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W. Thomas Kellahin
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Jason Kellahin
Of Counsel

June 5, 1987

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

"Hand Delivered"

Re: Terra Resources Inc.
Application for Hearing

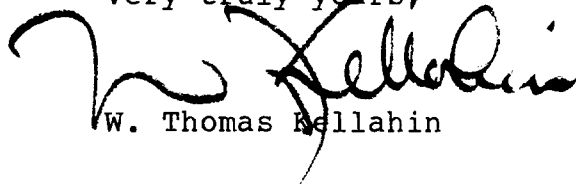
Case 9165

Dear Mr. LeMay:

On behalf of Terra Resources, Inc., please set the enclosed application for approval of a non-standard proration and spacing unit and unorthodox well location case for hearing at the Examiner Hearing now set for July 1, 1987.

By copy of this letter, including application, we are forwarding notice by certified mail to all affected parties pursuant to Division rules. Should any party desire further information about this case, they may contact the undersigned.

Very truly yours,


W. Thomas Kellahin

WTK:ca
Enc.

cc: Kevin Pfister
Terra Resources
10 Desta Drive, Suite 500-W
Midland, Texas 79701

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All Parties in Exhibit "A" (Certified Mail)

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

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IN THE MATTER OF THE APPLICATION
OF TERRA RESOURCES, INC. FOR
APPROVAL OF A NON-STANDARD
PRORATION AND SPACING UNIT AND
UNORTHODOX WELL LOCATION
EDDY COUNTY, NEW MEXICO.

CASE: 9165

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 request that the Division approve its application for the creation of a 160-acre non-standard spacing and proration unit in the East Carlsbad Wolfcamp Gas Pool, Eddy County, New Mexico, consisting of the SW/4 of Section 1, T22S, R27E, NMPM, and to approve an unorthodox gas well location 1330 feet from the South line and 660 feet from the West line of said Section 1 and in support thereof would show:

1. Applicant is the proposed operator of a well to be drilled at a location 1330 feet from the South line and 660 feet from the West line of Section 1, T22S, R27E, NMPM, Eddy County, New Mexico.

2. That the subject well is intended for the East Carlsbad Wolfcamp Gas Pool.

3. The said pool was spaced on 320 acre spacing as a result of Division Order R-5144 entered January 14, 1976.

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4. However, there are already 160 acre non-standard proration and spacing units approved for producing gas wells in the NE/4 and the NW/4 of Section 1 as well as the NE/4 and SE/4 of Section 2.

5. Applicant proposes to dedicate the SW/4 of Section 1 to the well and seeks approval of the SW/4 as a non-standard 160 acre spacing and proration unit.

6. In addition, the proposed well location is unorthodox in that it is closer than 330 feet to a quarter-quarter section line, but is standard location from the outer boundary of the proposed unit, if a 160 acre tract is approved.

7. Attached as Exhibit "A" is a list of the offset operators that may be affected by this application to which notice has been provided pursuant to Division rules and regulations.

WHEREFORE, applicant requests that this matter be set for hearing and that after notice and hearing the application be granted as requested.

Respectfully submitted:



W. Thomas Kellahin
Kellahin, Kellahin & Aubrey
P. O. Box 2265
Santa Fe, New Mexico 87504

EXHIBIT "A"

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TXO Production Corporation
900 Wilco Building
Midland, Texas 79701

Western Oil Producers Inc.
P. O. Box 2055
Roswell, New Mexico 88201

Champlin Petroleum Company
300 Wilco Building
Midland, Texas 79701

Santa Fe Energy Company
500 W. Illinois
Midland, Texas 79701