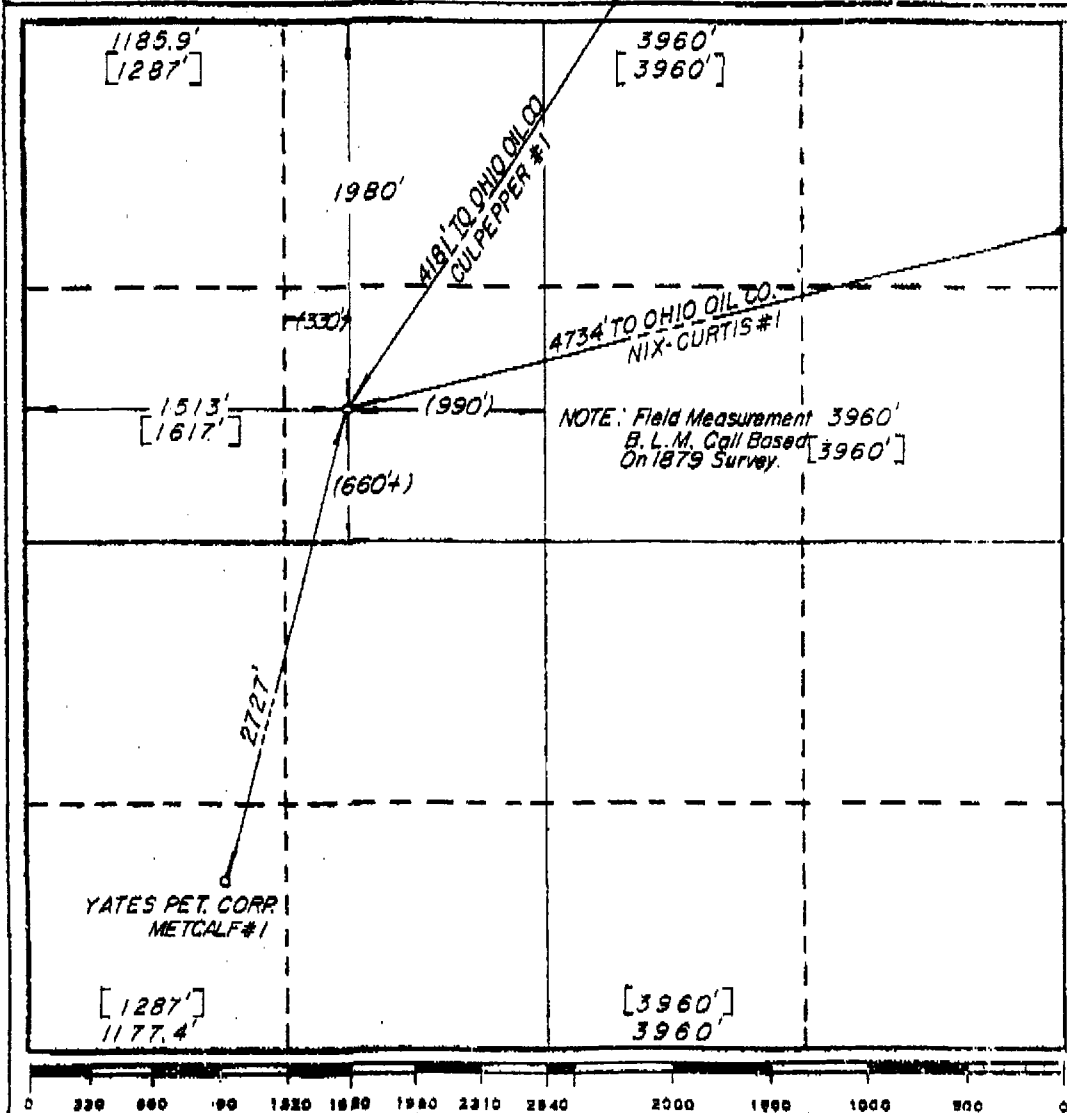
Operator TERRA RESOURCES, INC.		Lessee SLEEPY		Well No. #1
Unit Letter F	Section 31	Township 18-SOUTH	Range 26-EAST	County EDDY
Actual Footage Location of Well: 1980 feet from the NORTH line and 1513 feet from the WEST line				
Ground Level Elev. 3468'	Producing Formation		Pool	Dedicated Acreage Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION	
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
Name	_____
Position	_____
Company	<i>CONFIDENTIAL</i>
Date	_____
Case#	PLAINTIFF'S EXHIBIT A
I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.	
AUGUST 22, 1988	
Date Surveyed	_____
Richard B. Duniver	
Registered Professional Engineer and/or Land Surveyor	
<i>Richard B. Duniver</i>	
Certificate No.	4882

Exhibit "B"

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

Claudia Jane Burch
c/o P.O. Drawer 10505
Midland, TX 79702

R.J. Barnes Ramsland
c/o P.O. Drawer 10505
Midland, TX 79702

R.J. Ramsland, Jr.
c/o P.O. Drawer 10505
Midland, TX 79702

J. Clem Barnes
c/o P.O. Drawer 10505
Midland, TX 79702

Laurie M. Barr
c/o P.O. Box 505
Midland, TX 79702

Steve C. Barnes
c/o P.O. Box 505
Midland, TX 79702

Lonita S. Curtis
P.O. Box 440
Artesia, NM 88210

Ralph Nix
101 S. 7th
Artesia, NM 88210

Sarah Garretson
4820 W. Grove Avenue
#2107
Dallas, TX 75248

Mark D. Wilson
4501 Greentree Blvd.
Midland, TX 79707

Yates Petroleum Corp.
105 South 4th Street
Artesia, NM 88210

Yates Drilling Company
105 South 4th Street
Artesia, NM 88210

ABO Petroleum Corporation
105 South 4th Street
Artesia, NM 88210

Amoco Production Company
200 North Lorraine, Suite 1200
Midland, TX 79701

Roy G. Barton, Jr.
P.O. Box 978
Hobbs, NM 88240

Richard Lyons Moore
310 West Wall, Suite 404
Midland, TX 79701

Michael Harrison Moore
310 West Wall, Suite 404
Midland, TX 79701

Stephen Scott Moore
310 West Wall, Suite 404
Midland, TX 79701

Eugene E. Nearburg
P.O. Box 31405
Dallas, TX 75231

Tom L. Ingram
P.O. Box 1757
Roswell, NM 88201

S. P. Yates
105 South 4th Street
Artesia, NM 88210

John A. Yates
105 South 4th Street
Artesia, NM 88210

Los Chicos
105 South 4th Street
Artesia, NM 88210

Loco 79 Ltd.
305 South 5th Street
Artesia, NM 88210

Robert E. Bowling
305 South 5th Street
Artesia, NM 88210

Marathon Oil Company
Attn. Mr. Steve Daniels
P.O. Box 552
Midland, TX 79702

Exhibit "C"

William R. Humphries
Commissioner of Public Lands
P.O. Box 1148
Santa Fe, NM 87504-1148

Yates Petroleum Corp.
105 S. 4th St.
Artesia, NM 88210

Yates Drilling Co.
105 S. 4th St.
Artesia, NM 88210

Martin Yates III
105 S. 4th St.
Artesia, NM 88210

John A. Yates
105 S. 4th St.
Artesia, NM 88210

Marathon Oil
125 W. Missouri
Midland, TX 79701

Jennings Production Co.
1910 Pacific Avenue
Dallas, TX 75201

S. P. Yates
1055 4th St.
Artesia, NM 88210

Maralo
Attn. Mark Wheeler
P.O. Box 832
Midland, TX 79702

ABO Petroleum Co.
105 S. 4th St.
Artesia, NM 88210

Exhibit "D"

TRACT VI

Acres 39

Lot 3 (NW/4 SW/4 - 39 acres) Section 31, T18S, R26E

<u>NO.</u>	<u>NAME</u>	<u>INTEREST</u>	<u>ACRES</u>	<u>LEASE NO.</u>
3.	Lonita S. Curtis,	1/16	2.4375	YATES
4.	Ralph Nix	1/16	2.4375	YATES

TRACT VII

Acres 19.5

N/2 Lot 4 (N/2 SW/4) Section 31, 518S, R26E

<u>NO.</u>	<u>NAME</u>	<u>INTERST</u>	<u>ACRES</u>	<u>LEASE NO.</u>
*1.	Greta M. Edgington	1/2	10	UNIT
2.	Eugene E. Nearburg	1/4	5	UNIT
3.	Tom L. Ingram	1/4	5	UNIT

TRACT VIII

Acres 19.5

S/2 Lot 4 (S/2 SW/4 SW/4) Section 31, T18S, R26E

<u>NO.</u>	<u>NAME</u>	<u>INTERST</u>	<u>ACRES</u>	<u>LEASE NO.</u>
**1.	Eileen A. Metcalf	14/32	8.75	UNIT
2.	Leonard Pfof	6/32	3.75	UNIT
3.	Glenn A. Pfof	6/32	3.75	UNIT
4.	Susan J. Kravig	1/32	0.625	UNIT
5.	Norman Pfof	1/32	0.625	UNIT
6.	Jerry R. Pfof	1/32	0.625	UNIT
7.	Thomas D. Pfof	1/32	0.625	UNIT
8.	Jack L. Pfof	1/32	0.625	UNIT
9.	Douglas M. Pfof	1/32	0.625	UNIT

* Notification was sent to:

Greta M. Edgington
1715 20th Street
Gering, Nebraska 69341

** Notification to parties 1-9 was sent in care of:

Eileen A. Metcalf
P.O. Box 72
Palmer Lake, Colorado 80133