

Proposed E/2 Proration Unit



SFERI's Proposed
Sheep Dip "29" Fed Com #1
1980' FNL & 660' FEL
Section 29, T-23-S, R-26-E



Penwell's Proposed
F. H. "29" Fed Com #1
1980' FSL & 660' FEL
Section 29, T-23-S, R-26-E



SFER, INC. Acreage



Santa Fe Energy Resources, Inc.
Central Division
Midland, Texas

EDDY COUNTY, NEW MEXICO

SHEEP DIP PROSPECT

DATE: 11/19/96

Santa Fe Energy Resources, Inc.

CERTIFIED MAIL - RETURN RECEIPT

September 25, 1996

Penwell Energy Inc.
600 N. Marienfeld
Suite 1100
Midland, Texas 79701

Co-Energy Central Exploration, Inc.
c/o Penwell Energy Inc.
600 N. Marienfeld, Suite 1100
Midland, Texas 79701

ATTN: Mark Wheeler

ATTN: Mark Wheeler

Re: Sheep Dip "29" Fed Com #1
1980' FNL & 660' FEL
Sec. 29, T-23-S, R-26-E
Eddy County, New Mexico

Gentlemen:

Santa Fe Energy Resources, Inc. hereby proposes the drilling of the Sheep Dip "29" Fed Com #1 Well at the captioned location for a 12,000' test of the Morrow Formation. In this regard, enclosed please find two Operating Agreements, with extra signature pages and two AFES on the above captioned well for each of your companies. Please execute the signature pages and AFES and return one original for each company to the undersigned. We have been instructed by Co-Energy to send all documents of any kind to your office and they will be forwarded to Co-Energy.

Exhibit "A" to the Operating Agreement is subject to changes as the information becomes available to us on the leases and will be revised accordingly.

Thank you for your attention to this matter, and should you have any questions concerning this Agreement or the AFES, please contact me at 686-6677.

Yours very truly,



Meg Muhlinghouse
Contract Landman

MM/efw
4 Encls a/s

EWOR1318

NEW MEXICO
OIL CONSERVATION DIVISION
Santa Fe EXHIBIT 2
CASE NO. 11660



SANTA FE ENERGY RESOURCES, INC.
GENERALIZED WELL COSTS ESTIMATE

WELL NAME Sheep Dip "29" Fed. Com. No.1 SHEEPDIP.XLS
LOCATION 1980' FNL & 660' FEL, Section 29,T-23S, R-26E, Eddy County, New Mexico
DESCRIPTION Drill and Complete a 12,000' Morrow Gas Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501- 000	TANGIBLE WELL COSTS		
501- 041	Conductor Csg	3,000	3,000
501- 041	Surface Csg 13-3/8" 48.0 ppf H-40 ST&C @600'	9,600	9,600
501- 041	Protection Csg 9-5/8" 40.0 ppf K-55 ST&C @ 3,000'	33,000	33,000
501- 041	Intermediate Csg		
501- 041	Prod Csg 5-1/2" 17.0 ppf N-80 & S-95 LT&C @ 12,000'		69,720
501- 041	Prod Liner		
501- 042	Tubing 2-3/8" 4.7 ppf N-80 AB-Mod @ 12,000'		42,000
501- 043	Wellhead	3,000	16,000
501- 044	Pmpg Unit		
501- 045	Prime Mover		
501- 050	Other Dwn Hole Equip		8,000
501- 050	Rods		
501- 050	Subsurface Pmps		
501- 055	Csg Equip	3,000	11,000
501- 055	Electrical		
501- 055	Misc. Tangibles		1,000
501- 055	Rod Equip		
501- 055	Tubing Equip		
	TOTAL TANGIBLE COSTS	51,600	193,320
541- 000	LEASE FACILITY COSTS		
541- 050	Flowlines		5,000
541- 050	Labor		20,000
541- 050	Other Prod Equip Separator, GPU, & Dehydration Unit		20,000
541- 050	Tank Facilities		15,000
	TOTAL FACILITY COSTS		60,000
511- 000	INTANGIBLE WELL COSTS		
511- 021	Location	25,000	25,000
511- 022	Fencing	1,000	2,000
511- 026	Drilling Water	30,000	30,000
511- 031	Contractor Moving Exp	20,000	20,000
511- 032	Cont Footage or Turnkey		
511- 032	Contractor Daywork 45 days X \$5100/day	229,500	229,500
511- 033	Drlg Fluid & Additives	50,000	50,000
511- 034	Bits & Reamers	40,000	40,000
511- 036	Coring & Core Analyses		
511- 037	Cement	30,000	55,000
511- 039	Inspection & Tstg of Tang	8,000	22,000
511- 041	Directional Drlg Surveys		
511- 042	Drilling Equip Rental	15,000	15,000
511- 043	Open Hole Logging CNL/LDT/DLL/MSFL	35,000	35,000
511- 044	Drill Stem Tstg Two Tests: Strawn & Morrow	10,000	10,000
511- 045	Mud Logging 35 days X \$400/day	14,000	14,000
511- 051	Transportation	8,000	18,000
511- 052	Completion Unit \$1500/day X 10 days		15,000
511- 053	Completion Tool Rental		8,000
511- 054	Cased Hole Logs & Perfing		9,000
511- 055	Stimulation		12,000
511- 056	Rigsite Supervision	18,000	22,000
511- 072	Administrative Overhead	6,000	15,000
511- 099	Fishing Tools & Exp		
511- 099	Testing: BHP, GOR, 4 Pt Pot		9,386
	Abandonment Cost	9,452	
	Other Intangibles		
0.05	Contingency (5%)	27,448	32,794
	TOTAL INTANGIBLES	576,400	688,680
	TOTAL COSTS	628,000	942,000

OPERATION DEPT APPROVAL (Initials)
APPROVAL DATE *DDC 9/25/96*

SFER APPROVAL
APPROVAL DATE *10/6/96*

ENGINEERING DEPT APPROVAL (Initials)
APPROVAL DATE *WMS 9/25/96*

NON-OPERATOR APPROVAL
APPROVAL DATE

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

Case No. 11660

AFFIDAVIT REGARDING NOTICE

STATE OF NEW MEXICO)
COUNTY OF SANTA FE) ss.

James Bruce, being duly sworn upon his oath, deposes and states:

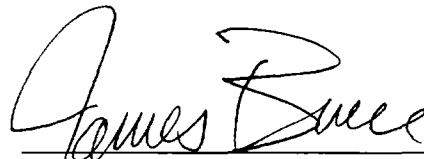
1. I am over the age of 18, and have personal knowledge of the matters stated herein.

2. I am an attorney for Applicant.

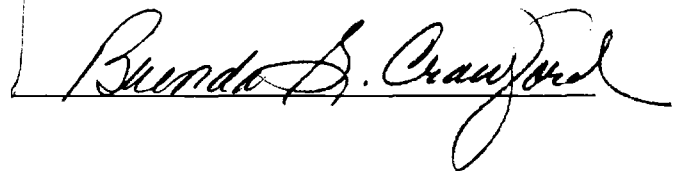
3. Applicant has conducted a good faith, diligent effort to find the names and correct addresses of the interest owners entitled to receive notice of the Application filed herein.

4. Notice of the Application was provided to the interest owners at their correct addresses by mailing each of them, by certified mail, a copy of the Application. Copies of the notice letter and certified return receipts are attached hereto as Exhibit A.

5. Applicant has complied with the notice provisions of Division Rule 1207.


James Bruce

SUBSCRIBED AND SWORN TO before me this 18th day of November, 1996, by James Bruce.



My Commission Expires:

10-29-99

NEW MEXICO
OIL CONSERVATION DIVISION
Santa Fe EXHIBIT 4
CASE NO. 11660

HINKLE, COX, EATON, COFFIELD & HENSLEY,
L.L.P.

ATTORNEYS AT LAW

218 MONTEZUMA POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504-2068

(505) 982-4554 FAX (505) 982-8623

LEWIS C. COX, JR. (924-1993)
CLARENCE E. HINKLE (904-9851)

OF COUNSEL
O. M. CALHOUN* JOE W. WOOD
RICHARD L. CAZZELL* RAY W. RICHARDS*

AUSTIN AFFILIATION
HOFFMAN & STEPHENS, P.C.
KENNETH R. HOFFMAN*
TOM D. STEPHENS*
RONALD C. SCHULTZ, JR.*
JOSE CANO*

THOMAS E. HOOD*
REBECCA NICHOLS JOHNSON
STANLEY K. KOTOVSKY, JR.
ELLEN S. CASEY
MARGARET CARTER LUDWIG
S. BARRY PAISNER
WYATT L. BROOKS*
DAVID H. RUSSELL*
ANDREW J. CLOUTIER
STEPHANIE LANDRY
KIRT E. MOELLING*
DIANE FISHER
JULIE P. NEERKEN
WILLIAM P. SLATTERY
CHRISTOPHER M. MOODY
JOHN D. PHILLIPS
EARL R. MORRIS
JAMES A. GILLESPIE
MARGARET R. MCNETT

GARY W. LARSON
LISA K. SMITH*
NORMAN D. EWART
DARRIN T. GROCE*
MOLLY HENTOSH
MARCIA B. LINCOLN
SCOTT A. SHUART*
PAUL G. HASON
AMY C. WRIGHT*
BRADLEY G. BISHOP*
KAROLYN KING NELSON
ELLEN T. LOUDERBOUGH
JAMES H. WOOD*
NANCY L. STRATTON
TIMOTHY R. BROWN
JAMES C. MARTIN

*NOT LICENSED IN NEW MEXICO

PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
STUART D. SHANOR
ERIC D. LANFORD
C. D. MARTIN
ROBERT F. TINKIN, JR.
MARSHALL G. MARTIN
NASTON C. COURTNEY*
DON L. PATTERSON*
DOUGLAS L. LANSFORD
NICHOLAS J. NOEDING
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
THOMAS J. MCBRIDE
NANCY S. CUSACK
JEFFREY L. FORNACIARI

JEFFREY D. HEWITT
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
WILLIAM F. COUNTISS*
MICHAEL J. CANON
ALBERT L. FITTS
THOMAS H. HNASRO
JOHN C. CHAMBERLAIN*
GARY D. CONNOR*
W. H. BRIAN, JR.*
RUSSELL J. BAILEY*
CHARLES R. WATSON, JR.*
STEVEN D. ARNOLD
THOMAS D. HANES, JR.
GREGORY J. NISERT
FRED W. SCHWENDMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*

October 24, 1996

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Penwell Energy, Inc.
Suite 1100
600 North Marienfeld
Midland, Texas 79701
Attention: Mark Wheeler

Co-Energy Central Exploration, Inc.
Suite 1900
150 West Jefferson
Detroit, Michigan 48226

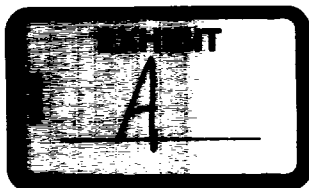
S & P Co.
P.O. Box 3735
Shreveport, Louisiana 71133

Dear Sirs:

Enclosed is a copy of an application for compulsory pooling filed at the New Mexico Oil Conservation Division by Santa Fe Energy Resources, Inc. regarding the E $\frac{1}{2}$ of Section 29, Township 23 South, Range 26 East, Eddy County, New Mexico. Santa Fe's records show that you own interests in the above well unit. This application will be heard at 8:15 a.m. on Thursday, November 21, 1996 at the Division's office at 2040 South Pacheco Street, Santa Fe, New Mexico. Failure to appear at that time will preclude you from contesting this matter at a later date.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.



James Bruce
James Bruce

P 502 240 317

**US Postal Service
Receipt for Certified Mail**

No Insurance Coverage Provided.
Do not use for International Mail (See reverse)

Sender's Name	Penwell Energy Inc.		
Street & Number	SUITE 1100 / 600 North Marienfeld		
Post Office, State, & ZIP Code	Midland TX, 79701		
Postage	\$	55	
Certified Fee		1.10	
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to Whom & Date Delivered		1.10	
Return Receipt Showing to Whom, Date, & Addressee's Address			
TO: Postage & Fees	\$	2.75	
Postmark or Date	APR 24 1996		

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

PENWELL ENERGY, INC.
SUITE 1100
600 NORTH MARIENFELD
MIDLAND, TX 79701
ATTN: MARK WHEELER

4a. Article Number

P502-240-317

4b. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

10-28-96

5. Received By: (Print Name)

Mark W. Wheeler

6. Signature: (Addressee or Agent)

X Mark W. Wheeler

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

CO- ENERGY CENTRAL EXPLORATION,
SUITE 1900
150 WEST JEFFERSON
DETROIT, MICHIGAN 48226

4a. Article Number

INC P 502 240 316

4b. Service Type

- ☐ Registered ☒ Certified
☐ Express Mail ☐ Insured
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

5. Received By: (Print Name)

ROBERT W. SCHWITZER

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

P 502 240 316

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to
CO-Energy Central Exploration
Street & Number
Suite 1900 150 West Jefferson
Post Office, State, & ZIP Code
Detroit, Michigan 48226.

Postage	\$ 5.75
Certified Fee	1.10
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	1.10
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$ 2.75
Postmark	DET 24 1996

PS Form 3800, April 1995

For postage, use top of envelope to

Thank you for using Return Receipt Service.

P 502 240 318

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

Sent to	S & P CO		
Signature Number	PO BOX 3735		
Post Office, State, & ZIP Code	SHREVEPORT, Louisiana 71133		
Postage	\$ 55		
Certified Fee	1.10		
Special Delivery Fee			
Restricted Delivery Fee			
Return Receipt Showing to Whom & Date Delivered		1.10	
Return Receipt Showing to Whom & Date Delivered			
Date, & Addressee's Address			
TOTAL Postage & Fees		\$ 2.75	
Postmark or Date		1996	

PS Form 3800, April 1995

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- ☐ Addressee's Address
- ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:
S & P CO.
PO BOX 3735
SHREVEPORT, LOUISIANA 71133

4a. Article Number
P502-240-318

4b. Service Type
☐ Registered
☐ Express
☐ Return Receipt for Merchandise
☒ Certified
☐ Insured
☐ COD

7. Date of delivery

5. Received By: (Print Name)
DOROTHY CRENSHAW

8. Address of Addressee (if requested and fee is paid)

6. Signature: (Addressee or Agent)
X Dorothy Crenshaw

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

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AND IS LOCATED
IN THE NEXT FILE



SANTA FE ENERGY RESOURCES, INC.

WELL COST COMPARISON

WELL NAME Sheep Dip "29" Fed. Com. No.1-Producer Cost Comparison sdcomp.XLS
LOCATION 1980' FNL & 660' FEL, Section 29,T-23S, R-26E, Eddy County, New Mexico
DESCRIPTION Drill and Complete a 12,000' Morrow Gas Well

ACCOUNT	DESCRIPTION OF COSTS	PENWELL	SANTA FE	\$ DIFF
501- 000	TANGIBLE WELL COSTS			
501- 041	Conductor Csg		3,000	3,000
501- 041	Surface Csg	10,700	9,600	-1,100
501- 041	Protection Csg	21,800	33,000	11,200
501- 041	Intermediate Csg	120,000		-120,000
501- 041	Prod Csg		69,720	69,720
501- 041	Prod Liner	10,275		-10,275
501- 042	Tubing	32,000	42,000	10,000
501- 043	Wellhead	7,000	16,000	9,000
501- 044	Pmpg Unit			
501- 045	Prime Mover			
501- 050	Other Dwn Hole Equip	18,000	8,000	-10,000
501- 050	Rods			
501- 050	Subsurface Pmps			
501- 055	Csg Equip		11,000	11,000
501- 055	Electrical			
501- 055	Misc. Tangibles	500	1,000	500
501- 055	Rod Equip			
501- 055	Tubing Equip			
	TOTAL TANGIBLE COSTS	220,275	193,320	-26,955
541- 000	LEASE FACILITY COSTS			
541- 050	Flowlines	6,000	5,000	-1,000
541- 050	Labor	7,000	20,000	13,000
541- 050	Other Prod Equip	12,500	20,000	7,500
541- 050	Tank Facilities	6,000	15,000	9,000
	TOTAL FACILITY COSTS	31,500	60,000	28,500
511- 000	INTANGIBLE WELL COSTS			
511- 021	Location	26,200	25,000	-1,200
511- 022	Fencing		2,000	2,000
511- 026	Drilling Water	21,000	30,000	9,000
511- 031	Contractor Moving Exp		20,000	20,000
511- 032	Cont Footage or Turnkey	231,000		-231,000
511- 032	Contractor Daywork	33,000	229,500	196,500
511- 033	Drlg Fluid & Additives	25,000	50,000	25,000
511- 034	Bits & Reamers	8500	40,000	31,500
511- 036	Coring & Core Analyses			
511- 037	Cement	43,150	55,000	11,850
511- 039	Inspection & Tstg of Tang		22,000	22,000
511- 041	Directional Drlg Surveys			
511- 042	Drilling Equip Rental	10,000	15,000	5,000
511- 043	Open Hole Logging	18,000	35,000	17,000
511- 044	Drill Stem Tstg	3,000	10,000	7,000
511- 045	Mud Logging	6,000	14,000	8,000
511- 051	Transportation	3,500	18,000	14,500
511- 052	Completion Unit	12,000	15,000	3,000
511- 053	Completion Tool Rental		8,000	8,000
511- 054	Cased Hole Logs & Perfing	2,000	9,000	7,000
511- 055	Stimulation	15,000	12,000	-3,000
511- 056	Rigsite Supervision	16,800	22,000	5,200
511- 072	Administrative Overhead	19,500	15,000	-4,500
511- 099	Fishing Tools & Exp			
511- 099	Testing: BHP,GOR,4 Pt Pot	7,000	9,386	2,386
	Abandonment Cost			
	Other Intangibles	1,000		-1,000
0.05	Contingency (5%)	37,646	32,794	-4,852
	TOTAL INTANGIBLES	539,296	688,680	149,384
	TOTAL COSTS	791,071	942,000	150,929

NEW MEXICO
OIL CONSERVATION DIVISION

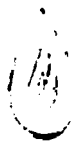
SANTA FE EXHIBIT 11

CASE NO. 11660

Santa Fe Energy Resources, Inc. and Penwell Energy, Inc.									
Common Well Cost Comparison									
WELL NAME	OPERATOR	LOCATION	FORMATION AT T.D.	SPUD DATE	DEPTH	PROJECTED COST	ACTUAL COST	COST DIFFERENTIAL	DIFFERENTIAL %
H. B. "11" Fed. No. 1	Santa Fe	11-24S-29E	Morrow	11/30/95	14,010	\$1,472,000	\$1,325,000	\$147,000	9.99%
Turquoise "30" Fed. No. 1	Santa Fe	30-24S-32E	Bone Spring	6/21/96	8,750	\$590,000	\$549,447	\$40,553	6.87%
H. B. "10" Fed. No. 1	Santa Fe	10-24S-29E	Bone Spring	10/6/96	8,290	\$481,000	\$496,784	(\$15,784)	-3.28%
F. H. "28" State No. 1	Penwell	28-23S-26E	Morrow	8/13/96	11,985	\$782,354	\$1,100,705	(\$318,351)	-40.69%
Tomcat Federal "21" Com. No. 1	Penwell	21-23S-32E	Morrow	3/31/96	15,463	\$1,547,595	\$2,711,215	(\$1,163,620)	-75.19%
West Corbin "19" Fed. No. 1	Penwell	19-18S-33E	Wolfcamp	7/16/96	11,350	\$744,288	\$718,966	\$25,322	3.40%
Rifleman "7" Fed. No. 1	Penwell	7-22S-26E	Bone Spring	3/26/96	7,050	\$259,285	\$196,543	\$62,742	24.20%
Foal "20" Fed. No. 1 (Example)	Santa Fe	20-22S-28E	Morrow	5/30/96	12,450	\$1,251,000	\$1,045,718	\$205,282	16.41%
Sheep Dip "20" Fed. No. 1 (Offset)	Santa Fe	20-23S-26E	Morrow	11/23/90	11,840	\$841,000	\$865,505	(\$24,505)	-2.91%

NEW MEXICO
OIL CONSERVATION DIVISION

Santa Fe EXHIBIT 12
CASE NO. 11660



Santa Fe Energy Resources, Inc.

CERTIFIED MAIL - RETURN RECEIPT

November 22, 1996

S&P Co.
P.O. Box 3735
Shreveport, Louisiana 71133

ATTN: Land Department

Re: **Sheep Dip "29" Fed Com #1**
1980' FNL & 660' FEL
Sec. 29, T-23-S, R-26-E
Eddy County, New Mexico
SFERI Cont. #NM-30,108-001

Gentlemen:

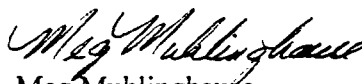
Santa Fe Energy Resources, Inc. hereby proposes the drilling of the Sheep Dip "29" Fed Com #1 Well at the captioned location for a 12,000' test of the Morrow Formation. Enclosed please find two copies of our AFE covering the costs for this well. Should you wish to participate in the drilling of this well, please sign and return the enclosed AFE to our office.

We apologize for not sending you this letter sooner, but we thought that Penwell was handling your interests in this area, as they do for their other partners, and that Penwell had advised you of this well proposal made to them on September 25, 1996.

You previously received notice of a compulsory pooling hearing at the New Mexico Oil Conservation Division regarding Santa Fe's proposed well. That hearing was held on November 21, 1996. However, the hearing has been continued to December 19, 1996 at 8:15 a.m. (at the Division's office at 2040 South Pacheco Street, Santa Fe, New Mexico). You may appear at that time to enter an appearance or present evidence.

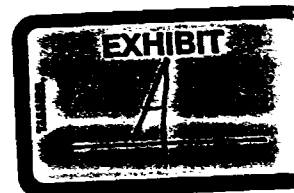
Thank you for your attention to the above matter. Should you have any questions or concerns, please feel free to contact the undersigned at (915) 686-6677.

Yours very truly,


Meg Muhlinghouse
Contract Landman

MM/efw
2 Encls a/s

EWOR1479



BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

Case No. 11660

AFFIDAVIT

STATE OF TEXAS)
COUNTY OF MIDLAND) ss.

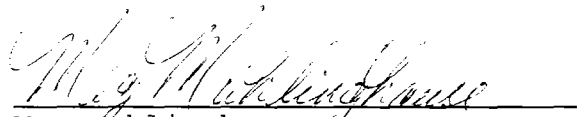
Meg Muhlinghouse, being duly sworn upon her oath, deposes and states:

1. I am over the age of 18, and have personal knowledge of the matters stated herein.

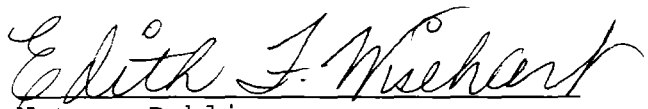
2. I am a landman for Applicant.

3. By letter dated November 22, 1996, a copy of which is attached hereto as Exhibit A, I mailed to S&P Co. a/k/a Sklar & Phillips Oil Co. a well proposal and AFE for Santa Fe Energy's proposed Sheep Dip Fed. Com. Well No. 1. My letter also gave notice to S&P Co. that Division Case No. 11660 had been continued to the December 19, 1996 Examiner hearing. My letter was received by S&P Co., as evidenced by the certified return receipt, a copy of which is attached hereto as Exhibit B.

4. S&P Co. responded by letter dated December 2, 1996, a copy of which is attached hereto as Exhibit C. S&P Co. stated that it had already signed an Operating Agreement with Penwell Energy, Inc. for Penwell's proposed well, which is the subject of Division Case No. 11667.

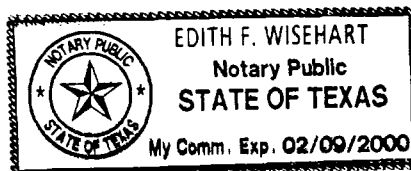

Meg Muhlinghouse

SUBSCRIBED AND SWORN TO before me this 12th day of December, 1996, by Meg Muhlinghouse.


Notary Public

My Commission Expires:

9/2000



NEW MEXICO
OIL CONSERVATION DIVISION

Santa Fe EXHIBIT 13

CASE NO. 11660



Santa Fe Energy Resources, Inc.

CERTIFIED MAIL - RETURN RECEIPT

November 22, 1996

S&P Co.
P.O. Box 3735
Shreveport, Louisiana 71133

ATTN: Land Department

Re: **Sheep Dip "29" Fed Com #1**
1980' FNL & 660' FEL
Sec. 29, T-23-S, R-26-E
Eddy County, New Mexico
SFERI Cont. #NM-30,108-001

Gentlemen:


Santa Fe Energy Resources, Inc. hereby proposes the drilling of the Sheep Dip "29" Fed Com #1 Well at the captioned location for a 12,000' test of the Morrow Formation. Enclosed please find two copies of our AFE covering the costs for this well. Should you wish to participate in the drilling of this well, please sign and return the enclosed AFE to our office.

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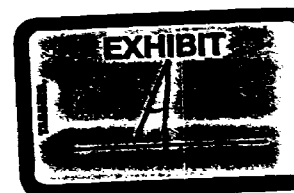
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Yours very truly,


Meg Muhlinghouse
Contract Landman

MM/efw
2 Encls a/s

EWOR1479



P 268 442 098

US Postal Service

Receipt for Certified Mail

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

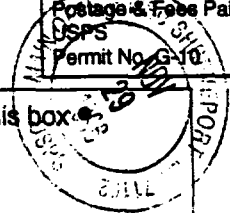
Sent to	
S&P Co.	
Street & Number	
P.O. Box 3735	
Post Office, State, & ZIP Code	
Shreveport LA 71133	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	
Shreveport LA 29 th 7C #1	

PS Form 3800, April 1995

UNITED STATES POSTAL SERVICE



First-Class Mail
Postage & Fees Paid
USPS
Permit No. G-10



• Print your name, address, and ZIP Code in this box.

ATTN: MEG MUHLINGHAUSE
Santa Fe Energy Resources, Inc.
550 W. Texas Suite 1330
Midland, Texas 79701

Sheep Dip "29" Fed Com #1
SFERI Cont. #NM-30,108-001



Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. ☐ Addressee's Address
- 2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

ATTN: LAND DEPARTMENT
S&P CO.
P.O. BOX 3735
SHREVEPORT LA 71133

4a. Article Number

P 268 442 098

4b. Service Type

- | | |
|--|---|
| <input type="checkbox"/> Registered | <input checked="" type="checkbox"/> Certified |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Return Receipt for Merchandise | <input type="checkbox"/> COD |

7. Date of Delivery

11-29-96

5. Received By: (Print Name)

Dorothy Owenshaw

6. Signature: (Addressee or Agent)

Dorothy Owenshaw

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

PS Form 3811, December 1994

Domestic Return Receipt



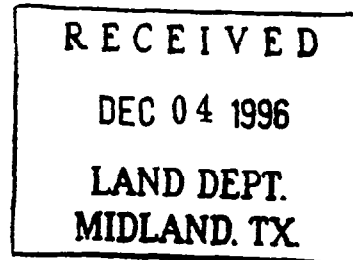
SKLAR & PHILLIPS OIL CO.

P. O. BOX 3735
SHREVEPORT, LOUISIANA 71133-3735

SPECIAL HANDLING ADDRESS:
2925 MANSFIELD ROAD
SHREVEPORT, LA 71103-3848

TELEPHONE (318) 222-1800
FAX (318) 424-1257

December 2, 1996



Santa Fe Energy Resources, Inc.
550 W. Texas, Suite 1330
Midland, Texas 79701

Attention: Ms. Meg Muhlinghouse

Re: Sheep Dip "29" Fed Com #1
Section 29, T23S-R26E
Eddy County, New Mexico

Gentlemen:

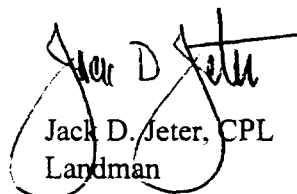
This will acknowledge receipt of and respond to your letter dated November 22, 1996, which proposed the 12,000' Morrow test captioned above.

S & P Co. desires to test the Morrow formation in this unit and, in response to a proposal letter dated October 22, 1996, has elected to participate in Penwell Energy's 12,000' Morrow test, located in the E1/2 of Section 29, T23S-R26E. We have executed an AFE and Operating Agreement covering our 5.625% Working Interest in Penwell's F. H. "29" Fed Com #1 well. We prefer Penwell Energy Inc.'s location and that they operate the Morrow test in this unit.

Therefore we can not make an election to your proposal until such time as location and operatorship is resolved by the New Mexico Oil Conservation Division.

Yours Very Truly,

S & P Co.


Jack D. Jeter, CPL
Landman

