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February 23, 1999

12145

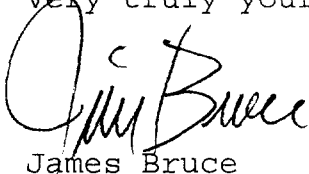
**Hand Delivered**

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 March 18, 1999 Examiner hearing. The application involves an unorthodox location, which is the subject of a case currently scheduled for the March 4th hearing.

Very truly yours,

  
James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.

OIL CONSERVATION DIV.  
99 FEB 23 PM 4:45

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 12145

99 FEB 23 PM 4:48  
OIL CONSERVATION DIV.

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 4, Township 23 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the S½ of said Section 4, and has the right to drill a well thereon.

2. Applicant proposes to drill its Rio Blanco "4" Fed. Com. Well No. 2, at an unorthodox gas well location 660 feet from the South and West lines of the section,<sup>1</sup> to a depth sufficient to test the Morrow formation (approximately 13,450 feet), and seeks to dedicate the following acreage to the well:

(a) The S½ of Section 4 to form a 320 acre gas spacing and proration unit for any and all formations and/or pools developed on 320 acre spacing within said vertical extent, including but not limited to the Undesignated North Antelope Ridge-Wolfcamp Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated North Bell Lake-Morrow Gas Pool;

(b) The SW¼ of Section 4 to form a 160 acre gas spacing and proration unit for any and all formations and/or pools developed on 160 acre spacing within said vertical extent; and

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<sup>1</sup>The unorthodox location is the subject of a separate Division case.

(c) The SW $\frac{1}{4}$ SW $\frac{1}{4}$  of Section 4 to form a 40 acre oil spacing and proration unit for any and all formations and/or pools developed on 40 acre spacing within said vertical extent, including but not limited to the Undesignated Antelope Ridge-Cherry Canyon Pool, Undesignated Antelope Ridge-Brushy Canyon Pool, and Undesignated Northwest Antelope Ridge-Bone Spring Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S $\frac{1}{2}$  of Section 4 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 S $\frac{1}{2}$  of Section 4, pursuant to NMSA §70-2-17 (1996 Supp.).

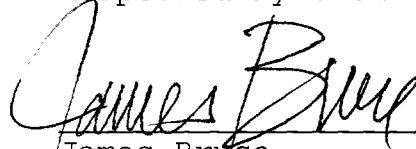
5. The pooling of all mineral interests underlying the S $\frac{1}{2}$  of Section 4 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

- A. Pooling all mineral interests in the S $\frac{1}{2}$  of Section 4, 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 black ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce  
Post Office Box 1056  
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(505) 982-2043

Attorney for Santa Fe Energy  
Resources, Inc.

OIL CONSERVATION DIV.  
PROPOSED ADVERTISEMENT

99 FEB 23 PM 4:49

Case 12145 : Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 4, Township 23 South, Range 34 East, NMPM, and in the following manner: The S $\frac{1}{2}$  to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated North Antelope Ridge-Wolfcamp Gas Pool, Undesignated Antelope Ridge-Atoka Gas Pool, and Undesignated North Bell Lake-Morrow Gas Pool; the SW $\frac{1}{4}$  to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW $\frac{1}{4}$ SW $\frac{1}{4}$  to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, including but not limited to the Undesignated Antelope Ridge-Cherry Canyon Pool, Undesignated Antelope Ridge-Brushy Canyon Pool, and Undesignated Northwest Antelope Ridge-Bone Spring Pool. Said units are to be dedicated to applicant's Rio Blanco "4" Fed. Com. Well No. 2, to be located at an unorthodox well location 660 feet from the South and West lines (Unit M) of said Section 4. 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 units are located approximately 17 miles southwest of Oil Center, New Mexico.