

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 1
CASE NO. 7973
Submitted by
Hearing Date

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

P. O. BOX 2088

SANTA FE, NEW MEXICO 87501

REVISED COPY

5A. Indicate Type of Lease
STATE ☒ FEDERAL ☐

5. State Oil & Gas Lease No.
LG-1125

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

Type of Work

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

Type of Well

OIL WELL ☐

GAS WELL ☒

OTHER

SINGLE ZONE ☐

MULTIPLE ZONE ☐

Name of Operator

Santa Fe Exploration Company (505-623-2733)

Address of Operator

P.O. Box 1136, Roswell, NM 88201

Location of Well

UNIT LETTER H

LOCATED 1980'

FEET FROM THE North

LINE

660' FEET FROM THE East

LINE OF SEC. 18

TWP. 18-S SEC. 34-E NMPM

7. Unit Agreement Name

8. Farm or Lease Name

Amoco State

9. Well No.

1

10. Field and Pool, or Wildcat

Wildcat

12. County

Lea

Elevations (show whether DF, RT, etc.)

4072.3 GL

21A. Kind & Status Plug. bond

one well

21B. Drilling Contractor

Unknown

19A. Formation

Morrow

20. Rotary or C.T.

Rotary

22. Approx. Date Work will start

3/30/83

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2"	13-3/8"	48" H 40	400'	Circulate to surface	
12 1/4"	8-5/8"	32# K55	4,600'	"	
12 1/4"	8-5/8"	32# S80	5,200'	"	
7-7/8"	5-1/2"	17# N Butt	2,200'	Sufficient to cover any productive zone	
7-7/8"	5-1/2"	17# LT&C	10,700'		
7-7/8"	5-1/2"	17# S 95	14,000'		

ABOVE SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTION ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

Steve I. Simmons

Title Steve I. Simmons, Agent

Date 10/5/83

(This space for State Use)

ORIGINAL SIGNED BY EDDIE SEAY

PROVED BY OIL & GAS INSPECTOR

DATE

OCT 6 1983

ADDITIONS OF APPROVAL, IF ANY:

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 2

CASE NO. 7973

Submitted by

Hearing Date



SANTA FE
EXPLORATION CO.

(915) 685-3368
300 WEST TEXAS ST. - SUITE 533
MIDLAND, TEXAS 79701

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88201

April 26, 1983

Marathon Oil Company
P.O. Box 552
Midland, TX 79702

Attention: Mr. E. L. Brimberry

Re: Section 18: W/2 SE/4
T-18-S, R-34-E
Lea County, New Mexico

Gentlemen:

As we discussed last Friday, Santa Fe Exploration Company is forming a working interest unit composed of Section 17 and the E/2 of Section 18 (960 acres \pm) Township 18 South, Range 34 East. The purpose of the unit is to test the Bone Spring, Wolfcamp and Morrow formations. The initial test site is located 1980' FNL and 660' FEL of Section 18 and will be drilled to approximately 13,500'.

The following is a listing of prospective participants and their respective ownerships in the unit:

Marathon Oil Company	80A/960A	=	8.3333%
Stumhoffer and Carr	120A/960A	=	12.5000%
Superior Oil Company	240A/960A	=	25.0000%
Santa Fe Exploration Co.	520A/960A	=	54.1667%

Santa Fe requests that you farmout your acreage or join in the working interest unit. Should you determine to farmout, Santa Fe proposes to Marathon an overriding royalty interest of 10.5% proportionately reduced (77% NRI to the working interest unit). Marathon would also have the option after payout on the initial well to convert the override to a 25% working interest proportionately reduced. The conversion option would apply only on a Morrow well. On Bone Spring or Wolfcamp wells, Marathon would have a straight 10.5% override. The above terms are proposed on the same basis as Santa Fe's farmout from Amoco.

If you have questions or I can help in any way, please call me in Roswell.

Sincerely,

William A. McAlpine, Jr.

WAM:jam

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION

EXHIBIT NO. 3

CASE NO. 7973

Submitted by _____

Hearing Date _____



SANTA FE
EXPLORATION CO.

(915) 685-3368
300 WEST TEXAS ST.—SUITE 533
MIDLAND, TEXAS 79701

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88201

May 13, 1983

Marathon Oil Company
P.O. Box 552
Midland, TX 79702

Attention: Mr. E. L. Brimberry

Re: Section 18: W/2 SE/4
T18S, R34E, Lea County, New Mexico

Gentlemen:

As we have discussed, Santa Fe Exploration Company is forming a working interest unit composed of Section 17 and the E/2 of Section 18 (960 acres \pm) T18S, R34E. Your acreage in Section 18 would be included in the unit. The initial purpose of the unit is to test the Bone Spring, Wolfcamp and Morrow formations. The initial test site is located 1980' FNL & 660' FEL of Section 18 and will be drilled to an approximate depth of 13,500'. The unit would begin immediately below the Queen formation and extend to all depths.

Santa Fe requests that you farmout your acreage or join in the working interest unit. Should you determine to farmout, Santa Fe proposes to Marathon an overriding royalty interest of 10.5% proportionately reduced (77% NRI to the working interest unit). Marathon would also have the option after payout on the initial well to convert the override to a 25% working interest proportionately reduced. The conversion option would apply only to a Morrow or deeper completion. On a completion above the Morrow, Marathon would have a straight override. By drilling the initial well, Santa Fe proposes to earn 100% of your interest below the Queen formation, save and except your override and option to convert, on your acreage in Section 18. The above terms are proposed on the same basis as Santa Fe's farmout from Amoco.

Santa Fe proposes that subsequent wells under the working interest unit would be developed on the following working interest basis:

Marathon	8.33% of acreage x 25% conversion =	2.0825% WI
Stumhoffer & Carr	12.5% of acreage x 25% conversion =	3.125% WI
Superior	25.0% of acreage x 25% conversion =	6.25% WI
Amoco	54.167% of acreage x 25% conversion =	13.54175% WI
Santa Fe		= 75.00075% WI

Marathon Oil Company
May 13, 1983

-2-

The above calculations are presented assuming each participant in the working interest unit would elect to convert their override to a working interest after payout.

Should you elect to join, your working interest would be 8.33% and would be subject to the 25% reversionary interests after payout held by Amoco, Superior and Stumhoffer & Carr in a Morrow well.

Santa Fe will prepare an operating agreement for participants of the working interest unit. However, so that we may move forward with the operations and negotiations, please sign below indicating your acceptance and approval of the general terms described above.

If you have questions, please call me in Roswell.

Sincerely,

SANTA FE EXPLORATION COMPANY

William A. McAlpine, Jr.

WAM:jam

APPROVED AND ACCEPTED THIS _____
DAY OF _____, 1983.

MARATHON OIL COMPANY

BY _____



SANTA FE
EXPLORATION CO.

(915) 685-8368
800 WEST TEXAS ST.—SUITE 538
MIDLAND, TEXAS 79701

(505) 623-2733
P. O. Box 1136
ROSWell, New Mexico 88201

June 10, 1983

Mr. John P. Duddleston
District Landman
Marathon Oil Company
P.O. Box 552
Midland, Texas 79702

Re: W/2 SE/4 Section 18, T-18-S, R-³⁴24-E
Lea County, New Mexico

Dear Mr. Duddleston:

Thanks for your letter of June 9, 1983 regarding the above captioned property. As we discussed today on the telephone, we have agreed to alter our original proposal to accomodate Superior Oil Company. Principally the trade changes to allow for a conversion in the over-ride to all depths in the unit rather than just the Morrow and deeper as outlined in my letter of May 13, 1983.

Again we appreciate your interest in this matter and hopefully the above will encourage Marathon to allow us to move forward with the drilling of a test well.

Sincerely,

William A. McAlpine, Jr.

WAM:jam

Midland District
Houston Division
Production Exploration, U.S. & Canada



**Marathon
Oil Company**

P.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626

June 9, 1983

Santa Fe Exploration Co.
P. O. Box 1136
Roswell, New Mexico 88201

Attention: Mr. William A. McAlpine, Jr.

Re: W/2 SE/4 Section 18, T-18-S, R-24-E³⁴
Lea County, New Mexico

Gentlemen:

Reference is made to your letter of May 13, 1983 requesting that Marathon Oil Company either farmout its acreage or join in your proposed 960 acre working interest unit in Sections 17 and the E/2 of 18, T-18-S, R-34-E.

Marathon has reviewed your proposal and has determined that we have no interest in farming out our acreage or joining the proposed unit at this time.

Yours very truly,

MARATHON OIL COMPANY

John P. Duddleston
District Landman

JPD/kb

Union Texas Petroleum Corporation

MEMORANDUM

DATE: September 8, 1983

TO: All Landmen

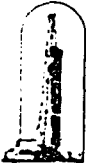
SUBJECT: Drilling and Producing Well Overhead Rates
Joint Operating Agreements

We have been advised by our Houston office to be guided by the following when determining appropriate drilling and producing well overhead rates to be inserted in the COPAS form attached as Exhibit "C" to JOA's.

<u>DEPTH</u>	<u>DRILLING RATE</u>	<u>PRODUCING RATE</u>
to 12,000'	\$4945	\$495
below 12,000'	\$5495	\$550


Larry D. Crowder

LDC:gld



SANTA FE
EXPLORATION CO.

(915) 685-3368
300 WEST TEXAS ST.—SUITE 533
MIDLAND, TEXAS 79701

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88201

August 25, 1983

Mr. John P. Duddleston
District Landman
Marathon Oil Company
P.O. Box 552
Midland, TX 79702

Re: W/2 SE/4 Section 18, T-18-S, R-34-E
Lea County, New Mexico

Dear Mr. Duddleston:

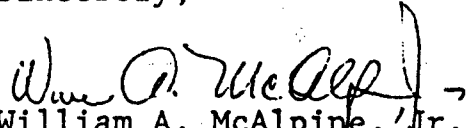
As we discussed on the phone several days ago, Santa Fe Exploration Company now has the approval of all lessees with the exception of Marathon to form a unit starting at the base of the Queen comprised of all of Section 17 and the E/2 of Section 18. We again request Marathon to join the unit and farmout to us on the same basis as Amoco, Superior and the independents who owned leases in this unit.

The trade would be Marathon to receive an overriding royalty interest of 10.5% proportionately reduced (77% NRI to the working interest unit). Marathon would also have the option after payout on the initial well to convert their override to a 25% working interest proportionately reduced.

Upon completion of the necessary papers we are prepared to move on a rotary rig for an immediate test of the Bone Spring, Wolfcamp and Morrow formations.

Thanks for your assistance in this regard.

Sincerely,


William A. McAlpine, Jr.

WAM:jam

Midland District
Houston Division
Production Exploration, U.S. & Canada



P.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626

September 28, 1983

Santa Fe Exploration Co.
P. O. Box 1136
Roswell, New Mexico 88201

Attention: Mr. William A. McAlpine, Jr.

Re: Marathon's Lease NM-1065 - State E-2444
W/2 SE/4 Section 18,
T-18-S, R-34-E, N.M.P.M.
Our E. K. Queen Area
Lea County, New Mexico

Gentlemen:

Reference is made to your initial letter of May 13, 1983, and subsequent letters, meetings, and phone conversations concerning the formation of a working interest unit comprised of Section 17 and the E/2 of Section 18 (960 acres \pm), T-18-S, R-34-E, Lea County, New Mexico, from the base of the Queen formation to extend to all depths, to drill a well to test the Bone Spring, Wolfcamp, and Morrow formations at a location 1980' FNL and 660' FEL of Section 18.

You have requested that Marathon either farm out or join in said unit as to its acreage in the W/2 of SE/4 of Section 18, T-18-S, R-34-E. By letters dated June 9 and June 13, 1983, Marathon has advised that we have no interest in your proposal. However, in an effort to minimize the problems associated with the drilling of said well, Marathon would be willing to recommend to its management for final approval, that we proceed as if a Force Pooling Order has been issued by the New Mexico Conservation Commission allowing for a 150% risk penalty plus well cost (a 250% payout) proportionately reduced for the Morrow rights only or any zones allocated to a 320 acre proration unit, and a well rate of not more than \$5,000.00 per month drilling and \$500.00 per month producing, with Marathon receiving all well information and a call on production as to its interest.

If this alternative is acceptable to you, please advise.

Yours very truly,

MARATHON OIL COMPANY

A handwritten signature in cursive script that reads 'John P. Duddleston'.

John P. Duddleston
District Landman

JPD:dkr

☐ UNION TEXAS PETROLEUM
☐ OTHER _____

WELL COST ESTIMATE

SOURCE 12 (1-2)		DATE August 5, 1983	
LEASE NAME WELL NO. FIELD OR AREA Amoco State #1 N. W. Airstrip Prospect		COUNTY Lea	STATE New Mexico
LOCATION 660' FEL and 1980' FNL, Section 18, T-18-S, R-34-E		GROSS ACRES IN LEASE	
<input type="checkbox"/> NZW <input type="checkbox"/> EXPLORATORY <input type="checkbox"/> DEVELOPMENT		W/O NO.	EST. TOTAL DEPTH 13,500
		AFE NO. (3-7)	33 LEASE NO.

DIRECTIONS TO LOCATION

TANGIBLE EQUIPMENT						SOURCE 13 (1-2)	
ACCOUNT (8-14)	DESCRIPTION	QTY	PRICE	PRODUCER COST (15-23)	DRY HOLE COST (24-32)		
CASING	13-3/8" 54.5# K-55 ST&C Surface	420	27.00	11,340	11,340		
	8-5/8" 24# K-55 ST&C Intermediate	2200	13.00	28,600	28,600		
	8-5/8" 24# S-80 ST&C Intermediate	600	15.00	9,000	9,000		
	8-5/8" 28# S-80 ST&C Intermediate	2200	16.00	35,200	35,200		
	8-5/8" 32# S-80 ST&C Intermediate	500	18.00	9,000	9,000		
	5-1/2" 17# N-80 Butt Production	2200	13.00	28,600	0		
	5-1/2" 17# N-80 LT&C Production	8500	12.00	102,000	0		
	5-1/2" 17# S-95 LT&C Production	2800	14.00	39,000			
	TOTAL CASING			262,740	93,140		
TUBING AND EQUIPMENT OTHER THAN CASING	2-7/8" 6.4# N-80 EUE - Production Tubing	13,000	6.00	78,000	0		
	5000 PSI WP Wellhead			20,000	0		
	Baker Model "D" Packer with 2 "F" Nipples			5,000			
	Flowline			5,000			
	1.5 MMBTU Gas Production Unit			30,000	0		
	500 Barrel Steel Oil Tanks	2	6000	12,000	0		
	500 Barrel Fiberglass Water Tank	1	8000	8,000			
	Miscellaneous Pipe Valves and Fittings			15,000	0		
	Contingency 15%			26,260	13,860		
	TOTAL EQUIPMENT OTHER THAN CASING			199,260	13,860		
	TOTAL TANGIBLE COSTS			462,000	107,000		

UTP-985-D

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 4
CASE NO. 7973
Submitted by _____
Hearing Date _____

INTANGIBLE COSTS							
	ACCOUNT	DESCRIPTION	MO	QUANTITY	PRICE	PRODUCER COST (15-23)	DRY HOLE COST (24-30)
		Turnkey Drilling Cost					
		Frontage 13,500 Ft @ 21.00 Per Ft				283,500	283,500
		Day Work W/DP 12 Days @ 5000 Per Day				60,000	60,000
		Day Work WO/DP Days @ Per Day					
	18-310-21	TOTAL DRILLING CONTRACTOR SERVICES				343,500	343,500
MATERIAL AND SUPPLIES	18-310-31	Bits and Drilling Equipment Rental				20,000	20,000
	18-310-30	Drilling Mud and Chemicals				80,000	80,000
	18-310-32	Power, Fuel and Water				20,000	20,000
	18-310-33	Other Materials and Supplies				20,000	20,000
		TOTAL MATERIALS AND SUPPLIES				140,000	140,000
CONTRACTOR SERVICES	18-310-34	Drillsite Preparation				15,000	15,000
	18-310-36	Equipment Rental				20,000	20,000
	18-310-35	Logging and DST 5 DST's				80,000	80,000
	18-310-37	Cementing Services and Cement				60,000	40,000
	18-310-38	Fracing Services					
	18-310-39	Perforating Services				10,000	0
	18-310-40	Squeezing Services					
	18-310-41	Acidizing Services				30,000	0
	18-310-42	Trucking Services				20,000	15,000
	18-310-43	Welding and Roustabout				10,000	0
	18-310-47	Cementing Services Inspection				20,000	20,000
	18-310-48	Drilling Services Coring 3-60' Cores in B. Spring				50,000	50,000
	18-310-49	Survey Services Damages				10,000	
	18-310-50	Drilling Services Wellsite Geologists Mud Logging				20,000	
	18-310-51	Mobilization P&A				0	20,000
	18-310-52	Demobilization					
	18-310-43	Other Services Contingency 15%				50,000	40,000
		TOTAL CONTRACTOR SERVICES				395,000	300,000
COMPLETION & CLEANUP SERVICES		Backfill Pits-Restore Location				10,000	10,000
		Completion Unit 20 Days @ 1500 Per Day				30,000	0
	18-310-24	TOTAL COMPLETION & CLEANUP SERVICES				40,000	10,000
COMPANY LABOR, EXPENSE & OVERHEAD		Field Supervision 80 Days @ \$ 50 /Day				4,000	3,000
		Houston, Overhead 80 Days @ \$ 50 /Day				4,000	3,000
	18-310-46	TOTAL OVERHEAD				8,000	6,000
		District Expense 80 Days @ \$ 25 /Day				2,000	1,500
		Geological Expense 80 Days @ \$ /Day				2,000	1,500
	18-310-45	TOTAL COMPANY LABOR AND EXPENSES				4,000	3,000
		TOTAL COMPANY LABOR, EXPENSE, OVERHEAD				12,000	9,000
TAX	18-836-00	TOTAL SALES TAX N. M. State Tax				55,500	35,500
		TOTAL INTANGIBLE COSTS				986,000	838,000
		TOTAL TANGIBLE COSTS (From Page 1)				462,000	107,000
		GRAND TOTAL (GROSS)				1,448,000	945,000
		UNION TEXAS 66.67 BCP (8-12) 50.00 ACP %				(13-21) 881,500	(22-30) 630,000