

file

SANTA FE ENERGY RESOURCES, INC.

To: Gary Green

From: Gene Davis

Date: September 22, 1992

Re: Recommended Drilling Program for Dagger Draw Field, 4th Quarter 1992.

A review of the Dagger Draw field has revealed that there are 7 possible drilling and 1 recompletion operation that could be performed during the 4th quarter of 1992. In light of our telephone conversation with Kathy Porter yesterday afternoon, I suggest that we send her a letter as soon as possible outlining these operations and stressing our need for expedience on their part as operator. I have reviewed the current production on a proration unit basis with the following results:

Proration Unit	Current # of Wells	Allowable	Current Daily Prod *	Difference from Allowable
W/2 Sec 2	1	700	153	(547)
E/2 Sec 2	3	700	519	(181)
W/2 Sec 11	3	700	645	(55)
E/2 Sec 11	3	700	1100	400
S/2 Sec 11	6	1400	692	(708)
S/2 Sec 14	5	1400	953	(447)

* Based on monthly production data; July, 1992 for Santa Fe Energy interest wells, June, 1992 for 100% Yates interest wells. For the Conoco "AGK" #10 & #12 wells, IP values were used.

NEW MEXICO
OIL CONSERVATION DIVISION

EXHIBIT 2/
CASE NO. 10871

Based on these results, the following wells should be recommended:

<u>Well Name</u>	<u>Location</u>	<u>Current Status</u>	<u>SFEOP WI</u>	<u>Well Cost Net to SFEOP</u>
1) Senita "AIP" #2	SE/SW Sec 14	AFE Rec'd & Appvd. Spud \approx 2 wks	.625	\$.372
2) Hillview "AHE" #13	NE/SE Sec 14	AFE Rec'd & Appvd.	.625	.372
3) Sara "AHA" #7	SW/SW Sec 11	Staked by Yates; on this interval drlg schedule for 4th Qur.	.2695	.160
4) Saguaro "AGS" #11	NE/SW Sec 11		.2695	.160
5) Candellila "AKD" #3	SW/SW Sec 2		.3125	.186
6) Saguaro "AGS" #14(?)	SW/SW Sec 15		.667	.397
7) Ocotillo "ACT" #2(?)	SW/SW Sec 10		.500	.298
8) Cacti "AGB" #1 (Recompletion)	NW/SE Sec 2	Producing 31 MCFG & .3 BOPD from perfs in the Atoka-Morrow	<u>.4167</u>	<u>.042</u>

\$ 1.987 MM

I believe that Yates will drill the first three wells in the next three months. In order to drill any additional wells, they will need to employ another rig (or two). We should stress our desire to see the lease line gas cap wells in Sections 10 and 15 drilled as soon as possible to take advantage of the excellent gas prices that we are currently experiencing as an industry. It should be noted that Yates is producing 7.5 MCFGPD and 50 BOPD from their two gas cap wells, the Algerita and the Judith, and that their argument that they do not wish to drill gas cap wells due to a desire to preserve gas cap pressure in the reservoir is beginning to sound very hollow. We need to see these wells drilled in order to protect our significant working and net reserve interest leasehold in Section 10 & 15.


Gene Davis

GD:pb-75

cc: TP
LS
DR
RW

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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2 GG	TP
ST	LES
CS/2-30	DS
EW	DF
PR	DRFT
GD	KT
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WW	JS
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December 28, 1992

Santa Fe Energy Operating Partners, L. P.
550 West Texas, Suite 1330
Midland, Texas 79701

Attention: Gary Green

RE: Conoco AGK Federal Com. #14
Township 20 South, Range 24 East, NMPM
Section 15: W/2
Eddy County, New Mexico

NM-4617

Gentlemen:

Please let this letter serve as confirmation of Yates Petroleum Corporation as Operator to drill the captioned well as soon as the pending APD is approved in January 1993.

We are still concerned about this well which will lead the way for subsequent gas wells on the producing 320 acre spacing units, but recognize your right to propose such a subsequent well. These future gas wells will again show some wells to be better producers than others.

Hopefully the results of the study will be in hand soon and both companies can then evaluate and make prudent decisions.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

Kathy H. Porter
Kathy H. Porter, CPL
Landman

KHP/pkw

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