



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

July 28, 2000

Lori Wrotenbery

Director

Oil Conservation Division

**Santa Fe Snyder Corporation
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265**

**Southwestern Energy Production Company
2350 N. Sam Houston Parkway East - Suite 300
Houston, Texas 77032**

Attention: Samuel G. Thompson

Re: *Administrative application of Santa Fe Snyder Corporation for an exception to Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for its recently drilled Outland State Unit Well No. 1-Y (API No. 30-025-34818) at an unorthodox gas well location 638 feet from the South line and 739 feet from the West line (Unit M) of Section 12, Township 21 South, Range 34 East, NMPM, Lea County, New Mexico. The W/2 of Section 12 is to be dedicated to this well in order to form a standard 320-acre stand-up gas spacing and proration unit for the Undesignated Wilson-Morrow Gas Pool.*

Dear Messrs. Kellahin and Thompson:

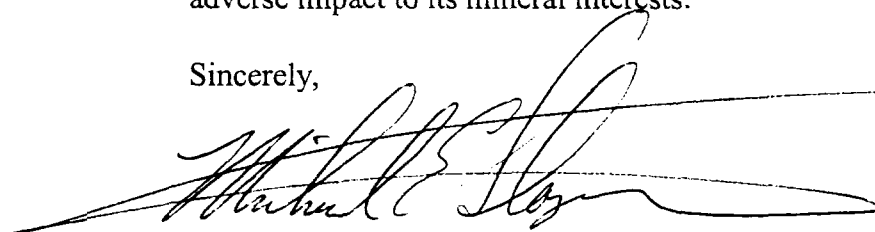
It is my understanding from Mr. David R. Catanach, Engineer/Hearing Examiner with the New Mexico Oil Conservation Division in Santa Fe that Mr. Samuel G. Thomson with Southwestern Energy Production Company voiced his concern over the telephone about Santa Fe Snyder Corporation's placement of the above-described Outland State Unit Well No. 1-Y. The Division's Hobbs district office under Division Rule 1303 allowed Santa Fe Snyder Corporation to skid its rig off of the Outland State Unit Well No. 1 (API No. 30-025-34736), located 660 feet from the South and West lines (Unit M) of Section 12, when a drilling problem occurred at a depth of 5,758 feet. Once it was discovered that a potential problem might exist with an offset interest owner to the placement of the Outland State Unit Well No. 1-Y, the Division requested that Santa Fe Snyder Corporation make an application pursuant to Division Rule 104.F for this unorthodox gas well location.

The Division upon reviewing Santa Fe Snyder Corporation's application dated July 6, 2000 has determined that under Division Rule 1207.A (2) (b) proper notification has been given to all affected parties to which the well is encroaching being Section 13 to the south.

It is further understood that Southwestern Energy Production Company owns the offset acreage to the southwest in Section 14; however, since this well is located further away from this acreage than a well at the nearest standard gas well location (being 660 feet from the South and West lines of Section 12), Southwestern Energy Production Company is not considered an affected party and is therefore not entitled to notice.

Assuming all current information is correct, the Division will therefore proceed accordingly in the processing of Santa Fe Snyder Corporation's July 6th application. Should Southwestern Energy Production Company have additional information that shows it to be an affected party under Division Rule 1207.A (2) (b) or disagree with the Division's actions in this matter, Southwestern Energy Production Company is encouraged to bring such action as is necessary to correct against any adverse impact to its mineral interests.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe
Mr. David R. Catanach, Engineer/Hearing Examiner - NMOCD, Santa Fe
New Mexico State Land Office - Santa Fe
File: Case 12462