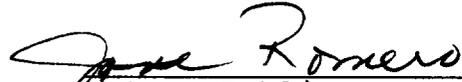


SUBSCRIBED AND SWORN TO before me this 7th day of June,
1994, by Gary Green.



Notary Public

My Commission Expires:

8-15-95

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

CERTIFIED MAIL-RETURN RECEIPT

May 19, 1994

TO: OFFSET OPERATORS
(See Attached List)

Re: Application for Contraction and
Expansion of a Pool & Non-Standard
Locations
Old Ranch Knoll 7 Fed. No. 1
Old Ranch Knoll 7 Fed. No. 2
James Ranch 4 Fed. No. 1
Nagooltee Peak 5 Fed. No. 2
Eddy County, New Mexico

Gentlemen:

Enclosed are applications filed at the New Mexico Oil Conservation Division by Santa Fe Energy Operating Partners, L.P.'s which are as follows:

1. Application for Contraction of a Pool and Expansion of a Pool

Sections 4-8, Township 22 South, Range 24 East
Section 1, Township 22 South, Range 24 East

2. Unorthodox Well Location and Non-Standard Spacing and Proration Unit

- a.) E/2 Section 7, Township 22 South, Range 24 East
- b.) W/2 Section 7, Township 22 South, Range 24 East
- c.) S/2 Section 4, Township 22 South, Range 24 East
- d.) N/2 Section 5, Township 22 South, Range 24 East

These matters are scheduled for hearing on Thursday, June 9, 1994 at 8:15 a.m. at the

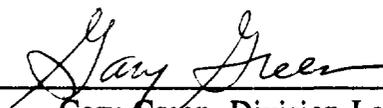
Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3551

May 19, 1994
Page -2-

Division's offices at 310 Old Santa Fe Trail, Santa Fe, New Mexico. Failure to appear at that time will preclude you from contesting this matter at a later date.

Very truly yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company
Managing General Partner

By: 

Gary Green, Division Landman

GG: kst
Enclosures

Page -3-
OFFSET / FIELD OPERATORS

AMA Oil & Gas, Inc. C 158 947 322
P.O. Box 42806
Houston, Texas 77042
Attn: Land Department

MW Petroleum Corporation C 158 947 316
3300 North "A" Street, Suite 8220
Midland, Texas 79705
Attn: Land Department

Texaco Exploration & Production, Inc. C 158 947 319
P.O. Box 2100
Denver, Colorado 80202
Attn: R. O'Dwyer

Musselman, Owen, & King Operating C 158 947 323
712 Main Street, Suite 2150
Houston, Texas 77002
Attn: Henry G. Musselman

Marathon Oil Company C 158 947 327
125 West Missouri Street
Midland, Texas 79702
Attn: Wayne Ransbottom

Devon Energy Corporation C 158 947 324
1500 Mid-American Tower
20 North Broadway
Oklahoma City, Oklahoma 73102
Attn: Bob Shelton

Nearburg Producing Company C 158 947 326
401 E. Illinois, Suite 300 3300 North "A"
Midland, Texas 79701 Bldg 2, Suite 120
Attn: Bob Shelton MIDLAND, TX 79705

Kerr-McGee Corporation C 158 947 320
P.O. Box 25861
Oklahoma City, Oklahoma 73125
Attn: John O'Brien

OFFSET / FIELD OPERATORS

Page -4-

Citation Oil & Gas Corporation C 158 947 321
8223 Willow Place South, Suite 250
Houston, Texas 77070
Attn: Bob Whitworth

Oryx Energy Company C 158 947 317
P.O. Box 2880
Dallas, Texas 75221
Attn: Alan Beers

Southwest Royalties, Inc C 158 947 318
P.O. Box 11390
Midland, Texas 79702
Attn: Philip Schlichting

Chevron U.S.A. Inc. C 158 947 315
P.O. Box 1150
Midland, Texas 79702
Attn: Mickey Cohlma

Yates Petroleum Corporation C 158 947 325
105 South Fourth Street
Artesia, New Mexico 88210
Attn: Robert Bullock

Anadarko Petroleum Corporation C 158 947 328
400 W. Illinois
Midland, Texas 79701
Attn: Curt Ary

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ATTN: R. O'Dwyer
 TEXACO EXPLORATION & PROD., INC.
 P.O. Box 2100
 Denver, Colorado 80202

4a. Article Number

P 158 947 319

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery

5-23-91

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

911

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:

ATTN: Henry G. Musselman
 Musselman, Owen & King
 Operating, Inc.
 712 Main Street, Suite 2150
 Houston, Texas 77002

4a. Article Number

P 158 947 323

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery

5-23-91

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

Thank you for using Return Receipt Service.

Is your RETURN ADDRESS completed on the reverse side?

PS Form 3811, December 1991 *U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and or 2 for additional services.
- Complete items 3 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:
 AIA Oil & Gas, Inc.
 P.O. Box 42806
 Houston, Texas 77042

4a. Article Number
 P 158 947 322

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 MAY 2 1994

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

SENDER:

- Complete items 1 and or 2 for additional services.
- Complete items 3 and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:
 ATTN: Bob Whitworth
 CITATION OIL & GAS CORP.
 8223 Willow Place South,
 Suite 250
 Houston, Texas 77070

4a. Article Number
 P 158 947 321

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery
 5/23/91

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

SENDER:

- Complete items 1 and or 2 for additional services.
- Complete items 3 and 4a & b.
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- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:
 Kerr-McGee Corporation
 P.O. Box 25861
 Oklahoma City, Oklahoma 73125
 ATTN: John O'Brien

4a. Article Number
 P 158 947 320

4b. Service Type
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery

5. Signature (Addressee)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature (Agent)

Thank you for using Return Receipt Service.

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 **DOMESTIC RETURN RECEIPT**

ILLEGIBLE

SENDER:

- Complete items 1 and 2 for additional services
- Complete items 3 and 4
- Print your name and address on the reverse of this form so that we can return this card to you
- Attach this form to the front of the mailpiece, or on the back if space does not permit
- Write "Return Receipt Requested" on the mailpiece below the article number
- The Return Receipt will show to whom the article was delivered and the date delivered

3. Article Addressed to:
 ATTN: Bob Shelton
 Nearburg Producing Company
 401 E. Illinois, Suite 300
 Midland, Texas 79701
 3300 Arista A
 Bldg 2, Suite 129, Midland

4a. Article Number: P 158 947 326

4b. Service Type:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery: 5-24-94

8. Addressee's Address (Only if requested and fee is paid):

5. Signature (Addressee): *Raymond Shelton*

6. Signature (Agent):

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

is your RETURN ADDRESS completed on the reverse side?

1. I also wish to receive the following services (for an extra fee):
 Addressee's Address

2. Restricted Delivery
 Consult postmaster for fee

3. Article Addressed to:
 ORYX ENERGY COMPANY
 P.O. Box 2880
 Dallas, Texas 75221
 ATTN: Alan Beers

4a. Article Number: P 158 947 317

4b. Service Type:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery: MAY 23 1994

8. Addressee's Address (Only if requested and fee is paid):

5. Signature (Addressee):

6. Signature (Agent): *Al Beers*

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and 2 for additional services
- Complete items 3 and 4
- Print your name and address on the reverse of this form so that we can return this card to you
- Attach this form to the front of the mailpiece, or on the back if space does not permit
- Write "Return Receipt Requested" on the mailpiece below the article number
- The Return Receipt will show to whom the article was delivered and the date delivered

3. Article Addressed to:
 ATTN: Steve Cromwell
 Devon Energy Corporation
 1500 Mid-America Tower
 20 North Broadway
 Oklahoma City, Oklahoma 73102

4a. Article Number: P 158 947 324

4b. Service Type:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery: 5/23/94

8. Addressee's Address (Only if requested and fee is paid):

5. Signature (Addressee): *Steve Cromwell*

6. Signature (Agent):

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

is your RETURN ADDRESS completed on the reverse side?

1. I also wish to receive the following services (for an extra fee):
 Addressee's Address

2. Restricted Delivery
 Consult postmaster for fee

3. Article Addressed to:
 Attn: Wayne Ransbottom
 Marathon Oil Company
 125 West Missouri Street
 Midland, Texas 79702

4a. Article Number: P 158 947 327

4b. Service Type:
 Registered Insured
 Certified COD
 Express Mail Return Receipt for Merchandise

7. Date of Delivery: 5-23-94

8. Addressee's Address (Only if requested and fee is paid):

5. Signature (Addressee): *Patty Edens*

6. Signature (Agent):

PS Form 3811, December 1991 U.S. GPO: 1992-323-402 DOMESTIC RETURN RECEIPT

Thank you for using Return Receipt Service

Thank you for using Return Receipt Service

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and 2 for additional services
- Complete items 3, a & b
- Print your name and address on the reverse of this form so that we can return this card to you
- Attach this form to the front of the mailpiece, or on the back if space does not permit
- Write "Return Receipt Requested" on the mailpiece below the article number
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee)

- 1 Addressee's Address
- 2 Restricted Delivery

Consult postmaster for fee

4a. Article Number

P 158 947 316

MW Petroleum Corporation
 3300 North "A" Street,
 Suite 8220
 Midland, Texas 79705

- 4b. Service Type
- Registered Insured
 - Certified COD
 - Express Mail Return Receipt for Merchandise

7. Date of Delivery

5-20-94

5. Signature (Addressee)

Adrian J. Woods

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using Return Receipt Service.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION FOR CONTRACTION
OF A POOL AND EXPANSION OF A
POOL, EDDY COUNTY, NEW MEXICO.

MAY 17 1994

No. _____

APPLICATION

Applicant Santa Fe Energy Operating Partners, L.P. hereby applies to the Division for an order contracting the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool, and extending the boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool, and in support thereof states:

1. Applicant owns leasehold working interests in the above-described pools.

2. The Indian Basin-Upper Pennsylvanian Gas Pool ("the Gas Pool") includes, among other acreage, the following land:

Township 22 South, Range 24 East, N.M.P.M.

§ 4: All

§ 5: All

§ 6: All

§ 7: All

§ 8: All

Township 22 South, Range 23 East, N.M.P.M.

§ 1: All

3. Wells were previously completed in the Gas Pool in said §§ 1, 4, 5, 6, 7, and 8 as gas wells. Said wells are now depleted and have been abandoned.

4. In July 1993, the Indian Basin-Upper Pennsylvanian Associated Pool ("the Associated Pool") was created for production

of hydrocarbons from the Cisco/Canyon formation. The interval produced from the Associated Pool is the same dolomite section, but structurally lower, as that produced in the Gas Pool, and is the "oil leg" of the Cisco/Canyon interval.

5. Applicant has completed wells in the S $\frac{1}{4}$ of Section 5 and the S $\frac{1}{4}$ of Section 8 as oil wells in the Cisco/Canyon formation. Additional wells are planned.

6. As a result, future production from the Cisco/Canyon formation from the above-described acreage will be from the interval produced in the Associated Pool.

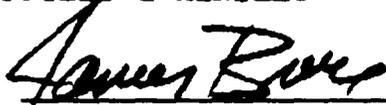
7. Therefore, Applicant requests that the Gas Pool be contracted to delete §§ 4-8 of Township 22 South, Range 24 East, and Section 1 of Township 22 South, Range 23 East, and that the Associated Pool be expanded to include said acreage.

8. The granting of this application is in the interests of conservation, the prevention of waste, and the protection of correlative rights.

WHEREFORE, Applicant requests that, after hearing, the above relief be granted.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY

By: 

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Santa Fe Energy
Operating Partners, L.P.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR AN
UNORTHODOX WELL LOCATION AND A
NON-STANDARD SPACING AND PRORATION
UNIT, EDDY COUNTY, NEW MEXICO.

MAY 17 1991

No. 10,977

OIL CONSERVATION

AMENDED APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an unorthodox well location and a non-standard spacing and proration unit in the E $\frac{1}{2}$ of Section 7, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the E $\frac{1}{2}$ of said Section 7.
2. Applicant proposes to drill its Old Ranch Canyon 7 Fed. No. 1 Well at an unorthodox location 660 feet from the North line and 1980 feet from the East line of the Section, to a depth sufficient to test the Cisco/Canyon formation.
3. The proposed well is within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool, which is spaced on 640 acres pursuant to Order No. R-2240. Applicant will complete the well in the interval producing in the adjoining Indian Basin-Upper Pennsylvanian Associated Pool, which is spaced on 320 acres. Based on recent well completions in the immediate area, Applicant anticipates the well will be completed as an oil well. As a result, Applicant seeks to dedicate the E $\frac{1}{2}$ of Section 7 to the well, and form a 320 acre non-standard spacing and proration unit, as permitted by Rule 3 of Order No. R-2440.

4. The unorthodox location is necessitated by both topographic/environmental and geologic reasons.

5. Concurrently with the filing of this application, Applicant has filed an application to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom all of Section 7, Township 22 South, Range 24 East, N.M.P.M., and simultaneously expand the boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool to include said acreage. Under the special pool rules for the Indian Basin-Upper Pennsylvanian Associated Pool, the above location and unit are standard. This application is made in the event the contraction/extension application is denied.

6. The approval of the unorthodox well location and non-standard unit will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: May 17, 1994.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR AN UNORTHODOX WELL LOCATION AND A NON-STANDARD SPACING AND PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

MAY 17 1994

No. _____

OIL CONSERVATION DIVISION

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an unorthodox well location and a non-standard spacing and proration unit in the $W\frac{1}{2}$ of Section 7, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the $W\frac{1}{2}$ of said Section 7.
2. Applicant proposes to drill its Old Ranch Canyon 7 Fed. No. 2 Well at an unorthodox location 1600 feet from the North line and 1650 feet from the West line of the Section, to a depth sufficient to test the Cisco/Canyon formation.
3. The proposed well is within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool, which is spaced on 640 acres pursuant to Order No. R-2240. Applicant will complete the well in the interval producing in the adjoining Indian Basin-Upper Pennsylvanian Associated Pool, which is spaced on 320 acres. Based on recent well completions in the immediate area, Applicant anticipates the well will be completed as an oil well. As a result, Applicant seeks to dedicate Lots 1-4 and the $E\frac{1}{2}W\frac{1}{2}$ ($W\frac{1}{2}$ equivalent) of Section 7 to the well, and form a 297.68 acre non-

standard spacing and proration unit, as permitted by Rule 3 of Order No. R-2440.

4. The unorthodox location is necessitated by both topographic/environmental and geologic reasons.

5. Concurrently with the filing of this application, Applicant has filed an application to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom all of Section 7, Township 22 South, Range 24 East, N.M.P.M., and simultaneously expand the boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool to include said acreage. Under the special pool rules for the Indian Basin-Upper Pennsylvanian Associated Pool, the above location and unit are non-standard.

6. The approval of the unorthodox well location and non-standard unit will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: May 17, 1994.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P. FOR AN
UNORTHODOX WELL LOCATION AND A
NON-STANDARD SPACING AND PRORATION
UNIT, EDDY COUNTY, NEW MEXICO.

MAY 17 1984

No. _____

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an unorthodox well location and a non-standard spacing and proration unit in the S $\frac{1}{4}$ of Section 4, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the S $\frac{1}{4}$ of said Section 4.

2. Applicant proposes to drill its Jones Canyon 4 Fed. No. 1 Well at an unorthodox location 660 feet from the South line and 1950 feet from the West line of the Section, to a depth sufficient to test the Cisco/Canyon formation.

3. The proposed well is within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool, which is spaced on 640 acres pursuant to Order No. R-2240. Applicant will complete the well in the interval producing in the adjoining Indian Basin-Upper Pennsylvanian Associated Pool, which is spaced on 320 acres. Based on recent well completions in the immediate area, Applicant anticipates the well will be completed as an oil well. As a result, Applicant seeks to dedicate the S $\frac{1}{4}$ of Section 4 to the well, and form a 320 acre non-standard spacing and proration unit, as permitted by Rule 3 of Order No. R-2440.

4. The unorthodox location is necessitated by both topographic/environmental and geologic reasons.

5. Concurrently with the filing of this application, Applicant has filed an application to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom all of Section 4, Township 22 South, Range 24 East, N.M.P.M., and simultaneously expand the boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool to include said acreage. Under the special pool rules for the Indian Basin-Upper Pennsylvanian Associated Pool, the above location and unit are standard. This application is made in the event the contraction/extension application is denied.

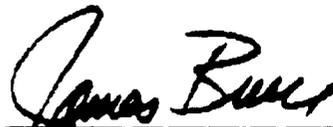
6. The approval of the unorthodox well location and non-standard unit will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: May 17, 1994.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY



James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR AN UNORTHODOX WELL LOCATION AND A NON-STANDARD SPACING AND PRORATION UNIT, EDDY COUNTY, NEW MEXICO.

NOV 17 1994

No. _____

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an unorthodox well location and a non-standard spacing and proration unit in the N $\frac{1}{4}$ of Section 5, Township 22 South, Range 24 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the N $\frac{1}{4}$ of said Section 5.

2. Applicant proposes to drill its Nagooltes Peak 5 Fed. No. 2 Well at an unorthodox location 1562 feet from the North line and 1202 feet from the West line of the Section, to a depth sufficient to test the Cisco/Canyon formation.

3. The proposed well is within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool, which is spaced on 640 acres pursuant to Order No. R-2240. Applicant will complete the well in the interval producing in the adjoining Indian Basin-Upper Pennsylvanian Associated Pool, which is spaced on 320 acres. Based on recent well completions in the immediate area, Applicant anticipates the well will be completed as an oil well. As a result, Applicant seeks to dedicate Lots 1-4 and the S $\frac{1}{4}$ N $\frac{1}{4}$ (N $\frac{1}{4}$ equivalent) of Section 5 to the well, and form a 372.88 acre non-

standard spacing and proration unit, as permitted by Rule 3 of Order No. R-2440.

4. The unorthodox location is necessitated by both topographic/environmental and geologic reasons.

5. Concurrently with the filing of this application, Applicant has filed an application to contract the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool by deleting therefrom all of Section 5, Township 22 South, Range 24 East, N.M.P.M., and simultaneously expand the boundaries of the Indian Basin-Upper Pennsylvanian Associated Pool to include said acreage. Under the special pool rules for the Indian Basin-Upper Pennsylvanian Associated Pool, the above location and unit are non-standard.

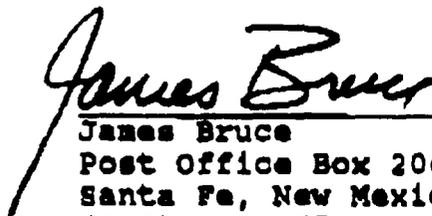
6. The approval of the unorthodox well location and non-standard unit will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Dated: May 17, 1994.

Respectfully submitted,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant