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April 18, 1999

Via Fax

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Re: Unorthodox oil well location  
E~~NE~~NE~~W~~ S15-17S-32E, Lea County, New Mexico  
Santa Fe Energy Resources, Inc.

Dear Mike:

Santa Fe Energy drilled a well in the NE~~NE~~W of Section 15 to test the Devonian formation. That well was approved by Division Administrative Order NSL-4150. The well is now going to be completed in the Wolfcamp formation (Undesignated Baish-Wolfcamp Pool). That pool is spaced on 80 acres (under Order No. R-2765), with wells to be within 150 feet of the center of a quarter-quarter section. Administrative approval may be granted for an unorthodox location if the well is no closer than 330 feet to the outer boundary of the well unit. However, the well is only 10 feet from the outer boundary. Therefore, I presume a hearing is required. Please confirm this for me. Also, the rules require notice to "all operators offsetting the proposed unorthodox location." Do I need to notify only the immediate offsets, or everyone around the well unit? Please call. Thanks.

Very truly yours,

  
James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.