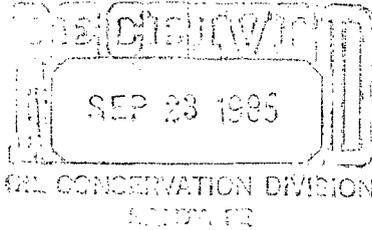


Release 11-21-85
OK from RLS

B4 DRC



Grace Petroleum Corporation
Subsidiary of W. R. Grace & Co.

Midland District Office

Phone (915) 683-4793

Mailing Address:

P. O. Drawer 2358

Midland, Texas 79702

September 18, 1985

State of New Mexico
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501
Attn: Richard L. Stamets - Director

NSL-2191
RULE-104 F(I)

South Salt Lake Atoka Gas Pool
320 Acre std. W/2 Section 25, T-20-S, R-32-E

Re: Request for Administrative Approval
Exception to Spacing Requirements
Rule 104 B.I(a) for Wildcat Wells
Lea County, New Mexico
~~Felmont Federal No. 2~~
W/2, Sec. 25, T-20-S, R-32-E

Gentlemen:

Grace Petroleum Corporation respectfully requests administrative approval for an exception to spacing requirements of Rule 104 B.I(a). Grace Petroleum Corporation proposes to plug back and recomplete their directionally drilled Felmont Federal No. 2 well in the Atoka formation from 13360'-13370'. The bottom-hole unorthodox location @ 13370' is 1194' FSL and 1659' FWE of Sec. 25, T-20-S, R-32-E, Lea County, New Mexico. The end line distance of 1194' for the proposed 320 acre standard proration unit (w/2 of Sec. 25) does not meet the 1980' requirement. The distance to the nearest Qtr.-Qtr. section line is 124', an exception to the 330' requirement in Rule 104 B.I(a).

As shown on the attached plat, Grace Petroleum Corporation directionally drilled the Felmont Federal No. 2 and completed the well in the Morrow. A non-standard 320 acre gas unit consisting of the SW/4 of Sec. 25 and the NW/4 of Sec. 36 was approved 2-14-79 by Order No. R-5521-A, Case No. 6448 for the Morrow formation. Bottom hole location was 1364' FSL and 4037' FEL of Sec. 25. Directional drilling was done from Texaco's Audie Richards No.1 pad @ a surface location of 660' FSL & 760' FEL of Sec. 25. The well was directionally drilled to meet Potash restrictions for the area. A standard 320 acre proration unit is proposed for the Atoka completion, utilizing the NW/4 of Sec. 25 that is also half of the Morrow proration unit for Grace's Felmont Federal No. 1.

directionally
Remarks: This well was originally drilled from a surface location of 660 FSL and 760 FEL of Section 25 to the Morrow formation at a bottomhole unorthodox location of 1364 FSL and 4037 FWE of Section 25. This original unorthodox bottomhole location was approved by Division Order R-5521. Also approval by R-5521 was a non-standard proration unit consisting of the SW/4 of Section 25 and the NW/4 of Section 36. This proration unit will be terminated and the new standard proration unit as described above will be dedicated to the well.

R-5221

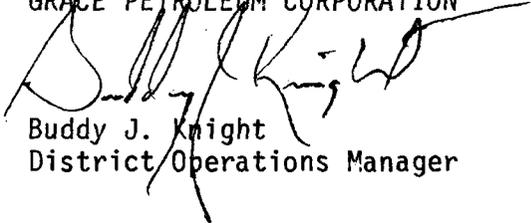
Page -2-
September 18, 1985

The Morrow formation in Felmont Federal No. 2 is no longer commercial. A successful Atoka completion would increase recovery and prevent waste.

Owners of offset leases (list attached) are shown on the attached plat and are being notified by certified mail with copies of this request. Completed wells on offset leases are also shown on the attached plat.

Yours very truly,

GRACE PETROLEUM CORPORATION



Buddy J. Knight
District Operations Manager

DWR/pr

xc: State of N.M.-OCD - Orig & 2
DWR-RF
Well File
Offset Operators - List attached

OWNERSHIP OF OFFSET LEASES
FELMONT FEDERAL NO. 2
LEA COUNTY, NEW MEXICO

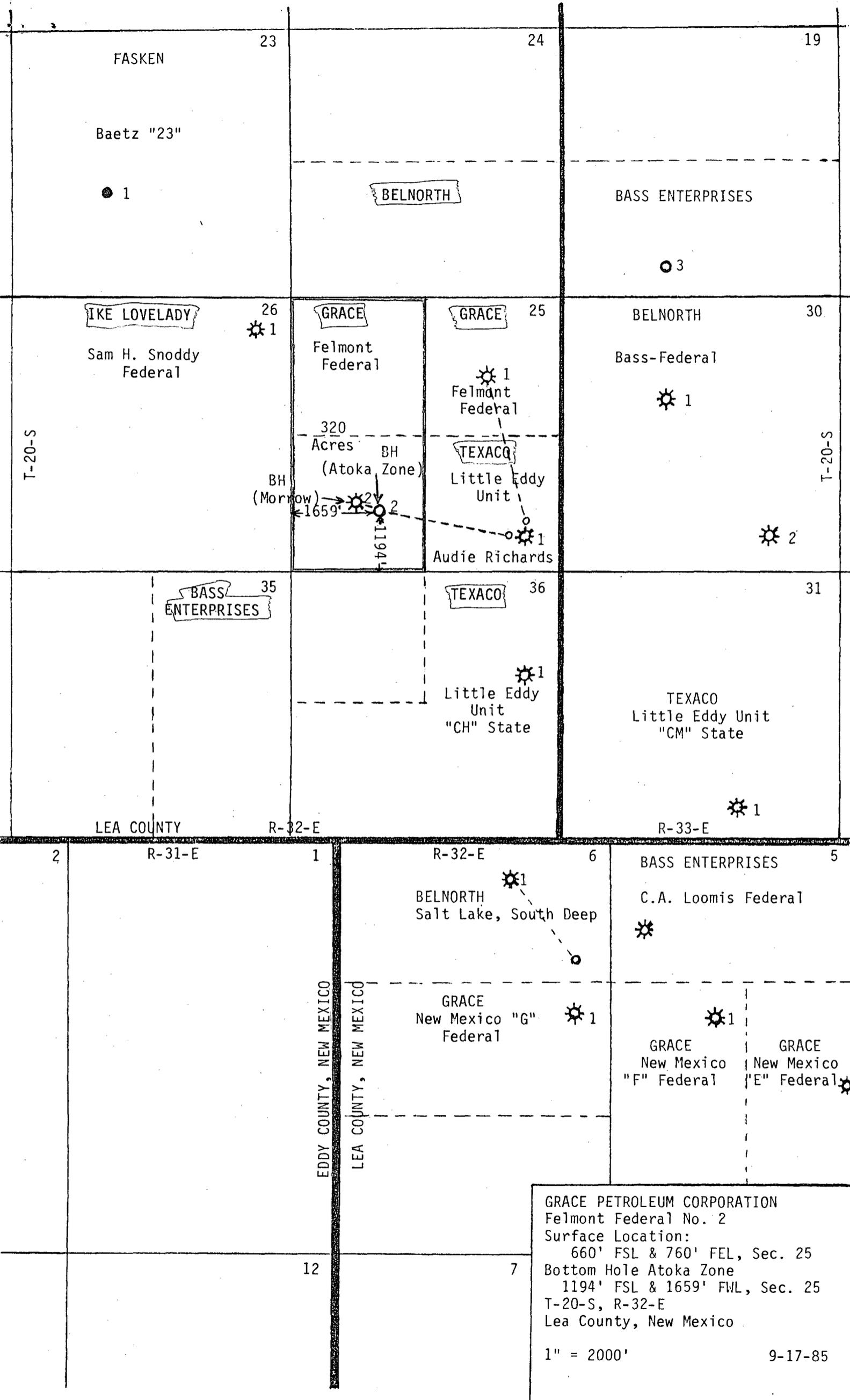
Belnorth Petroleum Corporation
One Petroleum Center
3300 North "A" St.
Building 6
Midland, Texas 79705

Lovelady, Ike, Inc.
Box 2666
Midland, Texas 79702

Bass Enterprises Production Company
Box 2760
Midland, Texas 79702

Texaco, Inc.
Box 3109
Midland, Texas 79702

Fasken, David
608 First National Bank Building
Midland, Texas 79701



IKE LOVELADY

Sam H. Snoddy Federal

GRACE

Felmont Federal

GRACE

Felmont Federal

TEXACO

Little Eddy Unit

Audie Richards

BELNORTH

BASS ENTERPRISES

BASS ENTERPRISES

TEXACO

Little Eddy Unit
"CH" State

TEXACO
Little Eddy Unit
"CM" State

BELNORTH
Salt Lake, South Deep

GRACE
New Mexico "G"
Federal

GRACE
New Mexico
"F" Federal

GRACE
New Mexico
"E" Federal

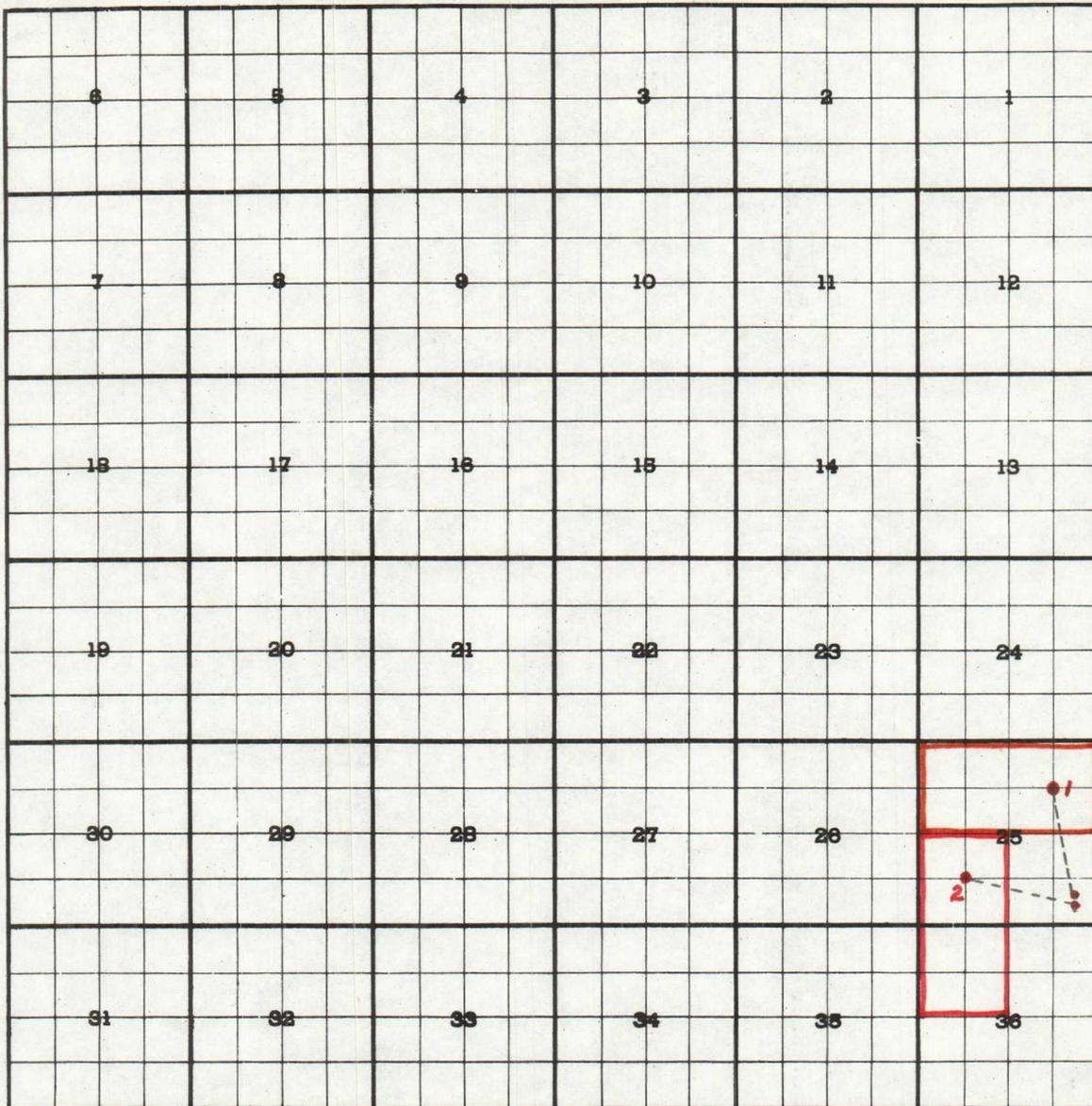
GRACE PETROLEUM CORPORATION
Felmont Federal No. 2
Surface Location:
660' FSL & 760' FEL, Sec. 25
Bottom Hole Atoka Zone
1194' FSL & 1659' FWL, Sec. 25
T-20-S, R-32-E
Lea County, New Mexico

1" = 2000'

9-17-85

County _____ Pool _____

TOWNSHIP _____ South, RANGE _____ East, NEW MEXICO PRINCIPAL MERIDIAN



14,000' Morrow Gas Wells.

Bottomhole Location 1194 FSL

1659 FWL

Prepared for reference only by D. Catant