

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR
COMPULSORY POOLING, AN UNORTHODOX
GAS WELL LOCATION, AND DIRECTIONAL
DRILLING, LEA COUNTY, NEW MEXICO.

No. 11077

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S $\frac{1}{2}$ of Section 18, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and approving an unorthodox gas well location and directional drilling, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the S $\frac{1}{2}$ of said Section 18.

2. Applicant proposes to drill a well in the S $\frac{1}{2}$ of Section 18, at an unorthodox surface location 2,041 feet from the South line and 2,171 feet from the East line of the Section. The proposed well is in the Oil-Potash Area, and the unorthodox surface location is required by the Bureau of Land Management. Pursuant to Division Rule 111, Applicant requests permission to directionally drill the well to an unorthodox bottom hole location within a 50' X 50' window centered 1,300 feet from the South and East lines of the Section. The well will be drilled to a depth sufficient to test the Morrow formation (approximately 13,700 feet).

3. Applicant seeks to dedicate S $\frac{1}{2}$ of Section 18 for all pools or formations spaced on 320 acres, including the undesignated West Lynch-Morrow Gas Pool.

4. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the S $\frac{1}{2}$ of Section 18 for the purposes set forth herein.

5. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the S $\frac{1}{2}$ of Section 18, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

6. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

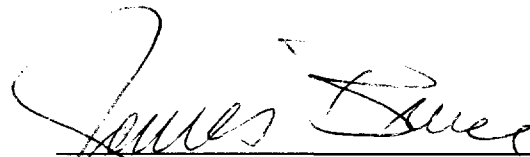
7. The pooling of all interests underlying the S $\frac{1}{2}$ of Section 18, as described above, the approval of the unorthodox surface and bottomhole locations, and approval of directional drilling will prevent the drilling of

unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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