

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.

SUBMIT IN TRIPLICATE

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	5. Lease Designation and Serial No. NM-88134
2. Name of Operator Santa Fe Energy Resources, Inc.	6. If Indian, Allottee or Tribe Name
3. Address and Telephone No. 550 W. Texas.Suite 1330. Midland,TX 79701915/687-3551	8. Well Name and No. H. B. "11" Federal Battery
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) (L), Sec. 11, T-24S, R-29E	9. API Well No.
	10. Field and Pool, or exploratory Area Pierce Crossing (Bone Spring), East
	11. County or Parish, State Eddy NM

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

<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment	<input type="checkbox"/> Change of Plans
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion	<input type="checkbox"/> New Construction
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Altering Casing	<input type="checkbox"/> Conversion to Injection
	<input checked="" type="checkbox"/> Other <u>Request commingling</u>	<input type="checkbox"/> 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, Inc. respectfully requests expansion approval for the H. B. "11" Federal Battery (NMOC D CTB No. 448). The attached Application for Surface Commingling, Off-Lease Storage, and Measurement details the expansion plans and battery facilities.

RECEIVED
1997 JUN 25 A 9
BUREAU OF LAND MANAGEMENT
WELL OFFICE

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

Signed [Signature] Title Sr. Production Clerk Date June 24, 1997

(This space for Federal or State office use)

Approved by [Signature] Title PETROLEUM ENGINEER Date 6/25/97

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, NM 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 wells(s) on:

H. B. "11" Federal Battery (located at Unit L, Section 11, T24S, R29E)

<u>Fed. Lease No.</u>	<u>Lease Name</u>	<u>Well #</u>	<u>Location</u>	<u>Formation</u>
NM-88134	H. B. "11" Federal	2	L, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	4	D, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	6	F, 11, T24S, R29E	Bone Spring
NM-85892	H. B. "11" Federal	3	N, 11, T24S, R29E	Bone Spring
NM-88137	H. B. "15" Federal	1	A, 15, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	5	C, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	7	K, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	9	B, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	10	G, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	11	J, 11, T24S, R29E	Bone Spring
NM-88134	H. B. "11" Federal	12	O, 11, T24S, R29E	Bone Spring
NM-85892	H. B. "11" Federal	8	M, 11, T24S, R29E	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>MCFGPD</u>
H. B. "11" Federal #2	48	44.5	128
* H. B. "11" Federal #4	120	44.5	1000
* H. B. "11" Federal #6	120	44.5	1000
H. B. "11" Federal #3	64	44.5	392
H. B. "15" Federal #1	132	44.5	922
**H. B. "11" Federal #5	120	44.5	1000
**H. B. "11" Federal #7	120	44.5	1000
**H. B. "11" Federal #9	120	44.5	1000
**H. B. "11" Federal #10	120	44.5	1000
**H. B. "11" Federal #11	120	44.5	1000
**H. B. "11" Federal #12	120	44.5	1000
**H. B. "11" Federal #8	120	44.5	1000

* Estimated Production rate (well is drilled but not completed).

** Estimated Production rate (well has not been drilled).

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

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

Schematic diagrams (**Exhibit 2**) are attached which clearly identify the equipment and concept to be utilized for measurement, off-lease storage, and commingling operations.

Currently there are two producers connected to the H. B. "11" Federal Battery (located at Unit L, Section 11, T24S, R29E on NM-88134). The battery, wells, and their locations are shown on Exhibit 1. The BLM will be notified prior to any future change in the facility location.

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

The H. B. "11" Federal Battery is equipped with two (2) multi-well production header, two (2) test separators with oil/gas/water measurement devices, two (2) two-phase production separators, a horizontal heater-treater, oil & water storage tanks, and a gas sales meter (see Exhibits 2 and 3).

One test separator is located at the battery site (L, 11, 24S, 29E) while the satellite test separator will be located at the H. B. "11" Federal No. 1 well location (E, 11, 24S, 29E). This configuration is necessary due to a topographical obstruction on the leases.

In order to allocate total battery production back to each well, the individual wells will be tested at least 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 owners in the affected leases have been notified of the commingling and off-lease storage proposal (**Exhibit 3**).

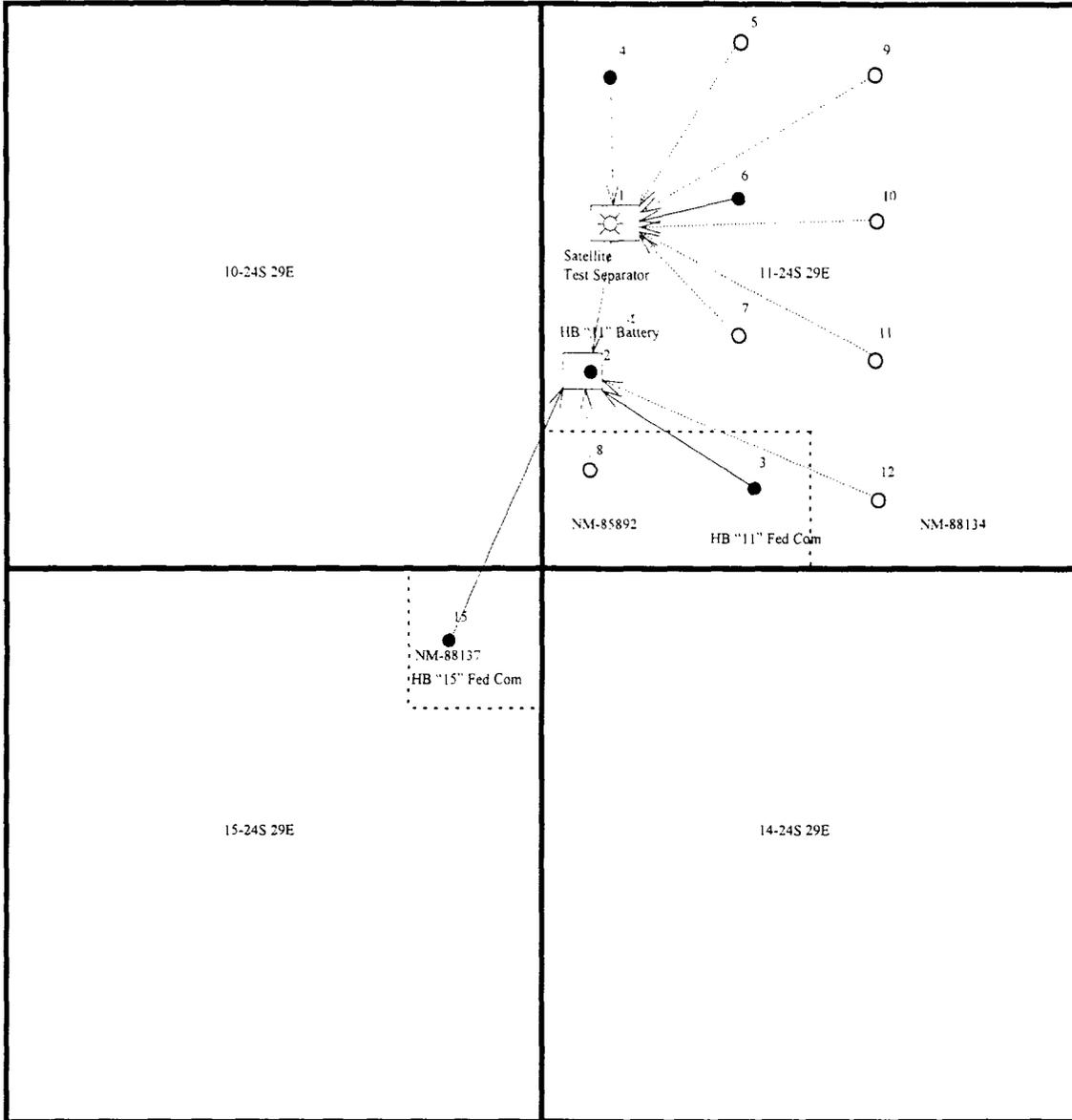
The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

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 instruments. We agree to submit applications 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, which are not specified in this application, will require separate commingling approvals.

Signature: 
Name: Robert S. Fant
Title: Senior Engineer
Date: June 24, 1997

Exhibit 1



NOTE: Lines from wells to batteries denote only where wells are connected and the direction of flow, and do not indicate actual flowline routes.

Hash Brown Area
 HB "11" Battery Commingle Application
 Section 11 and 15, T24S, R29E
 Eddy County, New Mexico

Scale: 3" = 1 Mile

SANTA FE ENERGY RESOURCES, INC

- Oil Well
- ☼ Gas Well
- Future Location
- Battery or Test Site
- Well Connection
- Proposed Well Connection
- Proposed Well Connection

HIB 11 FED 2

Sec 11, T 24S, R 29E

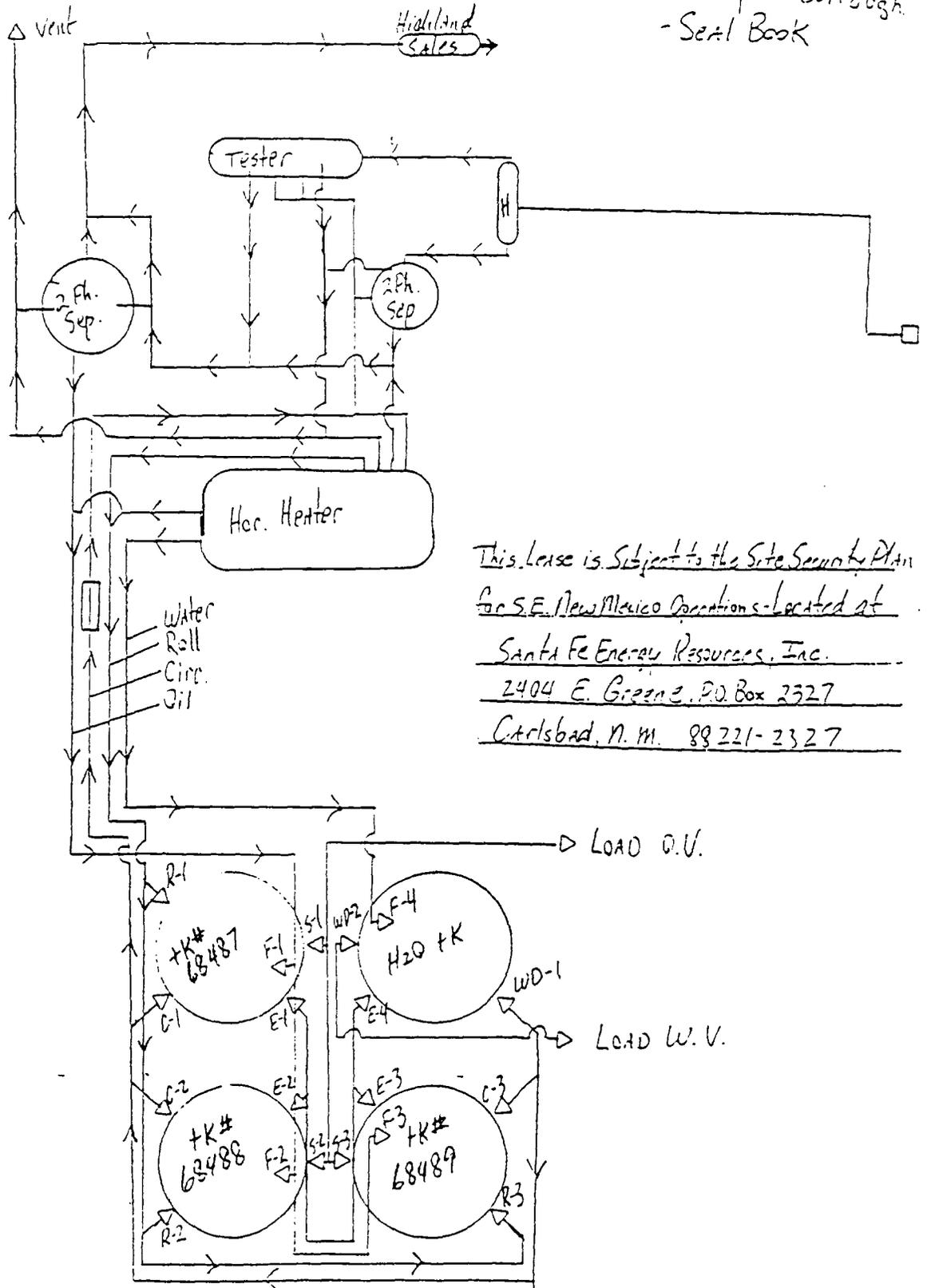
1650' FSL + 400' FLWL

Eddy County, N.M. Mexico

7.M 98134

EXHIBIT 2

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



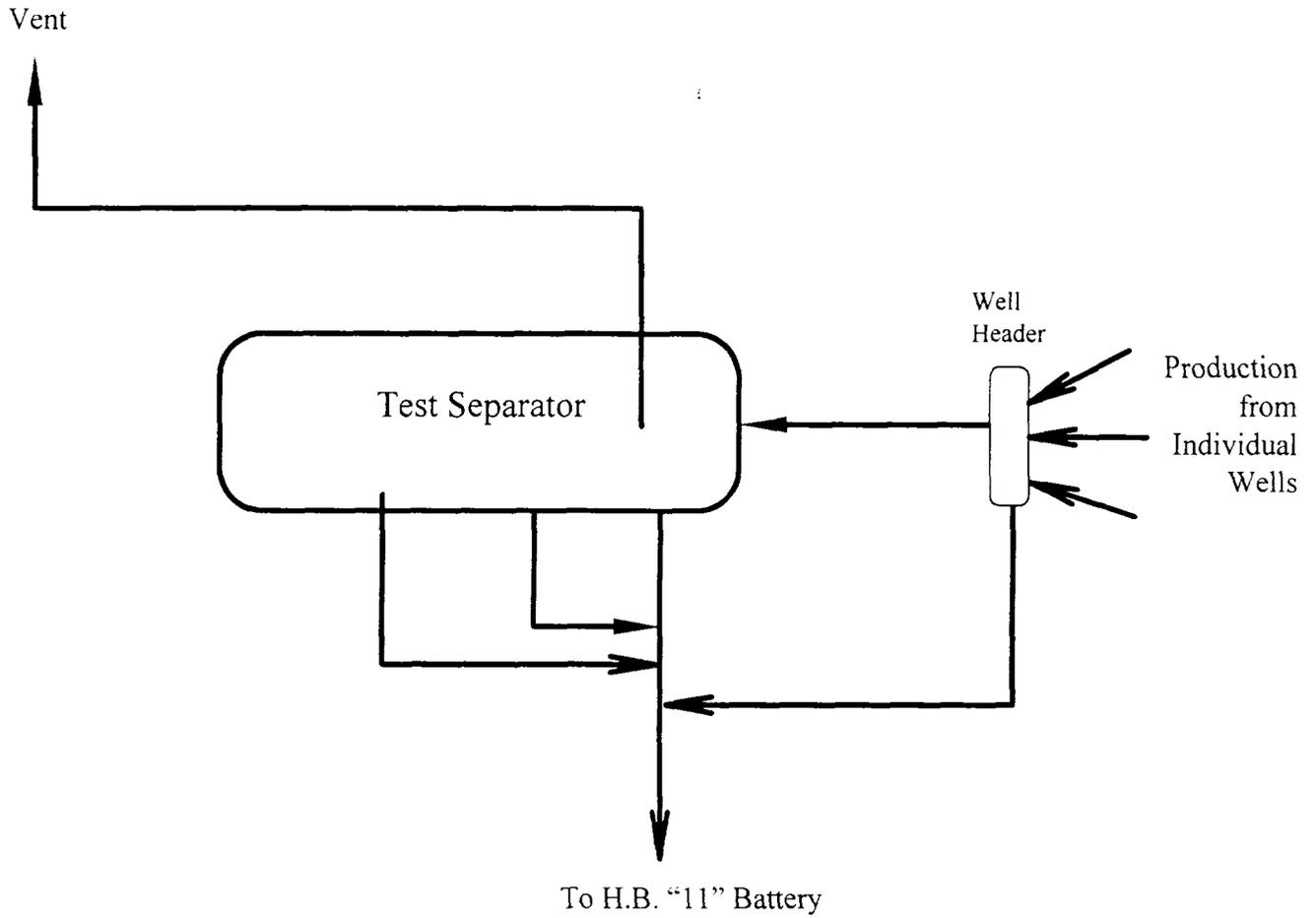
This Lease is Subject to the Site Security Plan
for S.E. New Mexico Operations - Located at
Santa Fe Energy Resources, Inc.
2404 E. Greene, P.O. Box 2327
Carlsbad, N.M. 88221-2327

Exhibit 2a

Satellite Test Layout

Located at H. B. "11" Federal #1

Unit E, Sec. 11, T24S, R29E



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