



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

February 6, 1996

Santa Fe Energy Resources, Inc.
c/o Hinkle, Cox, Eaton, Coffield & Hensley, P.L.L.C., LTD., Co.
P. O. Box 2068
Santa Fe, New Mexico 87504-2068
Attention: James Bruce

Administrative Order NSL-3628

Dear Mr. Bruce:

Reference is made to your application dated January 19, 1996 on behalf of the operator, Santa Fe Energy Resources, Inc., for a second well to be drilled at an unorthodox location within an existing standard 320-acre spacing and proration unit in the Indian Basin-Upper Pennsylvanian Associated Pool.

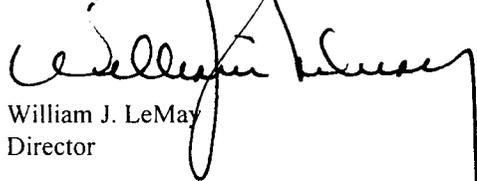
Said 320-acre standard spacing and proration unit comprises the S/2 of Section 4, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico, and is currently dedicated to the Jones Canyon "4" Federal Well No. 1 (API No. 30-015-28076), located at a standard location 660 feet from the South line and 2300 feet from the West line (Unit N) of said Section 4.

It is our understanding that the subject well in this application, the Jones Canyon "4" Federal Well No. 2 (API No. 30-015-28779), is to be located 1505 feet from the South line and 2381 feet from the East line (Unit J) of said Section 4.

By authority granted me under the provisions of Rule 2(c) of the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest and Southeast New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by Division Order Nos. R-9922 and R-5353, as amended, the above-described unorthodox location for the proposed Jones Canyon "4" Federal Well No. 2 is hereby approved.

Further, the operator is authorized to continue operating the above-described standard 320-acre spacing and proration unit, with allowable assigned thereto in accordance with Rule 22 of said special pool rules.

Sincerely,



William J. LeMay
Director

WJL/MES/kv

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad