

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12031

APPLICATION

Santa Fe Energy Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 25, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the S½ of said Section 25, and has the right to drill a well thereon.

2. Applicant proposes to drill its Benson "25" Fed. Com. Well No. 1, at an orthodox location 1980 feet from the South line and 1980 feet from the East line of Section 25, to a depth sufficient to test the Morrow formation (approximately 12,150 feet), and seeks to dedicate the following acreage to the well:

(a) The S½ of Section 25 to form a 320 acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool;

(b) The SE¼ of Section 25 to form a 160 acre gas spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent; and

(c) The NW¼SE¼ of Section 40, for depths below 4100 feet subsurface, to form a 40 acre oil spacing and proration unit for any and all formations and/or pools spaced on 40 acres

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OIL CONSERVATION DIV.

within said vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 25 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 the S½ of Section 25, pursuant to NMSA §70-2-17 (1995 Repl. Pam.).

5. The pooling of all mineral interests underlying the S½ of Section 25 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 the S½ of Section 25, from the surface to the base of the Morrow formation;
- (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 as provided in 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 cursive script, appearing to read "James Bruce", written over a horizontal line.

James Bruce
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Attorney for Santa Fe Energy
Resources, Inc.