



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

July 8, 1996

Santa Fe Energy Resources, Inc.
c/o Hinkle, Cox, Eaton, Coffield & Hensley, L.L.P.
P. O. Box 2068
Santa Fe, New Mexico 87504-2068
Attention: James Bruce

Administrative Order NSL-3690

Dear Mr. Bruce:

Reference is made to your application dated June 4, 1995, on behalf of the operator Santa Fe Energy Resources, Inc., for an unorthodox gas well location in the Indian Basin-Morrow Gas Pool for your proposed Indian Basin "F" Well No. 2. Said well to be drilled 1115 feet from the South line and 2055 feet from the East line (Unit O) of Section 25, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

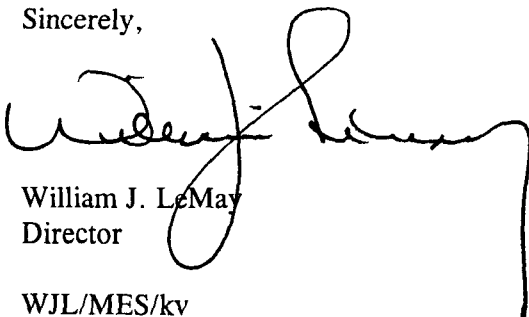
All of said Section 25 being a standard 640-acre gas spacing and proration unit for said pool is to be dedicated to said well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of RULE 2(d) of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*", as promulgated by Division Order No. R-8170, as amended, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad