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May 19, 1999

David Catanach  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Case 12178; Application of Santa Fe Energy Resources,  
Inc. for an unorthodox oil well location, Lea County, New  
Mexico

Dear Mr. Catanach:

At the hearing on May 13th, you asked whether a directional survey had been done on the well. The answer is no. The only test was the deviation test done by McVay Drilling Company, which is summarized on page 3 of Exhibit 1 submitted at the hearing.

Very truly yours,



James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.

NEW MEXICO OIL CONSERVATION DIVISION

Examiner Hearing  
Santa Fe, New Mexico  
May 13, 1999 -- 8:15 A.M.

Name	Representing	Location
Bill Mitschard	MCKAY OIL CORP	Roswell
SAM SHACKELFORD	HARVARD PET CO	Roswell
William F. Sam	Samuel, Sam, Tony + Graham	Santa Fe
Kellohin	Kellohin + Kellohin	Santa Fe
James Buser	—	SF
JEFF HARVARD	HARVARD P & S OIL CO	Roswell
CHRIS KENNEDY	ENERGY RESOURCES	Midland, TX

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

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )  
APPLICATION OF SANTA FE ENERGY )  
RESOURCES, INC., FOR AN UNORTHODOX )  
OIL WELL LOCATION, LEA COUNTY, )  
NEW MEXICO )

CASE NO. 12,178

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID R. CATANACH, Hearing Examiner

May 13th, 1999

Santa Fe, New Mexico

99 MAY 27 AM 5:45  
OIL CONSERVATION DIV

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID R. CATANACH, Hearing Examiner, on Thursday, May 13th, 1999, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

May 13th, 1999  
 Examiner Hearing  
 CASE NO. 12,178

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REPORTER'S CERTIFICATE	6

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## E X H I B I T S

Applicant's	Identified	Admitted
Exhibit 1	4	5
Exhibit 2	4	5
Exhibit 3	4	5

\* \* \*

## A P P E A R A N C E S

## FOR THE DIVISION:

RAND L. CARROLL  
 Attorney at Law  
 Legal Counsel to the Division  
 2040 South Pacheco  
 Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

JAMES G. BRUCE, Attorney at Law  
 612 Old Santa Fe Trail, Suite B  
 Santa Fe, New Mexico 87501  
 P.O. Box 1056  
 Santa Fe, New Mexico 87504

\* \* \*

1 completed uphole in the Wolfcamp formation. A completion  
2 report is submitted to you as Exhibit 1.

3 The Wolfcamp in this area is in the Baish --  
4 that's B-a-i-s-h -- Wolfcamp Pool, which is spaced on 80  
5 acres, with wells to be no closer than 150 feet to the  
6 center of a quarter quarter section. However, we cannot  
7 apply for administrative approval because the special pool  
8 rules also require a hearing in the event a well was closer  
9 than 330 feet to the outer boundary of the well unit.

10 The pool rules also provide that all offsets in  
11 every direction be notified of the Application.

12 Marked as Exhibit 2 is a land plat identifying  
13 all of the offset lessees. The well is marked with a red  
14 dot, and the well unit is the east half of the northeast  
15 quarter of Section 15.

16 All of the offsets were notified, and Exhibit 3  
17 is my affidavit of notice. One thing I would point out is,  
18 attached as Exhibit B to the notice is a separate letter to  
19 Mack Energy Corporation. After looking at the land  
20 material again, my client determined that Mack Energy only  
21 owns the shallow rights, it does not own any Wolfcamp  
22 rights. So although I attach that, the letter is  
23 essentially unnecessary.

24 The entire northeast quarter of Section 15 is one  
25 federal lease, and there's common working interest, royalty

1 interest and overriding royalty interest ownership. As a  
 2 result, the well is only moving toward the same people who  
 3 own all of the interest in this well. Therefore, no one is  
 4 adversely affected by the substantially unorthodox  
 5 location.

6 At this point, because of the matters I've just  
 7 discussed, we'd ask that the case be taken under advisement  
 8 and an order issued, either a regular order or just an  
 9 amendment of NSL-4150.

10 And I'd move the admission of Exhibits 1, 2 and  
 11 3.

12 EXAMINER CATANACH: Exhibits 1, 2 and 3 will be  
 13 admitted as evidence.

14 Mr. Bruce, do you know by any chance if a  
 15 directional survey was done on this wellbore?

16 MR. BRUCE: No, but I can find out, and I'll give  
 17 you that information.

18 EXAMINER CATANACH: Okay. Is there anything  
 19 further?

20 MR. BRUCE: No, sir.

21 EXAMINER CATANACH: There being nothing further,  
 22 Case 12,178 will be taken under advisement.

23 (Thereupon, these proceedings were concluded at  
 24 8:25 a.m.)

25

I hereby certify that the foregoing is  
 a complete record of the proceedings in  
 the Examiner hearing of Case No. 12,178  
 heard by me on May 13, 1988.  
 \* \* \*  
 David A. Catanach

Oil Conservation Division, Examiner  
 STEVEN T. BRENNER, CER  
 (505) 989-9317

## CERTIFICATE OF REPORTER

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

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL May 13th, 1999.



STEVEN T. BRENNER  
 CCR No. 7

My commission expires: October 14, 2002