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NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

April 6, 2000

HAND DELIVERED

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

#12393

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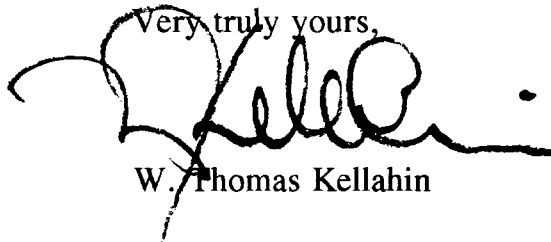
OIL CONSERVATION DIV

**Re: Paloma Blanco "17" Federal Well No. 1
N/2 Section 17, T23S, R34E, NMPM
Application of Santa Fe Snyder Corporation
for compulsory pooling, Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Santa Fe Snyder Corporation, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 4, 2000. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Santa Fe Snyder Corporation
Attn: Steve Smith

#12393

CASE ____: Application of Santa Fe Snyder Corporation, for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage within Section 17, T23S, R34E, NMPM, Lea County, New Mexico, in the following manner: the N/2 of this section to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent, including but not limited to the Antelope Ridge-Morrow Gas Pool; the NW/4 of this section to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent; and the SW/4NW/4 of this section to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within this vertical extent. This unit(s) is to be dedicated to its Paloma Blanco"17" Federal Well No. 1 to be drilled and completed at a standard well location in Unit E of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well. This unit is located approximately 22 miles southwest 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 COMPULSORY POOLING
LEA COUNTY, NEW MEXICO.

CASE NO. 12393

A P P L I C A T I O N

Comes now SANTA FE SNYDER CORPORATION, by its attorneys, Kellahin & Kellahin and, in accordance with NMSA 1978, Section 70-2-17.C, applies to the New Mexico Oil Conservation Division for an order pooling all interests from the surface to the base of the Morrow formation underlying the following described acreage within Section 17, T23S, R34E, NMPM, Lea County, New Mexico, in the following manner: the N/2 of this section to form a standard 320-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within this vertical extent, including but not limited to the Antelope Ridge-Morrow Gas Pool; the NW/4 of this section to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within this vertical extent; and the SW/4NW/4 of this section to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within this vertical extent. This unit(s) is to be dedicated to its Paloma Blanco "17" Federal Well No. 1 to be drilled and completed at a standard well location in Unit E of this section. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in this well.

In support of its application, Santa Fe Snyder Corporation, ("Santa Fe") states:

1. Santa Fe has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying a portion of the N/2 of Section 17, T23S, R34E, NMPM, Lea County, New Mexico.
2. Santa Fe has proposed this well to all of the appropriate interest owners in this spacing and proration unit.
3. Despite its good faith efforts, Santa Fe has been unable to obtain a written voluntary agreement from those remaining working interest owner listed on Exhibit "A."

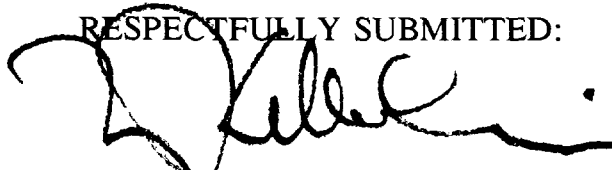
4. Pursuant to Section 70-2-17.C NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

5. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 4, 2000.

WHEREFORE, Santa Fe, as applicant, requests that this application be set for hearing on May 4, 2000 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 in the spacing unit for the drilling of this well at a standard gas well location upon terms and conditions which include:

- (1) Santa Fe Snyder Corporation be named operator;
- (2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating this well;
- (3) In the event a working interest or unleased mineral interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

NMOCD Application
Santa Fe Snyder Corporation
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Exhibit "A"

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
Attn: Samuel Glenn Thompson