

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING AND A NON-STANDARD GAS
SPACING AND PRORATION UNIT,
LEA COUNTY, NEW MEXICO.

NO. 11887

APPLICATION

Santa Fe Energy Resources, Inc. hereby applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of irregular Section 1, Township 21 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and approving a non-standard gas spacing and proration unit, and in support thereof states:

1. Applicant is a working interest owner in Lots 11-14 of said Section 1, and has the right to drill a well thereon.

2. Applicant proposes to drill its Outland "1" State Well No. 1, at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of the section, to test the Morrow formation, and seeks to dedicate to the well Lots 3-6 and 11-14 of Section 1, for all pools or formations spaced on 320 acres, including but not limited to the Undesignated Wilson-Morrow Gas Pool. The well unit is non-standard in size, comprising 315.22 acres.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in Lots 3-6 and 11-14 of Section 1 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral 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 interests. Therefore, applicant seeks an order pooling all mineral interest owners in Lots 3-6 and 11-14 of Section 1, pursuant to NMSA §70-2-17 (1995 Repl. Pamp.).

5. The pooling of all mineral interests underlying Lots 3-6 and 11-14 of Section 1, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in Lots 3-6 and 11-14 of Section 1, from the surface to the base of the Morrow formation, and approving the non-standard unit;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (d) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates pursuant to the COPAS accounting procedure;
- (e) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- (f) Granting such further relief as the Division deems proper.

Respectfully submitted,

A handwritten signature in black ink that reads "James Bruce". The signature is written in a cursive style with a large, stylized "B".

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Santa Fe Energy
Resources, Inc.

sfe-app.fpl

PROPOSED ADVERTISEMENT

Case 11887: Application of Santa Fe Energy Resources, Inc. for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Section 1, Township 21 South, Range 34 East, NMPM, to form a non-standard 315.22-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Wilson-Morrow Gas Pool. Said unit is to be dedicated to applicant's Outland "1" State Well No. 1, to be drilled at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of said Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is located approximately 10 miles west-northwest of Oil Center, New Mexico.

JAMES BRUCE
ATTORNEY AT LAW

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November 6, 1997

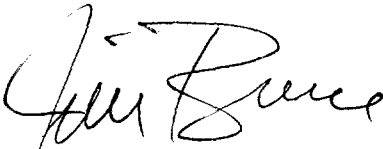
Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application, together with a proposed advertisement, filed on behalf of Santa Fe Energy Resources, Inc. Please set this matter for the December 4, 1997 Examiner hearing.

Very truly yours,



James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

Case 11887