

9/26/97 | 10/16/97 | MS | KW | NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

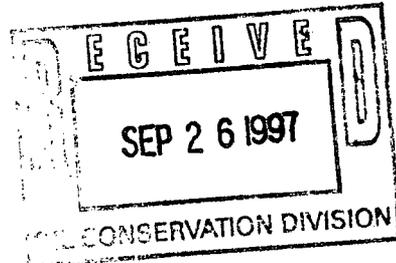
- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location] [DD-Directional Drilling] [SD-Simultaneous Dedication] [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling] [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement] [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion] [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase] [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling [x] NSL [] NSP [] DD [] SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement [] DHC [] CTB [] PLC [] PC [] OLS [] OLM [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery [] WFX [] PMX [] SWD [] IPI [] EOR [] PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or [] Does Not Apply

- [A] [] Working, Royalty or Overriding Royalty Interest Owners [B] [x] Offset Operators, Leaseholders or Surface Owner [C] [] Application is One Which Requires Published Legal Notice [D] [] Notification and/or Concurrent Approval by BLM or SLO U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office [E] [x] For all of the above, Proof of Notification or Publication is Attached, and/or. [F] [] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

James Bruce P.O. Box 1056 Santa Fe, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

Signature: James Bruce

Title: Attorney for Applicant

Date: 9/26/97

Print or Type Name

Signature

Title

Date

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

September 26, 1997

Hand Delivered

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

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Santa Fe Energy Resources, Inc. ("Santa Fe") hereby applies for administrative approval of two unorthodox gas well locations, in the Morrow formation (Undesignated Quail Ridge-Morrow Gas Pool¹), for the following well:

Topaz "19" Fed. Com. Well No. 1
Lots 1-4, E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$) §19, Township 20 South, Range 34 East,
NMPM (320.28 acres), Lea County, New Mexico

1st location: 660 feet FSL & 2084 feet FWL
2nd location: 1100 feet FSL & 660 feet FWL (directionally drilled)

The primary objective in this well is the lower Morrow sands, at a depth of approximately 13,700 feet subsurface. (Secondary objectives include the middle Morrow sands (13,200 feet), Atoka sand (12,800 feet), Bone Spring (9,600 feet), and Delaware sands (5,700 feet).²) A production map of the area is attached hereto as Exhibit A.

Fluvial sands in the lower Morrow were deposited in a north-south direction across the prospect area, as shown on the isopach

¹Pool rules require wells to be no closer than 1980 feet from the end line of the spacing unit.

²The well is at an orthodox location in the Bone Spring and Delaware formations.

attached hereto as Exhibit B. Producers along this trend are prolific: Santa Fe's Sinagua "18" Fed. Well No. 1, in the NE¼ S18-20S-34E, has produced 3.47 BCF to date from the lower Morrow sands. Also attached is a structure map on top of the lower Morrow (Exhibit C).

Santa Fe plans to re-enter the Cities Service Government "N" Well No. 1Y,³ which was drilled as a Devonian test in 1968 at the 1st location described above. The well encountered good thicknesses in both the middle and lower Morrow sands, but was not thoroughly tested. Santa Fe will first test the Morrow at the 1st location. If that test is unsatisfactory, Santa Fe will come uphole to approximately 10,100 feet, and drill directionally to the 2nd location. Electric logs and hydrocarbon shows from wells in the area indicate that pay improves to the west of the 1st location. The proposed vertical location, if successful, will lessen the cost of the well and thus prevent waste. The directionally drilled location, if necessary, will allow Santa Fe to penetrate approximately 35 feet of Morrow sand, which will increase the chances of completing a commercial well.

Attached as Exhibit D are the APD (Form 3160-3), Form C-102, and vertical and horizontal plan view of the well, submitted to the Bureau of Land Management.

Attached as Exhibit E is a land plat of the subject area, highlighting Santa Fe-operated acreage in yellow. Although all of the offsetting acreage is operated by Santa Fe, offsetting lessees have been notified of this application, as evidenced by the notice letter attached hereto as Exhibit F. Please note that, if the well is directionally drilled, the only offset lessees in Sections 24 & 25-20S-33E and the W¼ S30-20S-34E are Santa Fe, Louis Dreyfus Natural Gas Corp., and Southwestern Energy Production Company, who are also interest owners in the proposed well.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,



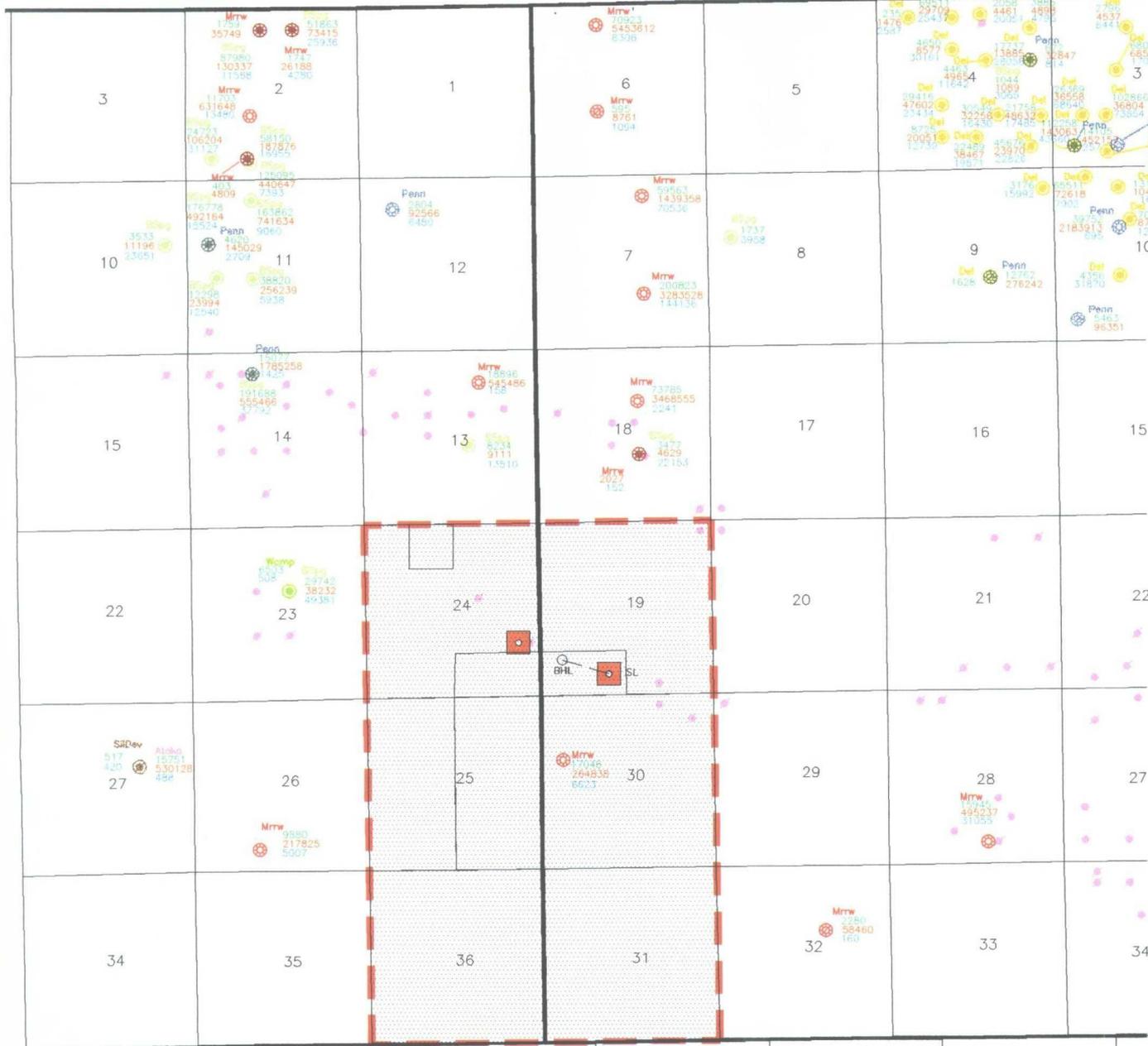
James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

³To be re-named the Topaz "19" Fed. Com. Well No. 1.

R-33-E

R-34-E



T 20 S

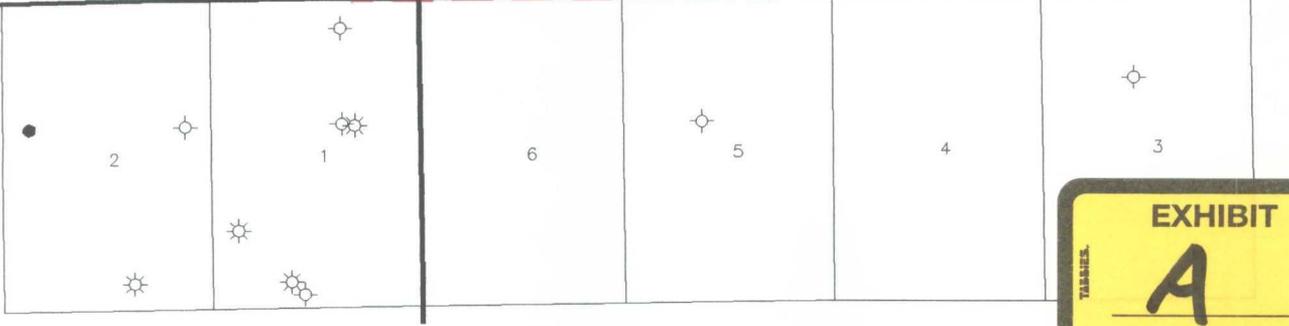


EXHIBIT
A

- LEGEND**
- SILURO-DEVONIAN PRODUCTION
 - ⊙ MORROW PRODUCTION
 - ⊙ ATOKA PRODUCTION
 - ⊙ STRAWN PRODUCTION
 - ⊙ PENN PRODUCTION
 - ⊙ WOLFCAMP PRODUCTION
 - ⊙ BONE SPRING PRODUCTION
 - ⊙ DELAWARE PRODUCTION
 - UPPER GUADALUPIAN PRODUCTION

- ▨ SFER INTEREST ACREAGE
- PROSPECT OUTLINE
- PROPOSED LOCATION

1 Mile



Santa Fe Energy Resources, Inc.
 CENTRAL DIVISION
 MIDLAND, TEXAS

Lea South Area
TOPAZ PROSPECT
 Lea County, New Mexico

PRODUCTION MAP
CUMULATIVE TO 2-28-97

Geol. By: Tom Tinney
 Scale: 1" =

C.I.:
 Date: 9-11-97

TOPZ-RRC.DWG

R-33-E

R-34-E

T 20 S

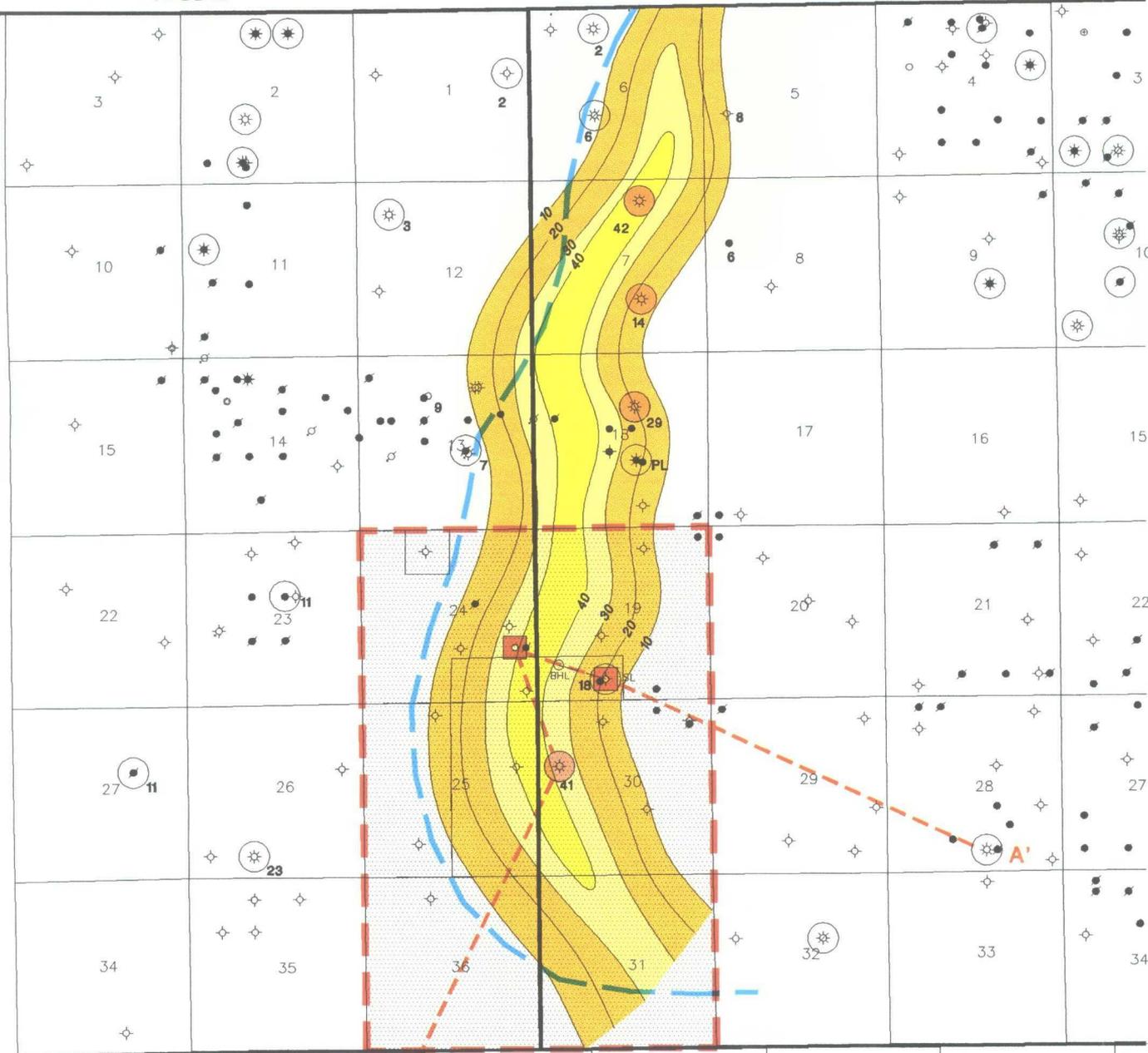


EXHIBIT
B

1 Mile

-  SFER INTEREST ACREAGE
-  PROSPECT OUTLINE
-  PROPOSED LOCATION
-  LOWER MORROW PRODUCER



Santa Fe Energy Resources, Inc.
 CENTRAL DIVISION
 MIDLAND, TEXAS

Lea South Area
TOPAZ PROSPECT
 Lea County, New Mexico

ISOPACH MAP
LOWER MORROW CLASTICS
NET CLEAN SAND

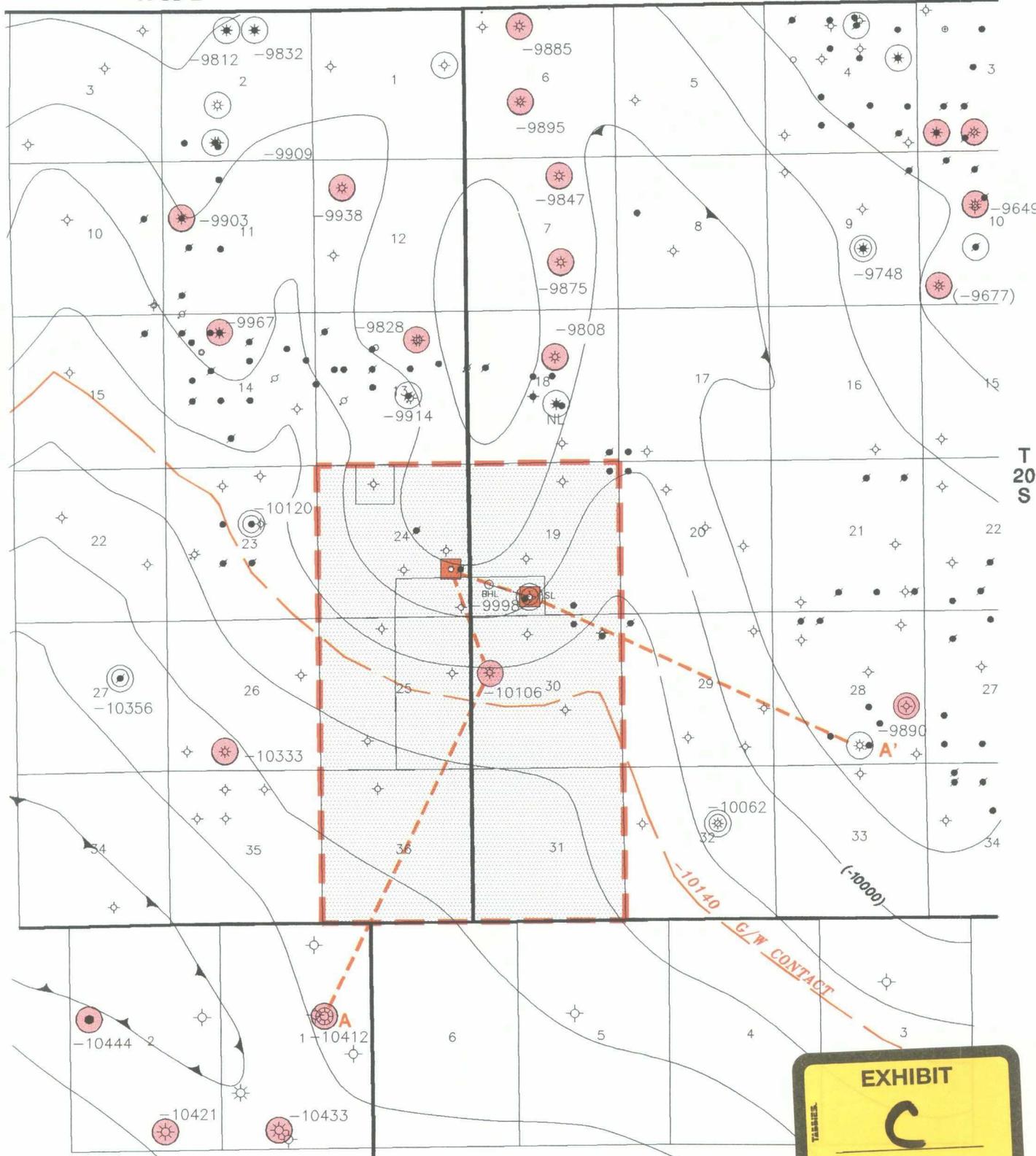
Geol. By: Tom Tinney
 Scale: 1" =

C.I.: 10'
 Date: 9-11-97

TOPZ-RRC.DWG

R-33-E

R-34-E



T 20 S



-  SFER INTEREST ACREAGE
-  PROSPECT OUTLINE
-  PROPOSED LOCATION
-  MORROW PRODUCER




Santa Fe Energy Resources. Inc.
 CENTRAL DIVISION
 MIDLAND, TEXAS

Lea South Area
TOPAZ PROSPECT
 Lea County, New Mexico

TOP OF LOWER MORROW

Geol. By: Tom Tinney
 Scale: 1" = 100'
 Date: 9-11-97
 TOPZ-RRC.DWG

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN			5. LEASE DESIGNATION AND SERIAL NO. NM 0550543	
1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/>			6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
b. TYPE OF WELL OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/> SINGLE ZONE <input type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>			7. UNIT AGREEMENT NAME	
2. NAME OF OPERATOR Santa Fe Energy Resources, Inc.			8. FARM OR LEASE NAME, WELL NO. Topaz "19" Fed Com	
3. ADDRESS AND TELEPHONE NO. 550 W. Texas, Suite 1330; Midland, TX 79701 (915) 682-6373			9. API WELL NO. 1	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface (N) 660' FSL & 2083' FWL At proposed prod. zone (M) 1100' FSL & 660' FWL			10. FIELD AND POOL, OR WILDCAT Quail Ridge (Morrow)	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 8 mi NE from Halfway Bar, New Mexico			12. COUNTY OR PARISH Lea	13. STATE New Mexico
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drng. unit line, if any) 660	16. NO. OF ACRES IN LEASE 80	17. NO. OF ACRES ASSIGNED TO THIS WELL 320		
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH 14,000	20. ROTARY OR CABLE TOOLS Rotary		
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3662 GR			22. APPROX. DATE WORK WILL START* 10/30/97	

23. **PROPOSED CASING AND CEMENTING PROGRAM**

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	H-40 20"	94	177'	450 sx (Circ) (Csg in place)
17 1/2"	? 13 5/8"	48, 54.5, 61, 68,	3198'	2450 sx (Circ) (Csg in place)
12 1/4"	J-55, N-80 9 5/8"	36, 40	5700'	1675 sx (Circ) (Csg in place)
8 3/4"	N-80, S-95, 5 1/2"	17	14000'	Stage collar @ 10,000' TOC @ 4800'

We propose to re-enter the former Cities Service Oil Co. Government N #1-Y, sidetrack and drill to a depth sufficient to test the Morrow formation for gas. If productive, 5 1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program:

- Exhibit A - Operations Plan
- Exhibit B - BOP Choke Schematic
- Exhibit C - Drilling Fluids Program
- Exhibit D - Auxillary Program
- Exhibit E - Topo Map of Location

- Exhibit F - Plat Showing Existing Wells
- Exhibit F (A) - Plat of Location
- Exhibit G - Well Site Layout
- Surface Use and Operations Plan

This APD was previously approved as the Sinagua "19" Fed Com #2 on 7-21-95

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED James A. Stinson TITLE Agent for Santa Fe Energy DATE 9.22.97

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY _____ TITLE _____ DATE _____

***See Instructions On Reverse Side**

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

OIL CONSERVATION DIVISION

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name Quail Ridge (Morrow)
Property Code	Property Name TOPAZ "19" FED COM	Well Number 1
OGRID No.	Operator Name SANTA FE ENERGY RESOURCES, INC.	Elevation 3662

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	19	20 S	34 E		660	SOUTH	2083	WEST	LEA

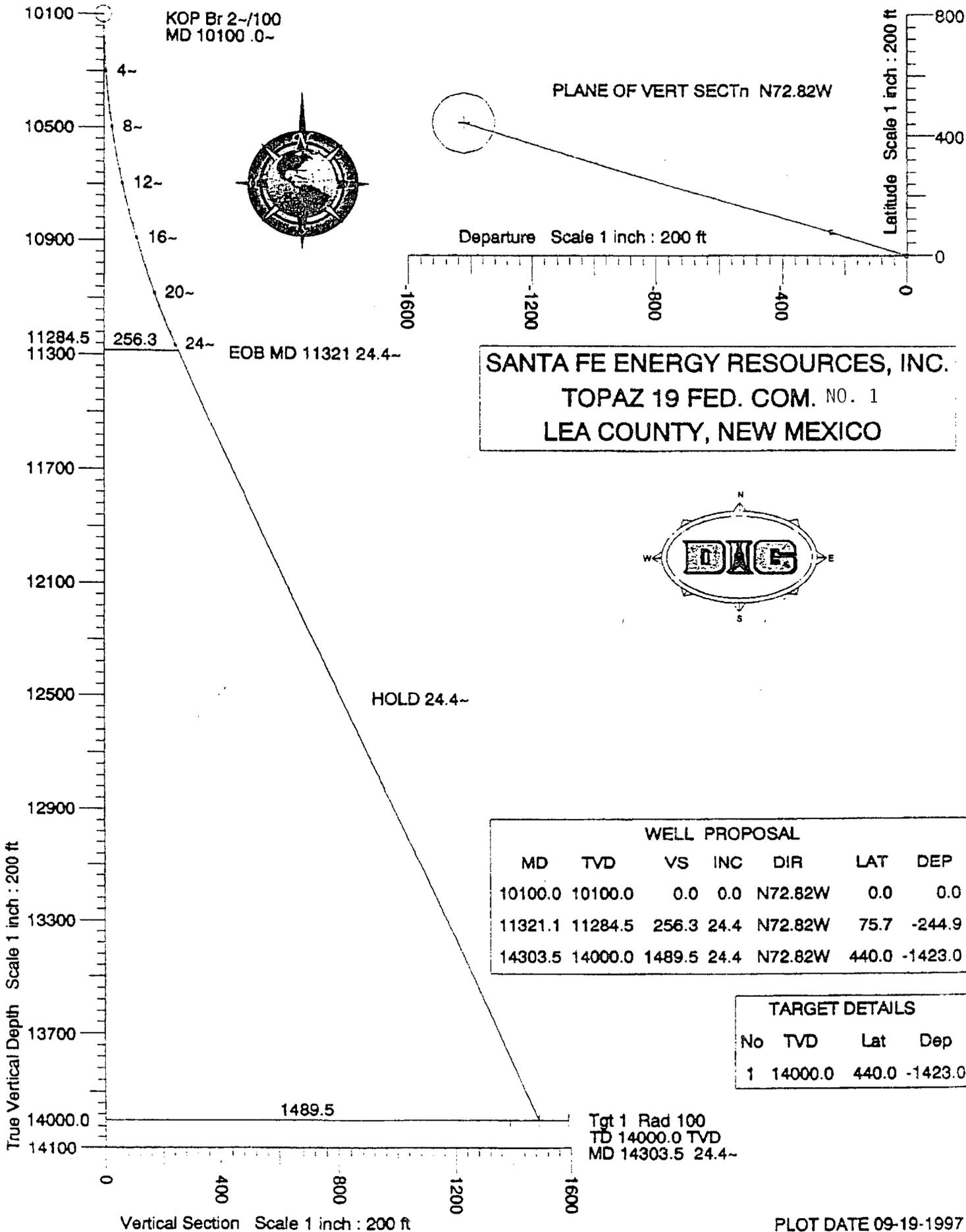
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	19	20-S	34-E		1100'	South	660'	West	

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSGND TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James P. "Phil" Stinson</i> Signature</p> <p>James P. "Phil" Stinson Printed Name</p> <p>Agent for Santa Fe Energy Title</p> <p>9-22-97 Date</p>	
	<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 28, 1995</p> <p>Date Surveyed</p>	
	<p>Signature & Seal of Professional Surveyor</p> <p><i>W. G. Edson</i> W. G. Edson Professional Surveyor</p> <p>3-30-95</p> <p>W. G. Num. 95-11-057-</p>	
	<p>Certificate No. JOHN W. WEST RONALD V. EDSON CARY EDSON</p>	
	<p>SJA</p>	



KOP Br 2~/100
MD 10100.0~

PLANE OF VERT SECTn N72.82W

Departure Scale 1 inch : 200 ft

Latitude Scale 1 inch : 200 ft

EOB MD 11321 24.4~

SANTA FE ENERGY RESOURCES, INC.
TOPAZ 19 FED. COM. NO. 1
LEA COUNTY, NEW MEXICO



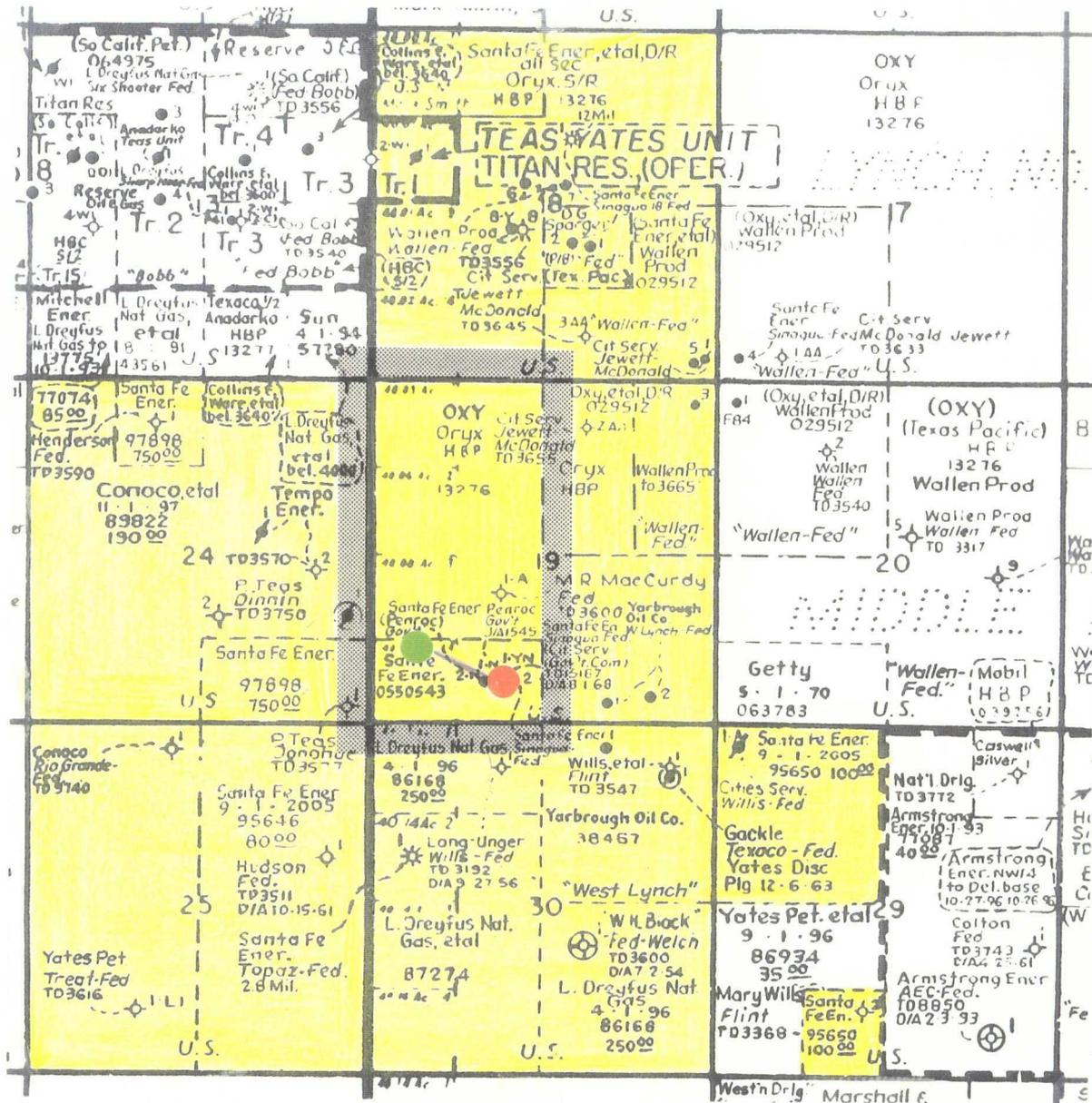
HOLD 24.4~

WELL PROPOSAL						
MD	TVD	VS	INC	DIR	LAT	DEP
10100.0	10100.0	0.0	0.0	N72.82W	0.0	0.0
11321.1	11284.5	256.3	24.4	N72.82W	75.7	-244.9
14303.5	14000.0	1489.5	24.4	N72.82W	440.0	-1423.0

TARGET DETAILS			
No	TVD	Lat	Dep
1	14000.0	440.0	-1423.0

Tgt 1 Rad 100
TD 14000.0 TVD
MD 14303.5 24.4~

PLOT DATE 09-19-1997



TOPAZ "19" FED. COM. NO. 1



Vertical Completion
660' FSL & 2084' FWL



Sidetrack Completion
1100' FSL & 660' FWL



320 Acre Drilling Tract
W/2 Section 19-T20S-R34E

Operator: SFER, Inc.



SFER, INC. Acreage

	<p>Santa Fe Energy Resources, Inc. Central Division Midland, Texas</p>
<p>LEA COUNTY, NEW MEXICO</p>	
<p>LAND PLAT</p>	
<p>TOPAZ PROSPECT</p>	
<p>Date: 2-1-97</p>	

EXHIBIT

E

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

September 26, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and Gentlemen:

On September 26, 1997, Santa Fe Energy Resources, Inc. filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox gas well location for the Topaz "19" Fed. Com. Well No. 1, located in the W $\frac{1}{2}$ of Section 19, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. A copy of the application is enclosed. Santa Fe's records show that you own an interest offsetting the above well. If you object to the unorthodox location, you must notify the Division in writing no later than 20 days from the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,



James Bruce

Attorney for Santa Fe
Energy Resources, Inc.



EXHIBIT A

TOPAZ PROSPECT

Land Description

All Section 24, T-20-S, R-33-E
All Section 25, T-20-S, R-33-E
W/2 & SE/4 Section 30, T-20-S, R-34-E

Lessees

Santa Fe Energy Resources, Inc. (Operator)
550 West Texas, Suite 1330
Midland, Texas 79701

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134-2600

Southwestern Energy Production Company
5600 North May Ave.
Suite 200
Oklahoma City, Oklahoma 73112-3979

Land Description

NE/4 Section 30, T-20-S, R-34-E

Lessees

Santa Fe Energy Resources, Inc. (Operator)
550 West Texas, Suite 1330
Midland, Texas 79701

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134-2600

Southwestern Energy Production Company
5600 North May Ave.
Suite 200
Oklahoma City, Oklahoma 73112-3979

Harvey E. Yates Company
P.O. BOX 1933
One SunWest Centre
Roswell, New Mexico 88201

Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103

Armstrong Energy Corporation
P.O. Box 1973
Roswell, New Mexico 88202

Jack Beaty
9428 Pebble Beach Drive
Albuquerque, New Mexico 87111

Catherine M. Harvey
P.O. Box 2148
Santa Fe, New Mexico 87504

Land Description

NE/4 Section 30, T-20-S, R-34-E Cont'd

Lessees

Thomas E. Hickey
c/o T.H. McElvain Oil & Gas
P.O. Box 2148
Santa Fe, New Mexico 87504

LeMay Energy Corporation
555 Camino Ranchero
Santa Fe, New Mexico 87501

Constance B. Lewis
310 Monssen Drive
Dallas, Texas 75224-1428

Anne B. Little
P.O. Box 82277
Albuquerque, New Mexico 87198-2277

Verde Vista Energy Company
P.O. Box 310
Roswell, New Mexico 88202

Land Description

E/2 Section 19, T-20-S, R-34-E

Lessees

Santa Fe Energy Resources, Inc.
550 West Texas, Suite 1330
Midland, Texas 79701

Doyle Hartman
P.O. Box 10426
Midland, Texas 79702

Larry Nermyr
Box 4106S
Sidney, Montana 59270

Southwestern Energy Production Company
5600 North May Avenue, Suite 200
Oklahoma City, Oklahoma 73112-3979

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway
Suite 600
Oklahoma City, Oklahoma 73134-2600

J. Cleo Thompson, Jr.
4500 Republic Nat'l. Bank Tower
Dallas, Texas 75201

James A. Davidson
Box 494
Midland, Texas 79702

Land Description

E/2 Section 19, T-20-S, R-34-E Cont'd

Lessees

Petro-Quest Exploration
P.O. Box 10016
Midland, Texas 79702

Mizel Resources, A Trust
5801 East 41st Street, Suite 104
Tulsa, Oklahoma 74135

James E. Burr & Laveta Burr
P.O. Box 8050
Midland, Texas 79702

Ruth Sutton
2826 Moss
Midland, Texas 79705

John H. Hendrix Corp.
P.O. Box 3040
Midland, Texas 79702-3040

Michael L. Klein & Jeanne Klein
500 West Texas
Midland, Texas 79701

Ronnie H. Westbrook & Karen Westbrook
2809 Haynes
Midland, Texas 79705

Devises of Dewey E. Sparger
P.O. Box 1112
Hobbs, New Mexico 88240

Larry A. Mizel
3600 South Yosemite Street #810
Denver, Colorado 80237

Fasken Oil & Ranch Ltd.
For A/C Fasken Land & Minerals Ltd
303 West Wall Ave., Suite 1900
Midland, Texas 79701-5116

DOCKET: EXAMINER HEARING - THURSDAY - DECEMBER 4, 1997

8:15 AM - 2040 South Pacheco

Santa Fe, New Mexico

Dockets Nos 39-97 and 1-98 are tentatively set for December 18, 1997 and January 8, 1998. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11850: (Continued from November 6, 1997, Examiner Hearing - This Case will be Dismissed.)

Application of Diamond Head Properties, L. P., et al, for clarification of Division Order No. R-10731-B, Eddy County, New Mexico. Applicants, Diamond Head Properties, L. P. and its joint interest owners, Grover Family, L.P., Dugan Production Corp., Pennant Petroleum Inc. and Glenn S. Brant, (collectively the "Diamond Head Group") seek clarification of Order No. R-10731-B, issued February 2, 1997, and request that the Division order KCS Medallion Resources, Inc. ("KCS") to distribute to Diamond Head Properties and its joint owners their proportionate share of any nonconsenting working interest owner's share of production plus the 200% risk factor penalty. Said pooled unit is located approximately 10 miles north of Carlsbad, New Mexico.

CASE 11886: Application of Nadel and Gussman Permian, LLC. for a unit agreement, Lea County, New Mexico. Applicant seeks approval of the West Hobbs Unit Agreement for an area comprising 1,359.6 acres, more or less, of State lands in portions of Section 5, 8, and 17, all in Township 18 South, Range 37 East. Said unit area is located approximately 3.5 miles west of the Hobbs Industrial Airpark.

CASE 11878: (Continued from November 6, 1997, Examiner Hearing.)

Application of Fasken Oil and Ranch, Ltd. for an unorthodox gas well location and simultaneous dedication, Eddy County, New Mexico. Applicant seeks approval to drill its proposed Indian Hills Well No. 15 at an unorthodox gas well location 1300 feet from the South line and 330 feet from the West line (Unit M) of Irregular Section 17, Township 21 South, Range 25 East, NMPM, to the base of the Morrow formation, said location being unorthodox for any and all gas producing formations from the top of the Wolfcamp to the base of the Morrow, including but not limited to the Indian Basin-Morrow gas Pool, and, if productive, to be simultaneously dedicated to a non-standard 663.86-acre gas spacing and proration unit consisting of all of said Irregular Section 17 which is currently dedicated to the Indian Hills Unit Gas Com "A" Well No. 6 located at a previously approved unorthodox well location 1440 feet from the South and East lines (Unit J) of said Irregular Section 17. Said unit is located approximately 9 miles northwest from Carlsbad, New Mexico.

CASE 11887: Application of Santa Fe Energy Resources, Inc. for compulsory pooling and a non-standard gas spacing and proration unit, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 3-6 and 11-14 of Section 1, Township 21 South, Range 34 East, to form a non-standard 315.22-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Wilson-Morrow Gas Pool. Said unit is to be dedicated to its Outland "I" State Well No. 1, to be drilled at an orthodox gas well location 3300 feet from the North line and 1650 feet from the West line of said Section 1. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately 10 miles west-northwest of Oil Center, New Mexico.

CASE 11888: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 20 South, Range 34 East, and in the following manner: Lots 1-4 and the E/2 W/2 (W/2 equivalent) to form a standard 320.28-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool and Lots 3, 4 and the E/2 SW/4 (SW/4 equivalent) to form a standard 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located at an unorthodox gas well location 660 feet from the South line and 2084 feet from the West line (Unit N) of said Section 19. If re-entry at that location is unsuccessful, the well will be directionally drilled to an unorthodox location within a 50 foot radius of 660 feet from the South line and 1100 feet from the West line (Unit M) of Section 19. Also to be considered will be the cost of re-entering and directionally drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling said well. Said unit is located approximately 20.5 miles west-northwest of Oil Center, New Mexico.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

October 27, 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Case 11855

Re: Administrative application for two non-standard subsurface gas well locations for Santa Fe Energy Resources, Inc.'s Topaz "19" Federal Com Well No. 1 (API No. 30-025-22564) in Unit "N" of Section 19, Township 20 South, Range 34 East, NMPM, Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool, Lea County, New Mexico.

Dear Mr. Bruce:

Subsequent to my review of the subject application dated September 26, 1997, I found that this particular well had been the subject of a hearing in June, 1995 (Case 11296). What, if any, is the current status of Division Order No. R-10387, see copy attached. If the provisions of said order are no longer applicable, what information presented then is still applicable now and explain in detail any differences.

Should you have any questions concerning this matter, please contact me in Santa Fe at (505) 827-8185.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Hobbs
File: Case 11296

**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:**

**CASE NO. 11296
Order No. R-10387**

**APPLICATION OF SANTA FE ENERGY
RESOURCES INC. FOR COMPULSORY
POOLING, DIRECTIONAL DRILLING,
AND AN UNORTHODOX BOTTOMHOLE
GAS WELL LOCATION, LEA COUNTY,
NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 1, 1995, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 7th day of June, 1995, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Santa Fe Energy Resources, Inc., seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 20 South, Range 34 East, NMPM, and in the following manner:

Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) to form a 320.28-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated West Lynch-Morrow Gas Pool; and,

Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) to form a 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

(3) Said unit(s) are to be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com Well No. 1-Y (API No. 30-025-22564) (to be re-designated the Sinagua "19" Federal Com Well No. 2) located 660 feet from the South line and 2084 feet from the West line (Unit N) of Section 19, wherein the applicant proposes to re-enter said well and recomplete by kicking off from the vertical and directionally drilling the wellbore in a northerly direction into the Morrow formation at an unorthodox bottomhole gas well location within 50 feet of a point 1060 feet from the South line and 2084 feet from the West line of Section 19.

(4) The applicant has the right to re-enter the proposed Sinagua "19" Federal Com Well No. 2.

(5) There are interest owners in the proposed proration unit(s) who have not agreed to pool their interests.

(6) Division records indicate that the subject well was drilled in 1968 by Cities Service Oil Company to test the Devonian formation. The well tested dry and was subsequently plugged and abandoned.

(7) According to applicant's evidence and testimony, re-entering the proposed Sinagua "19" Federal Com Well No. 2 as opposed to drilling a new well within the W/2 of Section 19 to test the Morrow formation will significantly reduce the costs associated with such a venture.

(8) Further testimony by the applicant indicates that some damage to the Morrow formation may have occurred during the drilling of the Sinagua "19" Federal Com Well No. 2. The applicant seeks authority to directionally drill the subject well in order to minimize the risk of encountering the damaged area within the Morrow formation.

(9) No offset operator and/or interest owner appeared at the hearing in opposition to the proposed directional drilling and unorthodox bottomhole gas well location.

(10) Approval of the proposed directional drilling and unorthodox bottomhole gas well location will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pool(s), will prevent the drilling of unnecessary wells, and will otherwise prevent waste and protect correlative rights.

(11) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford to the owner of each interest in said unit(s) the opportunity to recover or receive without unnecessary expense his just and fair share of the production in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit(s).

(12) The applicant should be designated the operator of the subject well and unit(s).

(13) Re-entry and directional drilling costs should be adopted as estimated well costs for the purpose of this order.

(14) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(15) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in re-entering and directionally drilling the well.

(16) Any non-consenting working interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(17) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(18) \$5200.00 per month while drilling and \$520.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(19) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(20) Upon the failure of the operator of said pooled unit(s) to commence re-entry and directional drilling operations on the subject well on or before September 1, 1995, the order pooling the subject unit(s) should become null and void and of no effect whatsoever.

(21) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(22) The operator of the well and unit(s) shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(23) The applicant should be required to conduct a directional survey to determine the location of the kick-off point prior to directional drilling and subsequent to completion of directional drilling operations in order to determine the bottomhole location of the subject well.

(24) The applicant should be required to notify the supervisor of the Division's Hobbs district office of the date and time of conductance of any directional surveys in order that the same may be witnessed. In addition, the applicant should be required to submit copies of the directional surveys to both the Santa Fe and Hobbs offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 20 South, Range 34 East, NMPM, are hereby pooled in the following manner:

Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) to form a 320.28-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent which presently includes but is not necessarily limited to the Undesignated Quail Ridge-Morrow Gas Pool and the Undesignated West Lynch-Morrow Gas Pool; and,

Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) to form a 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent.

Said unit(s) shall be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com Well No. 1-Y (API No. 30-025-22564) (to be re-designated the Sinagua "19" Federal Com Well No. 2) located 660 feet from the South line and 2084 feet from the West line (Unit N) of Section 19, which will be re-entered by the applicant and directionally drilled in a northerly direction so as to penetrate the Morrow formation at an unorthodox bottomhole gas well location within 50 feet of a point 1060 feet from the South line and 2084 feet from the West line of Section 19, also hereby approved.

PROVIDED HOWEVER THAT, the operator of said unit(s) shall commence re-entry and directional drilling operations on the subject well on or before the 1st day of September, 1995, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence re-entry and directional drilling operations on the well on or before the 1st day of September, 1995, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Santa Fe Energy Resources, Inc., is hereby designated the operator of the subject well and unit(s).

(3) After the effective date of this order and within 90 days prior to commencing re-entry operations, the operator shall furnish the Division and each known working interest owner in the subject unit(s) an itemized schedule of estimated well costs:

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5200.00 per month while drilling and \$520.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit(s) shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

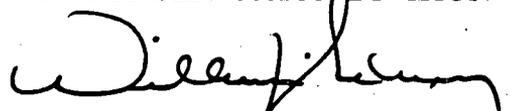
(15) The applicant shall conduct a directional survey to determine the location of the kick-off point prior to directional drilling and subsequent to completion of directional drilling operations in order to determine the bottomhole location of the subject well.

(16) The applicant shall notify the supervisor of the Division's Hobbs district office of the date and time of conductance of any directional surveys in order that the same may be witnessed. In addition, the applicant shall submit copies of the directional surveys to both the Santa Fe and Hobbs offices of the Division upon completion.

(17) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

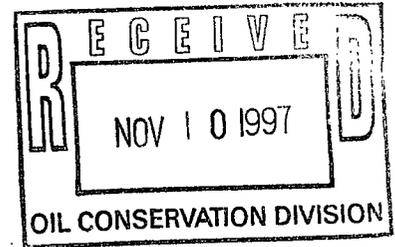
S E A L

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



11888

November 10, 1997

Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application, together with a proposed advertisement, filed on behalf of Santa Fe Energy Resources, Inc. Please set this matter for the December 4, 1997 Examiner hearing.

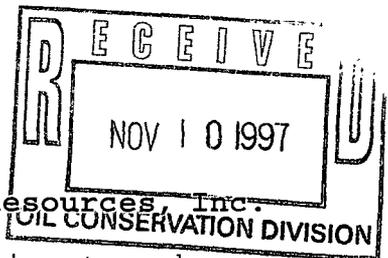
Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

PROPOSED ADVERTISEMENT

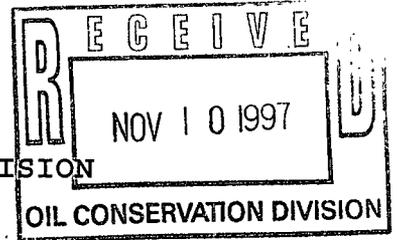


Case 11888 : Application of Santa Fe Energy Resources, Inc.

for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in of Section 19, Township 20 South, Range 34 East, NMPM, and in the following manner: Lots 1-4 and the E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$ equivalent) to form a standard 320.28-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool; and Lots 3,4 and the E $\frac{1}{2}$ SW $\frac{1}{4}$ (SW $\frac{1}{4}$ equivalent) to form a standard 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located at an unorthodox gas well location 660 feet from the South line and 2084 feet from the West line (Unit N) of said Section 19. If re-entry at that location is unsuccessful, the well will be directionally drilled to an unorthodox location within a 50 foot radius of 660 feet from the South line and 1100 feet from the West line (Unit M) of Section 19. Also to be considered will be the cost of re-entering and directionally drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is

located approximately 20.5 miles west-northwest of Oil Center, New Mexico.

sfe-pad.fp2



BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

NO. 11888

APPLICATION

Santa Fe Energy Resources, Inc. hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying Lots 1-4 and the E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$ equivalent) of Section 19, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of said Section 19, and has the right to drill or re-complete a well thereon.

2. Applicant proposes to re-enter the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located 660 feet from the South line and 2084 feet from the West line of Section 19. Applicant will test the Morrow formation at that location, but, if unsuccessful, will directionally drill to a bottomhole location 1100 feet from the South line and 660 feet from the West line of the section,¹ to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The W $\frac{1}{2}$ of Section 19 to form a 320.28 acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool;

¹Applicant has applied for administrative approval of the unorthodox location.

and

(b) Lots 3, 4 and the E $\frac{1}{2}$ SW $\frac{1}{4}$ (SW $\frac{1}{4}$ equivalent) of Section 19 to form a 160.19 acre gas spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 19 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests. Therefore, Applicant seeks an order pooling all mineral interest owners in the W $\frac{1}{2}$ of Section 19, pursuant to NMSA §70-2-17 (1995 Repl. Pamp.).

6. The pooling of all mineral interests underlying the W $\frac{1}{2}$ of Section 19 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in the W $\frac{1}{2}$ of Section 19, from the surface to the base of the Morrow formation;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

(d) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;

(e) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and

(f) Granting such further relief as the Division deems proper.

Respectfully submitted,



James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Santa Fe Energy
Resources, Inc.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

November 12, 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Case 11888

Re: Application for administrative approval for two non-standard subsurface gas well locations for Santa Fe Energy Resources, Inc.'s Topez "19" Federal Com Well No. 1 (API No. 30-025-22564) in Unit "N" of Section 19, Township 20 South, Range 34 East, NMPM, Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool, Lea County, New Mexico.

Dear Mr. Bruce:

I am in receipt of your application for hearing on the subject well; therefore, your administrative application filed in September will be dismissed at this time.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you.

Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Kathy Valdes, NMOCD - Santa Fe

DEPARTMENT OF
BUREAU OF LAND

UNITED STATES PROPERTY NO. 17309

POOL CODE 83280

EFF. DATE 7/27/95

API NO. 30-025-22564

APPLICATION FOR PERMIT

5. LEASE DESIGNATION AND SERIAL NO.

NM 0550543

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

'95

8. FARM OR LEASE NAME WELL NO. Com

Sinagua "19" Fed No. 2

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT

Quail Ridge (Morrow)

11. SEC., T., E., M., OR BLK.
AND SURVEY OR AREA

Sec 19, T-20-S, R-34-E

12. COUNTY OR PARISH

Lea

13. STATE

New Mexico

1A. TYPE OF WORK

DRILL

DE

B. TYPE OF WELL

OIL WELL

GAS WELL

OTHER

SINGLE ZONE

CABLE AREA

MULTIPLE ZONE

2. NAME OF OPERATOR

Santa Fe Energy Resources, Inc.

3. ADDRESS AND TELEPHONE NO.

550 W. Texas, Suite 1330; Midland, TX 79701 (915) 682-6373

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

(N) 660' FSL & 2083' FWL

At proposed prod. zone

(K) 1000' FSL & 2083' FWL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

8 mi NE from Halfway Bar, New Mexico

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.

(Also to nearest drig. unit line, if any) 660

16. NO. OF ACRES IN LEASE

80

17. NO. OF ACRES ASSIGNED TO THIS WELL

320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

14,000

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GB, etc.)

3662 GR

22. APPROX. DATE WORK WILL START*

May 15, 1995

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	H-40 20"	94	177'	450 sx (Circ) (Csg in place)
17 1/2"	? 13 5/8"	48, 54.5, 61, 68	3198'	2450 sx (Circ) (Csg in place)
12 1/4"	J-55, N-80 9 5/8"	36, 40	5700'	1675 sx (Circ) (Csg in place)
8 3/4"	N-80, S-95 5 1/2"	17	14000'	Stage collar @ 10,000' TOC @ 4800'

We propose to re-enter the former Cities Service Oil Co. Government N #1-Y, sidetrack and drill to a depth sufficient to test the Morrow formation for gas. If productive, 5 1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program:

- Exhibit A - Operations Plan
- Exhibit B - BOP Choke Schematic
- Exhibit C - Drilling Fluids Program
- Exhibit D - Auxiliary Program
- Exhibit E - Topo Map of Location

- Exhibit F - Plat Showing Existing Wells
- Exhibit F (A) - Plat of Location
- Exhibit G - Well Site Layout
- Surface Use and Operations Plan
- H₂S Drilling Plan

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED James P. Phil Stinson TITLE Agent for Santa Fe Energy DATE 4-19-95

(This space for Federal or State office use)

PERMIT NO. _____

APPROVAL DATE _____

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY Isabel J. Luomo TITLE Acting State Director DATE 7-21-95

*See Instructions On Reverse Side

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-22564	Pool Code 83280	Pool Name Quail Ridge (Morrow)
Property Code 17309	Property Name SINAGUA "19" FEDERAL Com.	Well Number 2
OGRID No. 20305	Operator Name SANTA FE ENERGY RESOURCES, INC.	Elevation 3662

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	19	20 S	34 E		660	SOUTH	2083	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	19	20-S	34-E		1060'	S/S South	2083'	FWL	Lea

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320			

NO ALLOWABLE WILL BE ASSGND TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

LOT 1 40.03 AC.				<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>James P. "Phil" Stinson</i> Signature</p> <p><u>James P. "Phil" Stinson</u> Printed Name</p> <p><u>Agent for Santa Fe Energy</u> Title</p> <p><u>4-19-95</u> Date</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>MARCH 28, 1995</p> <p>Date Surveyed _____ SJA</p> <p>Signature & Seal of Professional Surveyor <i>[Seal]</i> 3-30-95</p> <p>W.O. Num. 95-1160474</p> <p>Certificate No. JOHN W. WEST 676 RONALD L. EIDSON 3239 GARY EIDSON 12541</p>
LOT 2 40.06 AC.				
LOT 3 40.08 AC				
LOT 4 40.11 AC.				

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
Energy, Minerals and Natural Resources Department

EXHIBIT F (A)
PLAT OF LOCATION
SANTA FE ENERGY RESOURCES, I.
SINAGUA "19" FED NO 2
660' FSL & 2083' FWL
SEC 19, T-20-S, R-34-E
LEA COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name QUAIL RIDGE (MORROW)
Property Code	Property Name SINAGUA "19" FEDERAL Corn.	Well Number 2
OGRID No.	Operator Name SANTA FE ENERGY RESOURCES, INC.	Elevation 3662

Surface Location

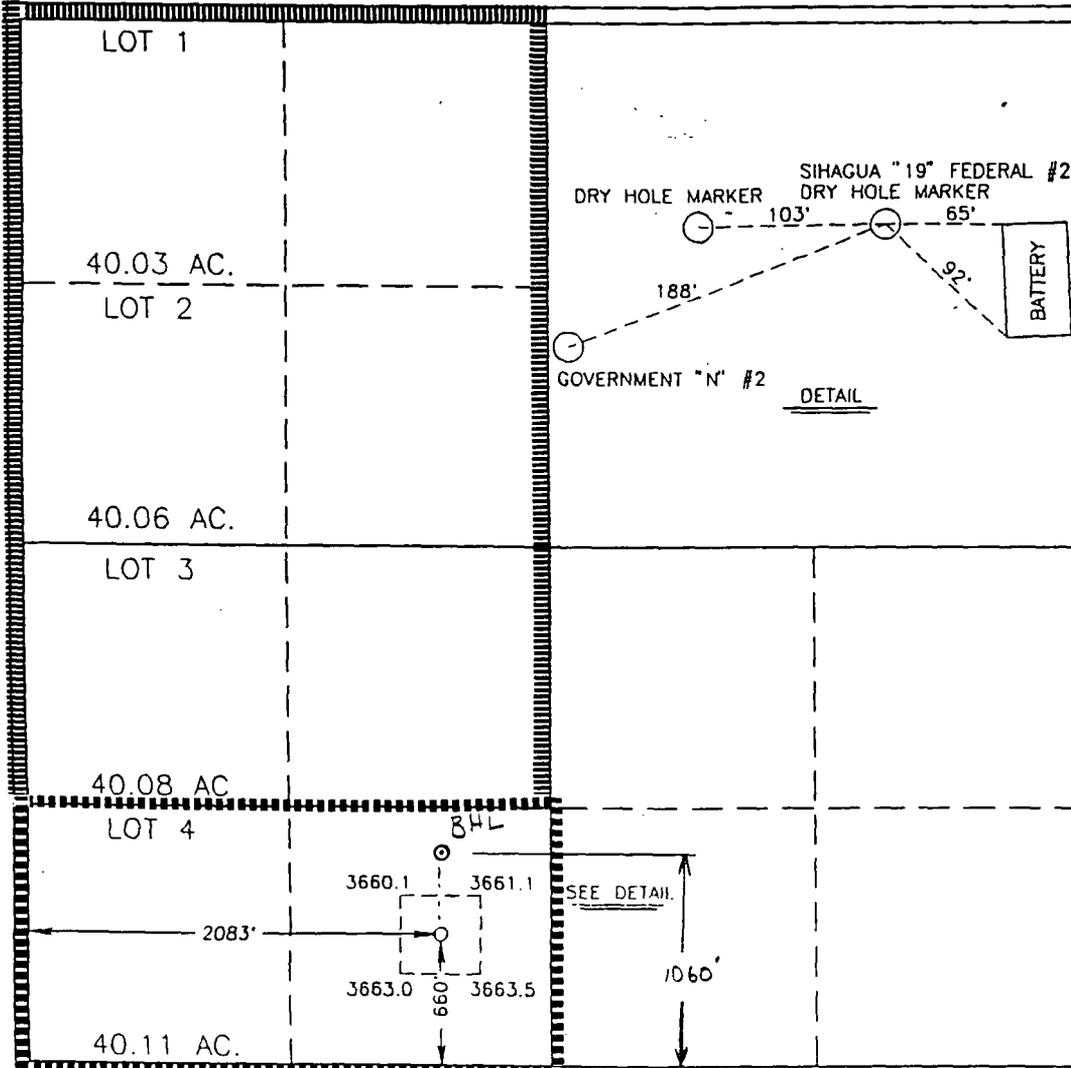
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	19	20 S	34 E		660	SOUTH	2083	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	19	20S	34E	4	1060'	SOUTH	2083	WEST	LEA

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No. APPLIED FOR NMOCDA ORDER
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Darrell Roberts
Signature

DARRELL ROBERTS
Printed Name

DIVISION DRILLING ENGINEER
Title

5/25/95
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

MARCH 28, 1995
Date Surveyed

Signature & Seal of Professional Surveyor
Professional Surveyor
NEW MEXICO
J. G. EIDSON
4-4-95

No. 95-110474
Num.

Certificate No. JOHN W. WEST 676
RONALD L. EIDSON 3239
CARY EIDSON 12641

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT -" for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Santa Fe Energy Resources, Inc.

3. Address and Telephone No.

550 W. Texas, Suite 1330, Midland, TX 79701 915-687-3551

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

(N), 660' FSL & 2083' FWL, Sec.19-20S-34E.
BHL, 1060' FSL & 2083' FWL, Sec.19-20S-34E.

FORM APPROVED

Budget Bureau No. 1004-0135

Expires: March 31, 1993

5. Lease Designation and Serial No.

NM-0550543

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.

Sinagua "19"

Fed. No. 2

9. API Well No.

10. Field and Pool, or exploratory Area

Quail Ridge (Morrow)

11. County or Parish, State

Lea NM

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

TYPE OF ACTION

- Abandonment
- Recompletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other
- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Santa Fe Energy Resources desires to re-enter this well and alter our directional drilling to a bottomhole location listed above. We plan to kick-off @ 12,295', @ an azimuth of due north, build angle 1.5 degrees/100', to an angle of 25 degrees, and maintain the angle to a measured depth of 14,062'. Attached is a copy of our directional plan. We are on the docket seeking NMOCD approval for directional drilling a well at a non-standard bottomhole location in the W/2 of the proration unit shown on the C-102 attached.

Attached is a copy of an agreement whereby Santa Fe Energy purchased the Governement "N" No.2 from Richard C. Coe, this will allow us to move the tank battery to accomodate a drilling rig for the re-entry of the subject wellbore.

It has been our experience in the area that the 9-5/8" casing set at 5700' covers all H2S bearing formations, therefore we did not submit a H2S Drilling Plan. Santa Fe Energy Resources, Inc. accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described above in the heading and previously described in the APD submitted.

Bond Coverage: Blanket Bond /BLM Bond File No.: MT 0750

14. I hereby certify that the foregoing is true and correct

Signed

Daniel Roberts

Title

Division Drilling Engineer

Date

May 25, 1995

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

* See Instruction on Reverse Side

OPERATIONS PLAN

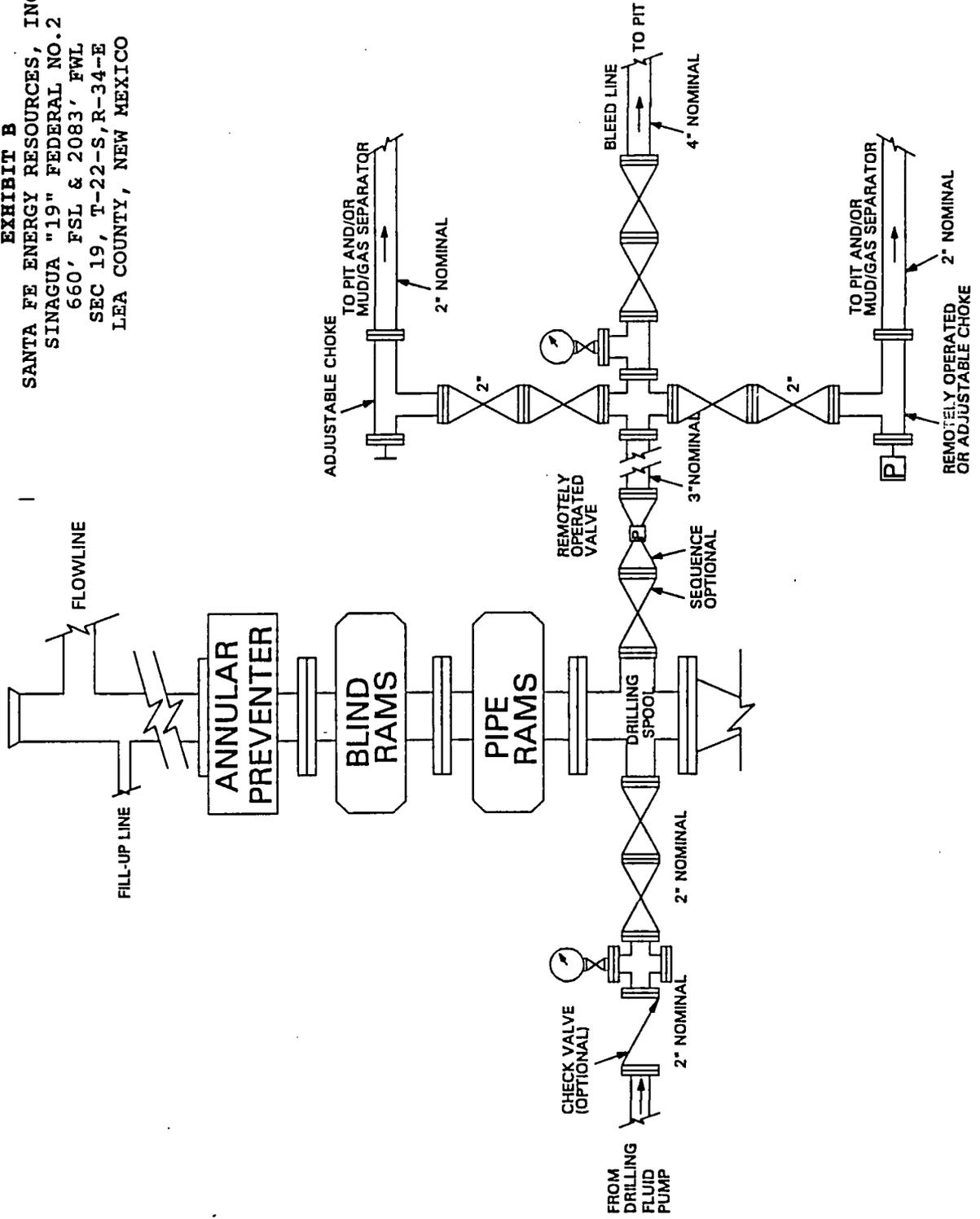
SANTA FE ENERGY RESOURCES, INC.

Sinagua "19" Federal No. 2

1. Remove P & A marker.
2. Weld on well head.
3. Drill out top cement from 0-30' with a rat hole machine.
4. Move in, rig up drilling rig and nipple up BOP's.
5. Pick up 8 3/4" bit and drill out cement plug from 1400-3300', bridge plug at 5500', cement plugs from 5650' to 5750', 6200 to 6300', and 8440' to 8540'.
6. Sidetrack existing well bore at ~~10,500'~~^{12,200'} and directionally drill to 14,000'. Run logs. (SJS)
7. Either run and cement 4000' of 5 1/2" 17 ppg S-95 LT&C casing followed by 10,000' of 5 1/2" 17.0 ppg N-80 LT&C casing in two stages with a stage collar at approximately 10,000' to bring cement to at least 200' inside the 9 5/8" casing or plug and abandon as per B.L.M. requirements.

Exhibit "A"
Santa Fe Energy Resources, Inc.
Sinagua "19" Federal No. 2
Section 19, T-20-S, R-34-E
Lea County, New Mexico

EXHIBIT B
 SANTA FE ENERGY RESOURCES, INC.
 SINAGUA "19" FEDERAL NO.2
 660' FSL & 2083' FWL
 SEC 19, T-22-S, R-34-E
 LEA COUNTY, NEW MEXICO



WRS COMPLETION REPORT

COMPLETIONS SEC 19 TWP 20S RGE 34E
 P1# 30-1-0013 05/17/96 30-025-22564-0001 PAGE 1

NMEX LEA * 660FSL 2084FWL SEC
 STATE COUNTY FOOTAGE SPOT
 SANTA FE ENERGY RES D R
 OPERATOR WELL CLASS INIT FIN
 2 SINAGUA '19'
 WELL NO. LEASE NAME
 3662GR QUAIL RIDGE
 OPER ELEV FIELD/POOL/AREA
 API 30-025-22564-0001
 LEASE NO. PERMIT OR WELL I.D. NO.
 05/13/1996 ROTARY DIR AB-LOC
 SPUD DATE COMP. DATE TYPE TOOL HOLE TYPE STATUS
 14000 MORROW
 PROJ. DEPTH PROJ. FORM CONTRACTOR
 OTD 15137
 DRILLERS T.D. LOG T.D. PLUG BACK TD. OLD T.D. FORM T.D.

LOCATION DESCRIPTION

8 MI NE HALFWAY, NM

PROPOSED BOTTOM HOLE LOCATION

FTG 1980 FSL 1980 FWL SEC

WELL IDENTIFICATION/CHANGES

FTG CHGD FROM 2083 FWL

DRILLING PROGRESS DETAILS

SANTA FE ENERGY RES
 550 W TEXAS
 STE 1330
 MIDLAND, TX 79701
 915-687-3551
 OWWO: OLD INFO: FORMERLY CITIES SERVICE OIL 1Y
 GOVERNMENT-CO N. ELEV 3675 DF. SPUD 5/16/68. 20
 @ 176 W/350 SX, 13 3/8 @ 3193 W/850 SX, 9 5/8 @
 5700 W/1675 SX. LOG TOPS: MISSISSIPPIAN LIME
 14210, WOODFORD 14800, DEVONIAN 14990, OTD 15137
 COMP 9/1/68. D&A.
 04/21 LOC/1995/
 05/13 ABND OWWO

IC# 300257023095

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 **Petroleum Information Corporation**

PI-WRS-GFT
 Form No 187

JAMES BRUCE
Attorney at Law
Post Office Box 1056
Santa Fe, New Mexico 87504
Telephone: (505) 982-2043
Fax: (505) 982-2151

FAX COVER SHEET

DELIVER TO: Michael E. Stogner
COMPANY: Oil Conservation Division
CITY: Santa Fe, New Mexico
FAX NUMBER: 827-8177
NUMBER OF PAGES: 3 (Including Cover Sheet)
DATE SENT: 11/20/97
MEMO:

CONFIDENTIALITY NOTICE

This transmission contains information which may be confidential and/or legally privileged. The information is intended only for the above-named recipient. If you are not the intended recipient, any copying or distribution of the information is prohibited. If you have received this transmission in error, please call us at the above number and return the document by United States mail. Thank you.

JAMES BRUCE
ATTORNEY AT LAWPOST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501(505) 982-2043
(505) 982-2151 (FAX)

November 20, 1997

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

Re: Application of Santa Fe Energy Resources, Inc. ("Santa Fe") for administrative approval of two unorthodox gas well locations for the following well:

Topaz "19" Fed. Com. Well No. 1
Surface Location: 660 feet FSL & 2084 feet FWL
W½ S19, Township 20 South, Range 34 East, NMPM
Lea County, New Mexico

Dear Mr. Stogner:

Your letter of November 12, 1997 (attached) arrived today. Santa Fe asks that you not dismiss the administrative application. The hearing on this well, set for December 4th, only requests compulsory pooling and a non-standard unit. Santa Fe did not request unorthodox location approval in the pooling application because the deadline to object to the administrative application had expired on October 16th, more than 3 weeks before the hearing application was filed. Santa Fe will present geological evidence at the hearing, including the need for the unorthodox location, but the case was not noticed for that purpose.

Very truly yours,



James Bruce

Attorney for Santa Fe
Energy Resources, Inc.



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87508
(505) 827-7131

November 12, 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Re: Application for administrative approval for two non-standard subsurface gas well locations for Santa Fe Energy Resources, Inc.'s Topez "19" Federal Com Well No. 1 (API No. 30-025-22564) in Unit "N" of Section 19, Township 20 South, Range 34 East, NMPM, Undesignated West Lynch-Morrow Gas Pool or Undesignated Quail Ridge-Morrow Gas Pool, Lea County, New Mexico.

Dear Mr. Bruce:

I am in receipt of your application for hearing on the subject well; therefore, your administrative application filed in September will be dismissed at this time.

Should you have any questions or comments concerning this matter, please contact me in Santa Fe at (505) 827-8185. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner".

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Kathy Valdes, NMOCD - Santa Fe