

**STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION**

**CASE NO. 12043**

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

**PRE-HEARING STATEMENT**

This pre-hearing statement is submitted by Santa Fe Energy Resources, Inc., as required by the Oil Conservation Division.

**APPEARANCE OF PARTIES**

**APPLICANT**

Santa Fe Energy Resources, Inc.  
550 W. Texas Ave  
Midland, Texas 79701  
(915) 686-6712  
attn: Steve Smith

**ATTORNEY**

W. Thomas Kellahin  
KELLAHIN AND KELLAHIN  
P.O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285

**STATEMENT OF CASE**

1. Santa Fe has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying a portion of the N/2 equivalent of Irregular Section 4, T23S, R34E, NMPM, Lea County, New Mexico.

2. Santa Fe has proposed to all of the appropriate working interest owners its Rio Blanco "4" Federal Com Well No. 1 be drilled and completed at a standard gas well location in Unit F of said Section 4 to be dedicated to the following possible spacing and proration units from the surface to the base of the Morrow formation underlying the following described acreage in Irregular Section 4, T23S, R34E, NMPM, Lea County, New Mexico and in the following manner: the SE/4NW/4 to form a standard 40-acre

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spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Cherry Canyon Pool; the NW/4 equivalent to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Bone Springs Gas Pool; and the N/2 equivalent to form a standard 320.03-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Morrow Gas Pool.

3. Despite its good faith efforts, Santa Fe has been unable to obtain a written voluntary agreement from those remaining working interest owner.

4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste, including:

- (1) Santa Fe Energy Resources, Inc. be named operator;
- (2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest or unleased mineral interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200%;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and
- (5) For such other and further relief as may be proper.

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**PROPOSED EVIDENCE**

**APPLICANT:**

**WITNESSES**

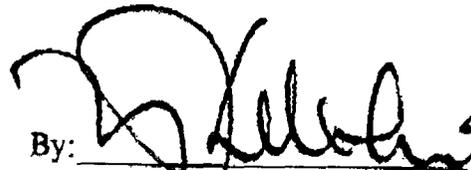
**EST. TIME EXHIBITS**

|                        |         |              |
|------------------------|---------|--------------|
| Steve Smith (landman)  | 15 Min. | @ 8 exhibits |
| Tom Tinney (geologist) | 15 Min. | @ 4 exhibits |

**PROCEDURAL MATTERS**

None anticipated at this time

**KELLAHIN AND KELLAHIN**



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