

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0133
Expires: March 31, 1993
Designation and Serial No.

NM-88134
6. If Indian, Allottee or Tribe Name
7. If Unit or CA. Agreement Designation
8. Well Name and No.
H. B. "11" Fed. No. 2
9. API Well No.
30-015-29248
10. Field and Pool, or exploratory Area
Pierce Crossing (Bone Spring), East
11. County or Parish, State
Eddy NM

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 79701915/687-3551
4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
(L), 1650' FSL & 400' FWL, Sec. 11, T-24S, R-29E

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

| TYPE OF SUBMISSION | TYPE OF ACTION |
|--|--|
| <input checked="" type="checkbox"/> Notice of Intent | <input type="checkbox"/> Abandonment |
| <input type="checkbox"/> Subsequent Report | <input type="checkbox"/> Recompletion |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Plugging Back |
| | <input type="checkbox"/> Casing Repair |
| | <input type="checkbox"/> Altering Casing |
| | <input checked="" type="checkbox"/> Other <u>Request commingling</u> |
| | <input type="checkbox"/> Change of Plans |
| | <input type="checkbox"/> New Construction |
| | <input type="checkbox"/> Non-Routine Fracturing |
| | <input type="checkbox"/> Water Shut-Off |
| | <input type="checkbox"/> Conversion to Injection |
| | <input type="checkbox"/> Dispose Water |

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

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, Inc. respectfully requests approval for surface commingling, off-lease storage and measurement for the following wells:

- H. B. "11" Federal No. 2 (L), Sec. 11, T-24S, R-29E
- H. B. "11" Federal No. 3 (N), Sec. 11, T-24S, R-29E

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

The H. B. "11" Federal Battery is located at (L), 11, 24S, 29E. See attached maps and facility design.

RECEIVED
FEB 28 1997
LAND DEPT.
MIDLAND, TX

APPROVED

FEB 25 1997
[Signature]
AUTHORIZED OFFICER, MINERALS
BUREAU OF LAND MANAGEMENT

BUREAU OF LAND MANAGEMENT
RECEIVED
FEB 20 1997
COUNTY DIST. 6 N.M.
ROSWELL, NEW MEXICO

RECEIVED
FEB 21 1997
BLM
ROSWELL, NM

14. I hereby certify that the foregoing is true and correct.
Signed [Signature] Title Sr. Production Clerk Date Feb. 10, 1997

(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.

**Application for Surface Commingling,
Off-Lease Storage and Measurement Approval**

This Format Should Be Attached To A Sundry Notice



To: Bureau of Land Management
P. O. Box 1778
Carlsbad, New Mexico 88221-1778

Santa Fe Energy Resources, Inc. is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on:

H B. "11" Federal Battery (located at L, 11, 24S, 29E)

| <u>Fed Lse No.</u> | <u>Lease Name</u> | <u>Well #</u> | <u>Location</u> | <u>Formation</u> |
|--------------------|--------------------|---------------|-----------------|------------------|
| NM-88134 | H. B. "11" Federal | 2 | L, 11, 24S, 29E | Bone Spring |
| NM-85892 | H. B. "11" Federal | 3 | N, 11, 24S, 29E | Bone Spring |

Production from all active and shut-in wells to be commingled as follows:

| <u>Well Name and Number</u> | <u>BOPD</u> | <u>Oil Gravity</u> | <u>MCFD</u> |
|-----------------------------|-------------|--------------------|-------------|
| H. B. "11" Federal #2 | 110 | 44.5 | 1200 |
| *H. B. "11" Federal #3 | 110 | 44.5 | 1200 |

*Estimated production rate (well has not been completed).

Working interest, royalty interests, and overriding royalty interests are identical in all leases listed above.

A map (**Exhibit 1**) is enclosed showing the locations and Federal lease numbers of the two leases which will contribute production to the proposed commingling and common storage facilities.

A schematic diagram (**Exhibit 2**) is attached which clearly identifies the equipment and concept to be utilized for measurement, off-lease storage, and commingling operations.

Currently there is one producer connected to the **H. B. "11" Federal Battery** (located at L, 11, 24S, 29E on **NM-88134**). The battery, wells, and their locations are shown in **Exhibit 1**. The BLM will be notified prior to any future change in the facility location.

Application for Surface Commingling, Off-Lease Storage and Measurement, cont.
February 11, 1997

Details of the proposed method for allocating production to contributing sources are as follows:

The H. B. "11" Federal Battery is equipped with a multi-well production header, a test separator with oil/water/gas measurement devices, two (2) two-phase production separators, a horizontal heater-treater, oil & water storage tanks, and a gas sales meter (see Exhibit 2).

In order to allocate total battery production back to each well, the individual wells will be tested at lease once monthly. The oil, water, and gas rates from the well tests will be used to determine each well's proportionate share of the total battery production for the month.

All interest owner in affected leases have been notified of the commingling and off-lease storage proposal (See Exhibit 3).

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operation of the above referenced Federal Leases.

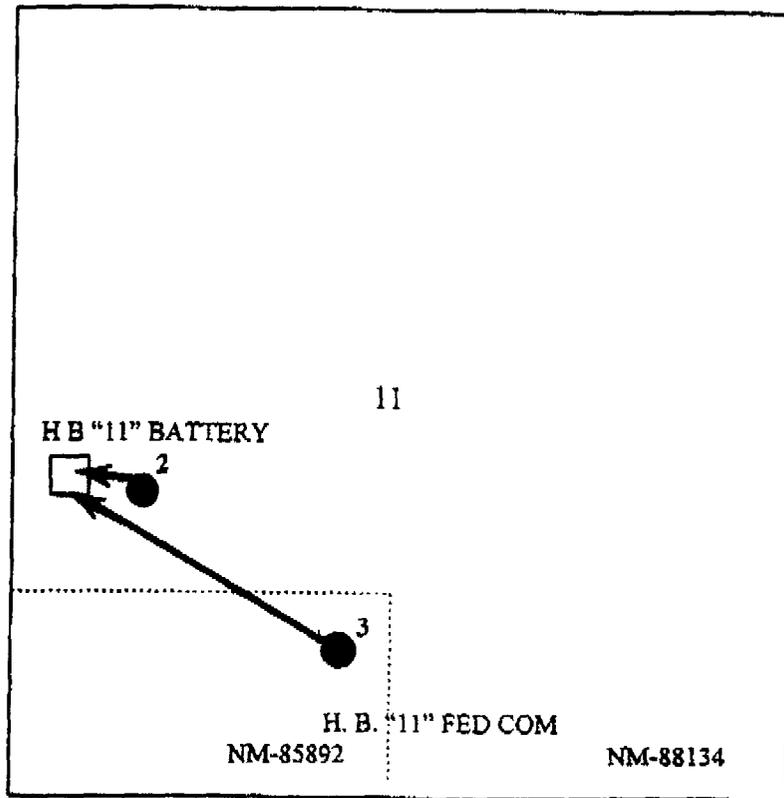
We understand the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. We agree to submit, within 30 days, an application for right-of-way approval to the BLM's Realty Section in your office, if not previously submitted. We also understand that additional wells added to the system would require separate commingling approvals.

Signature: *W.R. Adams*
 Name: W.R. Adams
 Title: Division Engineer
 Date: 2/18/97



EXHIBIT 1

29E



HASH BROWN AREA
H. B. "11" BATTERY
SECTION 11, T24S, R29E

SANTA FE ENERGY RESOURCES, INC.

NOTE: Lines from wells to battery denote only where wells are connected, and do not indicate actual flowline routes.

SCALE: 4" = 1 MILE

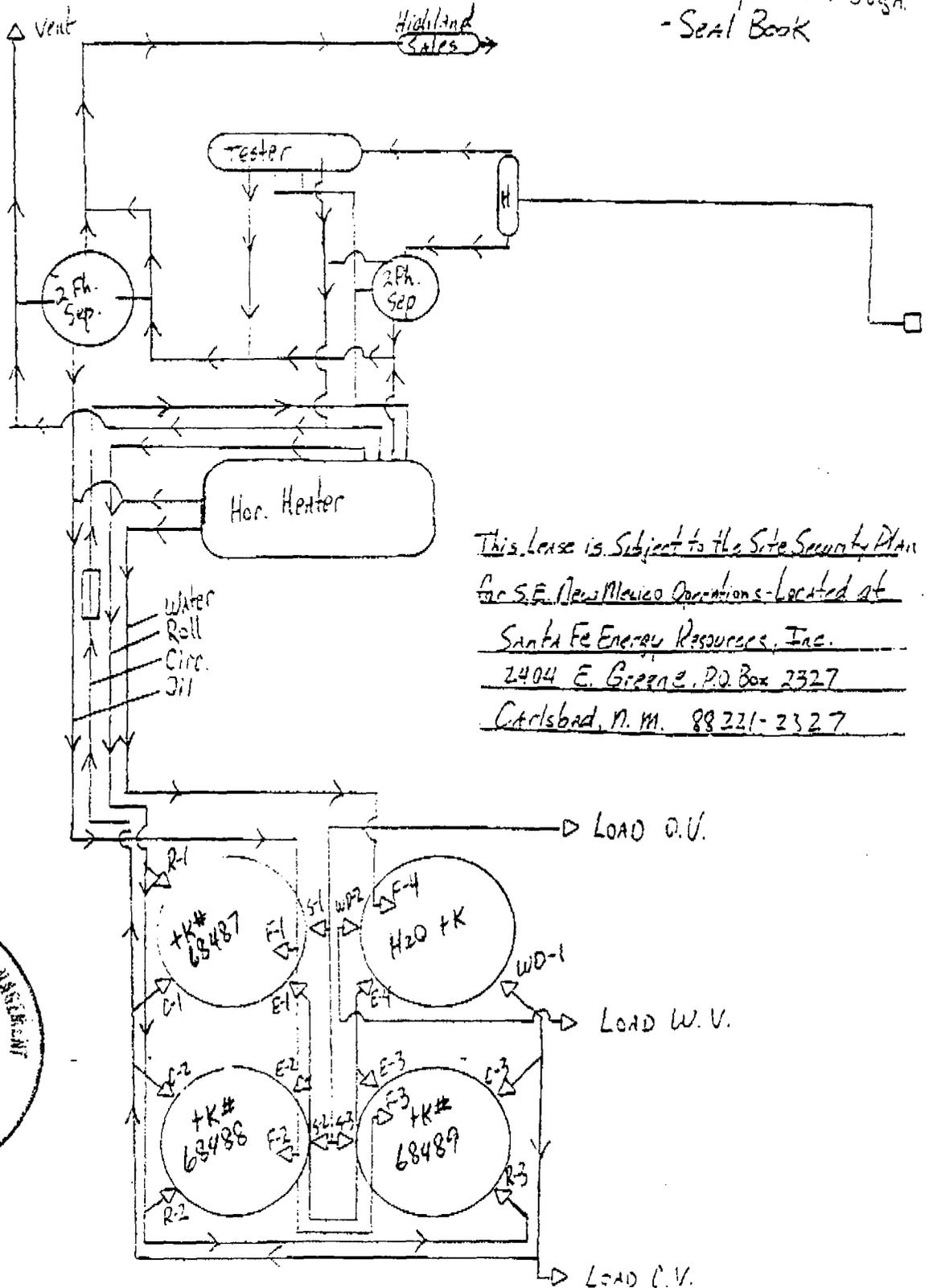


HIS 11 JED 2

Sec 11, T 24S, R 29E
1650' FSL + 400' FWL
Eddy County, New Mexico
7.M 88134

EXHIBIT 2

- CC. 1-31-97
- Site Security Book
- B.L.M
- Bryan Hubbard
- Jim Kruger
- James Moore
- Mike Ables
- Terry McCullough
- Seal Book



This lease is Subject to the Site Security Plan
for S.F. New Mexico Operations - Located at
Santa Fe Energy Resources, Inc.
2404 E. Greene, P.O. Box 2327
Carlsbad, N.M. 88221-2327



Attachment to Site Facility Diagram

WELL NAME HB 11 Fed. #2

FEDERAL # 88134

PRODUCTION PHASE

All circulating lines C-1 through C-3 and sales valves S-1 through S-3, roll lines R-1 through R-3 are sealed closed. Head switch valves — through — are sealed closed. Fill valve & equalizer valve on tank being filled is opened unsealed.

SALES PHASE

The tank from which sales are being made will be isolated by sealing closed the circulating valve, roll valve, fill valve & equalizer valve on tank being sold and sales valve is resealed when sale is complete.

CIRCULATING PHASE

B S & W will be removed from one tank at a time and valve will be resealed before company pumper leaves location.

WATER TANK

Valve WD-1 through WD-2 is sealed closed. This tank is water tank and water is hauled when required and valve is sealed.



Working Interest and Royalty Interest Owner List

Exhibit 3

Penwell Energy, Inc.
600 North Marienfeld, Suite 1100
Midland, Texas 79701

Penwell Energy Employee Royalty Pool
600 North Marienfeld, Suite 1100
Midland, Texas 79701

CoEnergy Central Exploration
150 West Jefferson Avenue, Suite 1600
Detroit, MI 48226

Paul R. Barwis
2201 Southhampton Lane
Midland, Texas 79705

John L. Thoma
2601 Camarie Avenue
Midland, Texas 79705

C. Mark Wheeler
3001 Northtown Place
Midland, Texas 79705

Erma Lowe Trust
Clayton Lowe Yost
Mary Ralph Lowe Trustee
Department B
P. O. Box 4887
Houston, Texas 77210-4887

James E. Geitgey
2407 Bellchase Court
Midland, Texas 79705

Erma Lowe Trust
Samantha Adelaide Yost
Mary Ralph Lowe Trustee
Department C
P. O. Box 4887
Houston, Texas 77210-4887

Erma Lowe Trust
Carson L. R. Yost
Mary Ralph Lowe Trustee
Department A
P. O. Box 4887
Houston, Texas 77210-4887

