



ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

June 1, 1988

Terra Resources, Inc.
c/o Kellahin, Kellahin & Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Attention: W. Thomas Kellahin

RE: Correction - Administrative Order
DD-20 (NSBHL)

Dear Mr. Kellahin:

The surface location as shown on the subject order was in error and should therefore be amended to read, "...1110 feet from the South line and 660 feet from the East line (Unit P)..." All other provisions of said Order DD-20 (NSBHL) shall remain in full force and effect until further notice.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Petroleum Engineer

MES/ag

cc: Oil Conservation Division - Artesia
Case File No. 9332
State Land Office - Santa Fe



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GARREY CARRUTHERS
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SANTA FE, NEW MEXICO 87504
(505) 827-5800

May 26, 1988

Terra Resources, Inc.
c/o Kellahin, Kellahin and Aubrey
P.O. Box 2265
Santa Fe, NM 87504-2265

Attention: W. Thomas Kellahin

ADMINISTRATIVE ORDER DD-20 (NSBHL)

Under the provisions of General Rule 111 (c), (d) and (e), W. Thomas Kellahin, on behalf of Terra Resources, Inc., made application to the New Mexico Oil Conservation Division on April 29, 1988, for authorization to directionally drill Terra Resources, Inc. Terra Federal "22" Com Well No. 1, Undesignated Basin Atoka-Morrow Gas Pool, Chaves County, New Mexico.

The Division Director Finds That:

(1) The application has been duly filed under the provisions of Rule 111 (d) and (e) of the Division General Rules and Regulations;

(2) Satisfactory information has been provided that all offset operators have been duly notified;

(3) The applicant has presented satisfactory evidence that all requirements prescribed in General Rule 111 will be met; and,

(4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Terra Resources, Inc., is hereby authorized to directionally drill its Terra Federal "22" Com Well No. 1, from an unorthodox surface location 1100 feet from the South line and 660 feet from the East line (Unit P) of Section 22, Township 14 South, Range 27 East, NMPM, Chaves County, New Mexico, by kicking off from the vertical and drilling in such a manner as to bottom it in the Undesignated Atoka-Morrow Gas Pool at a previously approved

unorthodox (bottom hole) location 660 feet from the South and East lines (Unit P) of said Section 22 (R-8629). The E/2 of said Section 22 to be dedicated to said well forming a standard 320-acre gas spacing and proration unit for said pool.

PROVIDED HOWEVER THAT: prior to directional drilling, the operator shall determine the subsurface location of the kick-off point; and

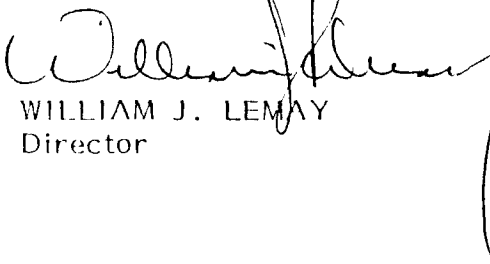
PROVIDED FURTHER THAT: subsequent to the above-described directional drilling, should said well be a producer, a continuous multi-shot directional survey shall be made of the wellbore from total depth to the kick-off point with shot points not more than 100 feet apart; the operator shall cause the surveying company to forward a copy of the survey report directly to the Santa Fe office of the Division, P.O. Box 2088, Santa Fe, New Mexico 87504-2088, and the operator shall notify the Division's Artesia District Office of the date and time said survey is to be commenced.

(2) Form C-105 shall be filed in accordance with Division Rule 1105 and the operator shall indicate thereon true vertical depth in addition to measured depths.

(3) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

cc: Oil Conservation Division - Artesia
Case File No. 9332
New Mexico Oil and Gas Engineering Committee - Hobbs
State Land Office - Santa Fe