

Sendero Petroleum, Inc.

Tony B. Sam
Engineer

OIL CONSERVATION DIVISION
RECEIVED

'90 MAY 11 AM 8 35

P.O. Box 1736
Midland, TX 79702
915/684-4561

Kurt W. Boley
Geologist

May 9, 1990

Oil Conservation Commission
P. O. Box 2088
Santa Fe, NM 87054-2088

Attention: Mr. Michael Stogner

Re: Re-Entry: Santa Fe Exploration Co.
#1 Indian Basin
Section 8, T21S R23E
Eddy County, New Mexico

Dear Mr. Stogner::

A well was drilled to a total depth of 9356' in May of 1989 on the captioned Section by Santa Fe Exploration Company. The Indian Basin Cisco Pool rules state that a well must be 1650' from the outer boundaries to be an orthodox location. Santa Fe Exploration Co. drilled the subject well 660' FSL and 660' FEL at an unorthodox location by approval number R8913. The well tested the Cisco and Morrow pools and the operator plugged and abandoned the well. An allowable deduction was given to the subject well by order number R8913. The order R8913 was rescinded by order R8913-A after plugging the subject well.

Sendero Petroleum Inc has acquired 520 acres out of the 640 acres in Section 8 and is in the process of communitizing the remaining 120 acres. Sendero Petroleum Inc. is proposing to re-enter the Santa Fe Exploration Co. #1 Indian Basin well in late June of 1990 or as soon as possible to 7650'. We are proposing to rename the well as the #1 Pronghorn Federal to minimize confusion. Since the allowable deduction agreement with the offset operators terminated with plugging, Sendero Petroleum Inc. wishes to re-enter said well and establish a 60% allowable or 40% allowable deduction. Please let this letter serve as notice to the offset operators as to Sendero Petroleum Incorporated's intentions. I have spoken with Mr. Michael Stogner of the Oil Conservation Commission and he informed me that his matter can be handled administratively if no objections are received, within 20 days of notice, by offset operators or lease owners of record. Mr. Stogner also would prefer if this situation could be settled between the parties without a hearing. Sendero Petroleum Inc. feels that a 60% allowable will not adversely affect our economics to the point of a hearing protest even though Section 8 has been pressure depleted for 24 years by offset wells. Offsetting wells have left only a fraction of the original bottom-hole pressure. Sendero Petroleum Inc. firmly believes that the low pressure combined with Section 8's tight Cisco limestone facies will result in a well classified as marginal.

Oil Conservation Commission
May 9, 1990
Page Two

Please call or write us if you have any questions or comments. Our hope is that we can proceed ahead with this project as soon as possible to maximize remaining recoverable reserves.

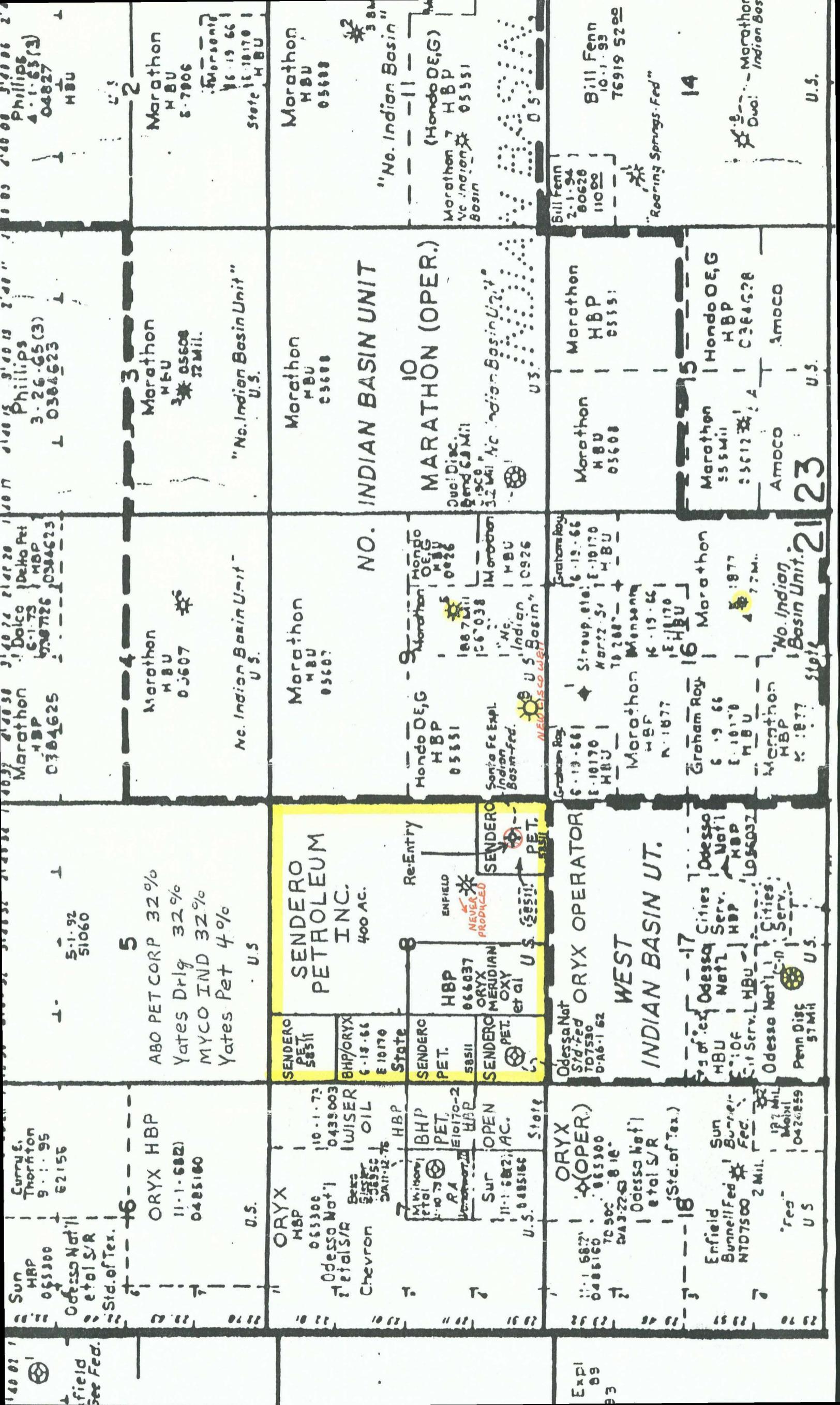
Thank you,

A handwritten signature in black ink that reads "Kurt Boley". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Kurt Boley
Vice President

KB/dm

cc: Abo Petroleum Corporation
Yates Drilling Company
MYCO Industries
Yates Petroleum Corporation
Wiser Oil Company
BHP Petroleum
Oryx Energy
Marathon Oil Company



Phillips
4-1-65(3)
04827
HBU

Marathon
HBU
5-7906
"No. Indian Basin Unit"
U.S.

Marathon
HBU
05608
"No. Indian Basin Unit"
U.S.

Marathon 7 HBP
"No. Indian Basin Unit"
U.S.

Bill Fenn
2-1-94
80628
11000
"Roaring Springs Fed."
U.S.

Marathon
HBU
05608
"No. Indian Basin Unit"
U.S.

Phillips
3-26-65(3)
0384623
U.S.

Marathon
HBU
3-05608
"No. Indian Basin Unit"
U.S.

Marathon
HBU
05608
INDIAN BASIN UNIT
U.S.

MARATHON (OPER.)
HBU
05608
"No. Indian Basin Unit"
U.S.

Marathon
HBP
05551
U.S.

Marathon
Hondo OEG
HBP
0384628
AMOCO
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Marathon
HBP
0384625
U.S.

Marathon
HBU
05607
"No. Indian Basin Unit"
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Marathon
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NO. INDIAN BASIN UNIT
U.S.

Hondo OEG
HBP
05551
"No. Indian Basin Unit"
U.S.

Marathon
HBP
05608
"No. Indian Basin Unit"
U.S.

Marathon
HBP
05608
"No. Indian Basin Unit"
U.S.

ABO PET CORP 32%
Yates Drly 32%
MYCO IND 32%
Yates Pet 4%
U.S.

SENDERO PETROLEUM INC.
400 AC.
U.S.

SENDERO PET.
58511
BHP/ORIX
6-19-66
E 10170
State
U.S.

SENDERO PET.
58511
SENDERO PET.
58511
SENDERO PET.
58511
U.S.

ORIX OPERATOR
WEST INDIAN BASIN UT.
U.S.

ORIX OPERATOR
WEST INDIAN BASIN UT.
U.S.

SUN HBP
055300
Odessa Nat'l et al S/R
Std. of Tex.
U.S.

ORIX HBP
11-1-68(2)
0485160
U.S.

ORIX HBP
055300
Odessa Nat'l et al S/R
Chevron
U.S.

ORIX HBP
055300
Odessa Nat'l et al S/R
U.S.

ORIX (OPER)
0485160
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U.S.

Enfield
Bunnell Fed
NTD7500
U.S.

Exp'l 89

U.S.

U.S.

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U.S.

U.S.

Sendero Petroleum, Inc.

OIL CONSERVATION DIVISION
RECEIVED

Tony B. Sam
Engineer

P.O. Box 1736
Midland, TX 79702
915/684-4561

'90 MAY 16 AM 8 47 Kurt W. Boley
Geologist

May 14, 1990

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87054-2088

Attention: Mr. Michael Stogner

Re: Section 8, T-21-S, R-23-E,
Eddy County, New Mexico
Federal Lease LC-066037

Gentlemen:

Sendero Petroleum, Inc. is the record owner of oil and gas leasehold containing 520 acres within Section 8, T-21-S, R-23-E in Eddy County, New Mexico. Our records indicate that has an HBP leasehold interest in the referenced Section. Sendero plans to re-enter the Santa Fe Exploration Company Indian Basin Federal #1 (660' FEL and 660' FSL) on or as close to June 15, 1990 as possible. This well was drilled to total depth and plugged and abandoned without production casing being run.

Sendero proposes to re-enter, set casing to a depth of 7,630 and production test various Upper Pennsylvanian zones. An AFE is attached covering the estimated costs involved in this re-entry. Sendero requests that support this re-entry by either joining with your working interest, farming out your working interest or selling Sendero an assignment of your working interest.

In lieu of your participation in this project, Sendero proposes the following options for your election.

1. Farmout your interest based upon a mutually acceptable farmout agreement providing 120 days from execution to commence re-entry of said well and if commercial production is established assign 100% of your leasehold to Sendero conveying a 75% Net Revenue Interest with a quarter back-in of this interest at payout. This assignment will be limited in depth to 7,630 feet.

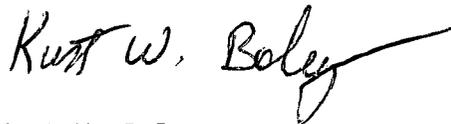
2. Assign 100% of your right, title and interest in said Section limited in depth to 7,630 feet. This assignment would deliver a 75% Net Revenue Interest and as consideration of this assignment Sendero would pay \$50.00 per net acre assigned.

Oil Conservation Commission
May 14, 1990
Page Two

Sendero Petroleum Inc. requests that you make an election on this proposal at your earliest convenience. Your cooperation in this matter is greatly appreciated.

Very truly yours,

SENDERO PETROLEUM INC.

A handwritten signature in black ink that reads "Kurt W. Boley". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Kurt W. Boley

KWB/dm
Encl.

cc: BHP Petroleum Company, Inc.
J. Hiram Moore
Thomas Ingram
Meridian Oil
Oryx Energy
Oxy USA, Inc.
Mr. Joe Warren
Santa Fe Exploration Company

ESTIMATED AFE

DATE: May 14, 1990

OPERATOR: Sendero Petroleum, Inc.
 WELL NAME: Section 8, Pronghorn Federal
 FIELD NAME: Indian Basin, Eddy County, New Mexico

<u>COMPLETION</u>	<u>TANGIBLE</u>	<u>INTANGIBLE</u>	<u>TOTAL</u>
Move In/Out	XXXXXXXX	\$ 12,000.00	\$ 12,000.00
Drilling Rig/Service	XXXXXXXX	45,000.00	45,000.00
Production Casing	\$ 57,000.00	0.00	57,000.00
Production Liner	0.00	0.00	0.00
Cement, Additives, Services	XXXXXXXX	18,500.00	18,500.00
Casing Handling Tools	XXXXXXXX	2,000.00	2,000.00
Perforating, Logging	XXXXXXXX	3,500.00	3,500.00
Treating	XXXXXXXX	50,000.00	50,000.00
Mud, Chemicals, Water	XXXXXXXX	13,000.00	13,000.00
Production Testing	XXXXXXXX	2,000.00	2,000.00
Wireline	XXXXXXXX	0.00	0.00
Transportation	XXXXXXXX	1,000.00	1,000.00
Equipment Rental	XXXXXXXX	4,500.00	4,500.00
Wellhead Assembly	4,000.00	0.00	4,000.00
Production Tubing	20,000.00	0.00	20,000.00
Geolog., Eng. Services	XXXXXXXX	8,000.00	8,000.00
Foundations, Bldg.	0.00	0.00	0.00
Artificial Lift	0.00	0.00	0.00
Storage Tanks	3,800.00	0.00	3,800.00
Separator/Heater Treater	18,000.00	2,000.00	20,000.00
Line Pipe	1,200.00	1,000.00	2,200.00
Insurance	XXXXXXXX	3,500.00	3,500.00
Misc. Services, Labor	XXXXXXXX	30,000.00	30,000.00
TOTAL COMPLETION COSTS	<u>\$104,000.00</u>	<u>\$196,000.00</u>	<u>\$300,000.00</u>
TOTAL OF DRILLING & COMPLETION	\$104,000.00	\$196,000.00	\$300,000.00

OWNER: _____

APPROVED BY: _____

DATE: _____

PERCENTAGE INTEREST = _____

ESTIMATED TOTAL COSTS = _____

Sendero Petroleum, Inc.

RECEIVED

Tony B. Sam
Engineer

P.O. Box 1736
Midland, TX 79702
915/684-4561

'90 MAY 23 AM 8 46

Kurt W. Boley
Geologist

May 17, 1990

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87054-2088

Attention: Mr. Michael Stogner

Re: Re-Entry: Santa Fe Exploration Co.
#1 Indian Basin, Section 8, T21S
R23E, Eddy County, New Mexico

changed to 50%
per telephone conv.

Dear Mr. Stogner:

Please find enclosed a copy of all nine return receipts confirming delivery of my May 9th letter which notified all offset operators and leasehold owners of Sendero Petroleum Inc.'s request for an administratively approved 50% allowable in the Indian Basin prorated gas pool. Approximately half of the letters were received by the parties on May 10, 1990, while the other half were received on May 11, 1990. Hopefully there will be no protest. As of today, May 17, 1990, only the Yates companies have verbally told me that they have no objection to my request.

I am enclosing the letter, of which you have a copy, as a reminder of what I am referencing.

Thanks,

Kurt W. Boley

Kurt W. Boley

KWB/dm

Encl.

Mid-Continent Region
Production United States
OIL CONSERVATION DIVISION
RECEIVED



**Marathon
Oil Company**

'90 MAY 29

PO Box 552
Midland, Texas 79702
Telephone 915/682-1626

May 23, 1990

Mr. Michael Stogner
Energy and Minerals Department
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico

RE: Application of Sendero Petroleum, Inc.
For an Unorthodox Location
In the Indian Basin Upper Penn Pool
For the Re-entry of
The Santa Fe Exploration Co. No. 1
Indian Basin

Dear Mr. Stogner:

Marathon Oil Company, as an offset operator to the Santa Fe Exploration No. 1 Indian Basin, recommends that Sendero Petroleum's application for an unorthodox location to re-enter the Santa Fe Exploration No. 1 Indian Basin be approved and that a penalty of 50% be imposed on the well. The penalty has been agreed to by both Marathon and Sendero and will allow Sendero the opportunity to produce the well at an economically attractive rate while protecting Marathon's correlative rights.

Sincerely,

W. O. Snyder for SDS

W. O. Snyder
Production Manager
Midland Operations

xc: C. R. Hubacher
C. T. Kent
R. W. Tracy
L. D. Garcia, Houston

Mr. Kurt W. Boley
Sendero Petroleum
P. O. Box 1736
Midland, Texas 79702

CTK/192.274/sk

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Petroleum Corp. 105 S. 4th St. Artesia, NM 88210	4. Article Number P 143 463 463
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Carl Hays</i>	
7. Date of Delivery 5-10-70	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: NYCO Industries 105 S. 4th St. Artesia, NM 88210	4. Article Number P 143 463 462
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Carl Hays</i>	
7. Date of Delivery 5-10-90	

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3. Article Addressed to: Abo Petroleum Corp. 105 S. 4th St. Artesia, NM 88210	4. Article Number P 143 463 460
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X <i>Carl Hays</i>	
7. Date of Delivery 5-10-90	

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1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Wiser Oil Co. 700 Petroleum Bldg. Wichita Falls, TX 76307	4. Article Number P 143 463 464
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Susan Kemere</i>	
7. Date of Delivery <i>5/11/90</i>	

PS Form 3811, Mar. 1988 • U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Marathon Oil Co. P. O. Box 552 Midland, TX 79702 Attn: Craig Kent	4. Article Number P 143 463 467
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent <i>Sammy Edwards</i>	
7. Date of Delivery <i>MAY 10 1990</i>	

PS Form 3811, Mar. 1988 • U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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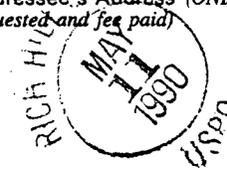
1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Drilling Co. 105 S. 4th St. Artesia, NM 88210	4. Article Number P 143 463 467
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Paul King</i>	
7. Date of Delivery <i>5-10-90</i>	

PS Form 3811, Mar. 1988 • U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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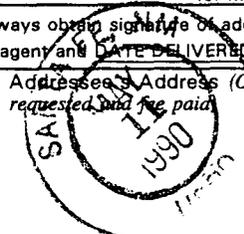
1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: BHP Petroleum 5847 San Felipe St., Ste. 3600 Houston, TX 77057 ATTN: Sandra Dunphy	4. Article Number P 143 463 465
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid) 
6. Signature - Agent X	
7. Date of Delivery 5-11-90	

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3. Article Addressed to: Oil Conservation Commission P. O. Box 2088 Santa Fe, NM 87054-2088 Attn: Mr. Michael Stogner	4. Article Number P143 463 459
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
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5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid) 
6. Signature - Agent X	
7. Date of Delivery	

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1. Show to whom delivered, date, and addressee's address. (Extra charge) 2. Restricted Delivery (Extra charge)

3. Article Addressed to: Oryx Energy P. O. Box 2880 Dallas, TX 75221-2880 ATTN: Keith Nelson	4. Article Number P 143 463 466
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
	Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .
5. Signature - Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X	
7. Date of Delivery MAY 11 1990	

PS Form 3811, Mar. 1988 * U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT Artesia, NM 88210

SUBMIT IN TRIPPLICATES
(Other instructions on reverse side)

Expires August 31, 1985
LEASE DESIGNATION AND SERIAL
NM-585114

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT" for such proposals.)

1. WELL TYPE: GAS WELL OTHER

2. NAME OF OPERATOR: Santa Fe Exploration Company

3. ADDRESS OF OPERATOR: P. O. Box 1136, Roswell, NM 88202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)
AT SURFACE: 660' FSL & 660' FEL Section 8, T21S, R23E

15. ELEVATIONS (Show whether OF, RT, CR, etc.): 3987.8 GR

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME: Indian Basin Fed

9. WELL NO.: 1

10. FIELD AND POOL OR WILDCAT: Indian Basin Upper Penn

11. SEC., T., R., M., OR B.L.K. AND SURVEY OR AREA: Sec. 8 T21S, R23E

12. COUNTY OR PARISH: Eddy

13. STATE: New Mexico

RECEIVED
JUL 26 '89
O. C. D.
ARTESIA, OFFICE

Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF	<input type="checkbox"/>	WATER SHUT-OFF	<input type="checkbox"/>
FRACURE TREAT	<input type="checkbox"/>	FRACTURE TREATMENT	<input type="checkbox"/>
SHOOT OR ACIDIZE	<input type="checkbox"/>	SHOOTING OR ACIDIZING	<input type="checkbox"/>
REPAIR WELL	<input type="checkbox"/>	(Other)	<input type="checkbox"/>
PULL OR ALTER CASING	<input type="checkbox"/>	REPAIRING WELL	<input type="checkbox"/>
MULTIPLE COMPLETE	<input type="checkbox"/>	ALTERING CASING	<input type="checkbox"/>
ABANDON*	<input type="checkbox"/>	ABANDONMENT*	<input checked="" type="checkbox"/>
CHANGE PLANS	<input type="checkbox"/>		

17. 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.)

4 Jul 89 Called Carlsbad engineer Shannon Shaw & received plugging instructions.
5 Jul 89 Called to give Plugging Notice 10:00 A. M., commence pumping first plug at 6:45 P. M.

Plugs 8790-8990	✓	200'	1 Tag Plug	Morrow
8230-8330	✓	100'	2 No Tag	Strawn
5930-6030	✓	100'	3 No Tag	Wolfcamp
4880-4980	✓	100'	4 No Tag	Bone Springs
1575-1775 - 9 5/8 Csg shoe	✓	200'	5 Tag Plug	Csg Shoe
177-277	✓	100'	6 No Tag	13 3/8 Csg Shoe
0-50	✓	50'	7 No Tag	Surface Plug

Jim Amos witnessed plugging of well!

RECEIVED

AUG 3 1989

OIL CONSERVATION DIV.
SANTA FE

RECEIVED

I hereby certify that the foregoing is true and correct

SIGNED: Andrew Bertrick TITLE: Petroleum Engineer DATE: 6 Jul 89

(This space for Federal or State office use)

APPROVED BY: Shannon Shaw FOR: CHIEF, MINERAL RESOURCES TITLE: DATE: 7-24-89

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions on Reverse Side

**UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY**

SUBMIT IN DUPLICATE
(See other instructions on reverse side)

Form approved.
Budget Bureau No. 42-R355.5.

5. LEASE DESIGNATION AND SERIAL NO.
NM-58511

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
Indian Basin

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Indian Basin

9. WELL NO.
1

10. FIELD AND POOL, OR WILDCAT
Indian Basin Upper Penn

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA
Sec. 8, T21S, R23E

12. COUNTY OR PARISH
Eddy

13. STATE
New Mexico

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

1a. TYPE OF WELL: OIL WELL GAS WELL DRY Other _____

b. TYPE OF COMPLETION: NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR. Other _____

2. NAME OF OPERATOR
Santa Fe Exploration Company

RECEIVED

3. ADDRESS OF OPERATOR
P. O. Box 1136, Roswell, NM 88202

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
At surface **660' FSL & 660' FEL, Section 8, T21S, R-23E** JUL 26 '89
At top prod. interval reported below
At total depth

**O. C. D.
ARTESIA, OFFICE**

14. PERMIT NO. _____ DATE ISSUED _____

15. DATE SPUDDED **28 Apr 89** 16. DATE T.D. REACHED **30 Jun 89** 17. DATE COMPL. (Ready to prod.) **P&A 6 Jul 89** 18. ELEVATIONS (DF, R&B, RT, OR, ETC.)* **4003.8 GR** 19. ELEV. CASINGHEAD **3987.8**

20. TOTAL DEPTH, MD & TVD **9355** 21. PLUG, BACK T.D., MD & TVD **Surface** 22. IF MULTIPLE COMPL., HOW MANY* **-** 23. INTERVALS DRILLED BY **X** ROTARY TOOLS CABLE TOOLS

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
None 25. WAS DIRECTIONAL SURVEY MADE
Yes

26. TYPE ELECTRIC AND OTHER LOGS RUN
DLL, MLL, CNL, CDL, GR, CAL 27. WAS WELL CORED
No

28. CASING RECORD (Report all strings set in well)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
13 3/8	48	227'	17 1/2	Circulated Cmt.	None
9 5/8	36	1675'	12 1/4	Circulated Cmt.	None
			8 3/4		
			7 7/8		

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)

31. PERFORATION RECORD (Interval, size and number)
None

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
N/A	

33. PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping—size and type of pump)	WELL STATUS (Producing or shut-in)

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)
- TEST WITNESSED BY _____

35. LIST OF ATTACHMENTS
Electric logs, Mud log, Drillstem Tests, and Deviation Survey

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED Andrew A. Prater TITLE Petroleum Engineer DATE 6 Jul 89

ACCEPTED FOR RECORD
6 Jul 89

*(See Instructions and Spaces for Additional Data on Reverse Side)

JUL 21 1989

SJS
CARLSBAD, NEW MEXICO

INSTRUCTIONS

General: This form is designed for submitting a complete and correct well completion report and log on all types of lands and leases to either a Federal agency or a State agency, or both, pursuant to applicable Federal and/or State laws and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office. See instructions on Items 22 and 24, and 33, below regarding separate reports for separate completions.

If not filed prior to the time this summary record is submitted, copies of all currently available logs (drillers, geologists, sample and core analysis, all types electric, etc.), formation and pressure tests, and directional surveys, should be attached hereto, to the extent required by applicable Federal and/or State laws and regulations. All attachments should be listed on this form, see item 35.

Item 4: If there are no applicable State requirements, locations on Federal or Indian land should be described in accordance with Federal requirements. Consult local State or Federal office for specific instructions.

Item 18: Indicate which elevation is used as reference (where not otherwise shown) for depth measurements given in other spaces on this form and in any attachments.

Items 22 and 24: If this well is completed for separate production from more than one interval zone (multiple completion), so state in Item 22, and in Item 24 show the producing interval or intervals, top(s), bottom(s) and name(s) (if any) for only the interval reported in Item 33. Submit a separate report (page) on this form, adequately identified, for each additional interval to be separately produced, showing the additional data pertinent to such interval.

Item 29: "Sacks Cement". Attached supplemental records for this well should show the details of any multiple stage cementing and the location of the cementing tool.

Item 33: Submit a separate completion report on this form for each interval to be separately produced. (See instruction for Items 22 and 24 above.)

37. SUMMARY OF POROUS ZONES: SHOW ALL IMPORTANT ZONES OF POROSITY AND CONTENTS THEREOF; CORED INTERVALS; AND ALL DRILL-STEM TESTS, INCLUDING DEPTH INTERVAL TESTED, COSSION USMD, TIME TOOL OPEN, FLOWING AND SHUT-IN PRESSURES, AND RECOVERIES				38. GEOLOGIC MARKERS		
FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	NEAR. DEPTH	FROM VERT. DEPTH
MUD LOG ATTACHED				<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>San Andres 443</p> <p>Glorieta 1905</p> <p>Bone Springs 3250</p> <p>Mollicamp 5350</p> <p>Cisco 7190</p> <p>Barnett Shale 9145</p> </div> <div style="width: 35%;"> <p>Same</p> <p>"</p> <p>"</p> <p>"</p> <p>"</p> <p>"</p> </div> </div>		

WELL NAME AND NUMBER Indian Basin ^{FED.} Prospect #1 RECEIVED

LOCATION Section 8, T-21S, R-23E, Eddy County, New Mexico
 (New Mexico give U.S.T.&R. - Texas give S, BLK, SURV. and TWP) JUL 14 11 53 AM '89

OPERATOR Santa Fe Exploration

DRILLING CONTRACTOR MORANCO Drilling, Inc. RECEIVED

The undersigned hereby certifies that he is an authorized representative of the drilling contractor who drilled the above-described well and that he has conducted deviation tests and obtained the following results:

<u>Degrees and Depth</u>	<u>Degrees and Depth</u>	<u>Degrees and Depth</u>	<u>Degrees and Depth</u>
<u>1/4 80</u>	<u>3 3/4 4190</u>	<u>2 1/2 5397</u>	<u>1 3/4 8225</u>
<u>1/4 227</u>	<u>3 3/4 4323</u>	<u>2 3/4 5522</u>	<u>1 8721</u>
<u>3/4 626</u>	<u>4 1/4 4406</u>	<u>2 1/4 5640</u>	<u>1 1/4 9127</u>
<u>3/4 904</u>	<u>3 1/4 4468</u>	<u>1 3/4 6013</u>	<u>2 3/4 9253</u>
<u>3/4 1290</u>	<u>3 3/4 4560</u>	<u>1 1/2 6171</u>	
<u>1 1675</u>	<u>4 1/4 4687</u>	<u>3/4 6420</u>	
<u>1 1/4 2169</u>	<u>4 4779</u>	<u>1 3/4 6670</u>	
<u>1 1/2 2603</u>	<u>4 4843</u>	<u>1 6765</u>	
<u>3/4 3080</u>	<u>3 1/4 4979</u>	<u>1 1/2 7000</u>	
<u>1 3539</u>	<u>3 1/2 5059</u>	<u>2 7359</u>	
<u>1 3/4 4005</u>	<u>3 5183</u>	<u>1 3/4 7604</u>	
<u>3 4101</u>	<u>2 3/4 5275</u>	<u>2 1/4 8092</u>	

Drilling Contractor MORANCO Drilling, Inc.

By Wiley Gilmore
 Wiley Gilmore, Marketing Manager

Subscribed and sworn to before me this 11th day of July 19 89

My Commission expires:
September 13, 1992

Virginia G. Perry
 Notary Public
 Lea County, New Mexico

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SANTA FE, NM 87510

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

SF

SUNDRY NOTICES AND REPORTS ON WELLS
(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

RECEIVED

1. OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
Santa Fe Exploration Company

3. ADDRESS OF OPERATOR
P. O. Box 1136 Roswell, New Mexico 88201

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.)
At surface
UL P 660 FSL & 660 FEL Section 8 T21S R23E

14. PERMIT NO. _____ 15. ELEVATIONS (Show whether DF, RT, OR, etc.)
3987.8

5. LEASE DESIGNATION AND SERIAL NO.
NM - 58511

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Indian Basin

9. WELL NO.
#1

10. FIELD AND POOL, OR WILDCAT
Indian Basin - Unpper Penn

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Section 8 T21S R23E

12. COUNTY OR PARISH
Eddy

13. STATE
New Mexico

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) Cement Intermediate Casing <input checked="" type="checkbox"/>	

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

17. 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.)*

Run 42 Jts New 9 5/8" Casing 36# ST&C Set @ 1675'.
Broke Circ., Cmtd-with 390 sacks Lite and
200 sacks Class C
Circulated Approx 50 sacks to the Pit.
BLM Mr. Amos witnessed cement job and circulation of cement.
WOC Approx. 16 Hrs. Nipple-up BOP Test Casing to 1500 Psi and Held for
30 Min. Held OK.

RECEIVED
JUN 14 1989
OIL CONSERVATION DIV.
SANTA FE

BUREAU OF LAND MANAGEMENT
RECEIVED
JUN 08 1989
DIST. 6 N.M.
Carlsbad, New Mexico

18. I hereby certify that the foregoing is true and correct
SIGNED Andrew L. Prestudis TITLE Petroleum Engineer DATE June 1989

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

ACCEPTED FOR RECORD
JUN 5 1989

*See Instructions on Reverse Side

SJS
CARLSBAD, NEW MEXICO

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

54

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER		RECEIVED	7. UNIT AGREEMENT NAME
2. NAME OF OPERATOR Santa Fe Exploration Company		JUN 08 '89	8. FARM OR LEASE NAME Indian Basin <i>Feb</i>
3. ADDRESS OF OPERATOR P. O. Box 1136 Roswell, New Mexico 88201		D. C. D. ARTESIA OFFICE	9. WELL NO. #1
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. See also space 17 below.) At surface UL P 660' FSL & 660' FEL Section 8 T21S R23E			10. FIELD AND POOL, OR WILDCAT Indian Basin Upper Penn
14. PERMIT NO.	15. ELEVATIONS (Show whether DF, ST, GR, etc.) 3987.8		11. SEC., T., S., M., OR S.E. AND SURVEY OR AREA Sec 8 T21S R23E
			12. COUNTY OR PARISH Eddy
			13. STATE New Mexico

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	Cement Surface Casing <input checked="" type="checkbox"/>

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

17. 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.)*

Rig Up Moranco and start reaming and drilling. 28 May 1989

Drill to 227' and run 13 3/8" casing. Cement with 230 sacks (w/2% CaCl). Circulated 50 sacks to Pit during job. Good Returns. Bump Plug at 5:30 AM 29 May 1989
Casing tested ok to 500 PSI. WOC 24 Hrs.
Dale Carpenter with the BLM witnessed cement job.

RECEIVED

JUN 14 1989

OIL CONSERVATION DIV.
SANTA FE

RECEIVED

JUN 12 1989

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

SIGNED Andrew L. Priestridge TITLE Petroleum Engineer DATE 30 May 1989

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

ACCEPTED FOR RECORD

JUN 5 1989

*See Instructions on Reverse Side

SJS
CARLSBAD, NEW MEXICO

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ARTESIA, NM 88210

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS
(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir. Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
Santa Fe Exploration Company

3. ADDRESS OF OPERATOR
P. O. Box 1136 Roswell New Mexico 88201

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.)
At surface
UL P 660 FSL & 660 FEL Section 8 T21S R23E

5. LEASE DESIGNATION AND SERIAL NO.
NM-58511

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Indian Basin FED.

9. WELL NO.

10. FIELD AND POOL, OR WILDCAT
Indian Basin Upper Penn

11. SEC., T., R., M., OR BLM, AND SURVEY OR ABBA
Sec 8 T21S R23E

12. COUNTY OR PARISH
Eddy

13. STATE
New Mexico

14. PERMIT NO.

15. ELEVATIONS (Show whether DP, ST, CR, etc.)
3987.8

RECEIVED

MAY 15 '89

O. C. D.
ARTESIA, OFFICE

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) Spud Well <input type="checkbox"/>	
(Other) <input type="checkbox"/>		(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)	

17. 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.)*

Moved in Abbott Brothers and rigged up.
Spudded Well at 1:05 P. M. 28 APR 89.

RECEIVED

MAY 16 1989

OIL CONSERVATION DIV.
SANTA FE

RECEIVED
MAY 11 11 03 AM '89

I hereby certify that the foregoing is true and correct
SIGNED Andrew L. Pitts TITLE Petroleum Engineer DATE 28 APR 89

(This space for Federal or State office use)

ACCEPTED FOR RECORD

APPROVED BY _____ TITLE _____ DATE _____
CONDITIONS OF APPROVAL, IF ANY:

MAY 8 1989

*See Instructions on Reverse Side

SJS
CARLSBAD, NEW MEXICO

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

30-015-26107 5P
Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK
 RECEIVED

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Santa Fe Exploration Company ✓

3. ADDRESS OF OPERATOR
 P. O. Box 1136, Roswell, New Mexico 88202-1136 O. C. D.

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)
 At surface: 660' FSL and 660' FEL
 At proposed prod. zone: *W.P.*

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 32 Miles Southwest of Artesia, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 660'

16. NO. OF ACRES IN LEASE
 400

17. NO. OF ACRES ASSIGNED TO THIS WELL
 640

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

19. PROPOSED DEPTH
 9000'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3/87.8 GR

22. APPROX. DATE WORK WILL START*
 Upon Approval

5. LEASE DESIGNATION AND SERIAL NO.
 NM-38511

6. IF INDIAN ALLOTTEE OR TRIBE NAME
 N/A

7. UNIT AGREEMENT NAME
 N/A

8. FARM OR LEASE NAME
 Indian Basin Federal ~~Comm.~~

9. WELL NO.
 #1 (SJS)

10. FIELD AND POOL, OR WILDCAT
 Indian Basin u/Parr

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 8, T-21-S, R-23-E

12. COUNTY OR PARISH
 Eddy

13. STATE
 NM

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	54.5#	200'	225 sxCIRCULATE
12-1/4"	9-5/8"	36#	1650'	750 sxCIRCULATE
8-3/4"	7"	23# & 26#	7200'	125 sx (see stips)
6-1/8"	4-1/2"	11.6#	9000'	115 sx

- San Andres 300'
- Glorietta 1962'
- Bone Springs 2948'
- Wolfcamp 5350'
- Cisco 7217'
- Strawn Limestone 7875'
- Atoka 8615'
- Morrow 8990'

RECEIVED

APR 27 1989

OIL CONSERVATION DIV.
SANTA FE

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 Wm. A. McAlpin TITLE President DATE 3/20/89

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____
 AREA OF _____
 APPROVED BY _____ TITLE _____ DATE 4-21-89
 CONDITIONS OF APPROVAL, IF ANY: _____

*See Instructions On Reverse Side

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

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

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

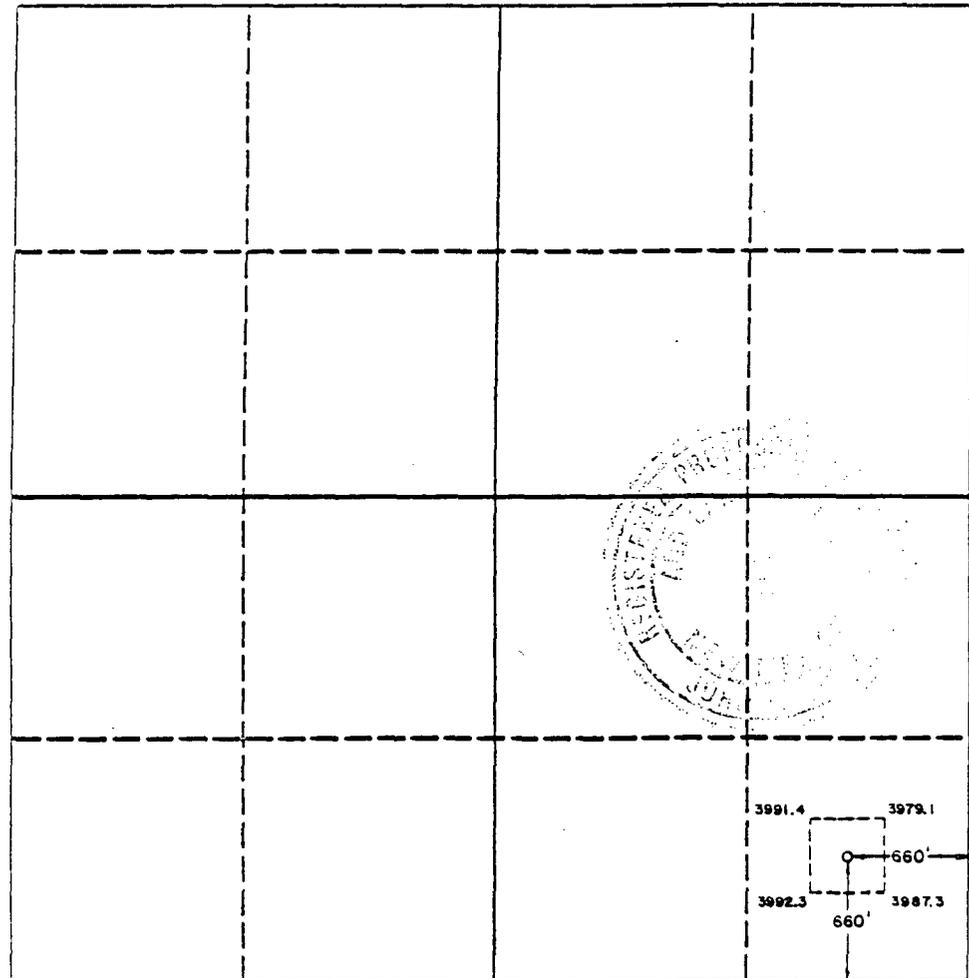
DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

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

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

Operator Santa Fe Exploration Co.			Lease Indian Basin <i>Feol.</i>			Well No. 1		
Unit Letter P	Section 8	Township 21 South	Range 23 East	County Eddy		NMEM		
Actual Footage Location of Well: 660 feet from the south line and 660 feet from the east line								
Ground level Elev. 3987.8	Producing Formation Cisco/Morrow <i>SJS</i>			Pool Indian Basin	Dedicated Acreage: 640 Acres			

- Outline the acreage dedicated to the subject well by colored pencil or hatching marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?
 - Yes No If answer is "yes" type of consolidation *Force Pooling*
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



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

Signature: *Richard C. Gilliland*

Printed Name: RICHARD C. GILLILAND

Position: PETROLEUM ENGINEER

Company: SANTA FE EXPLORATION

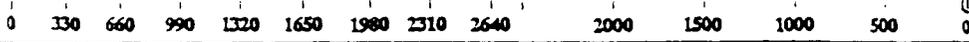
Date: 3/20/89

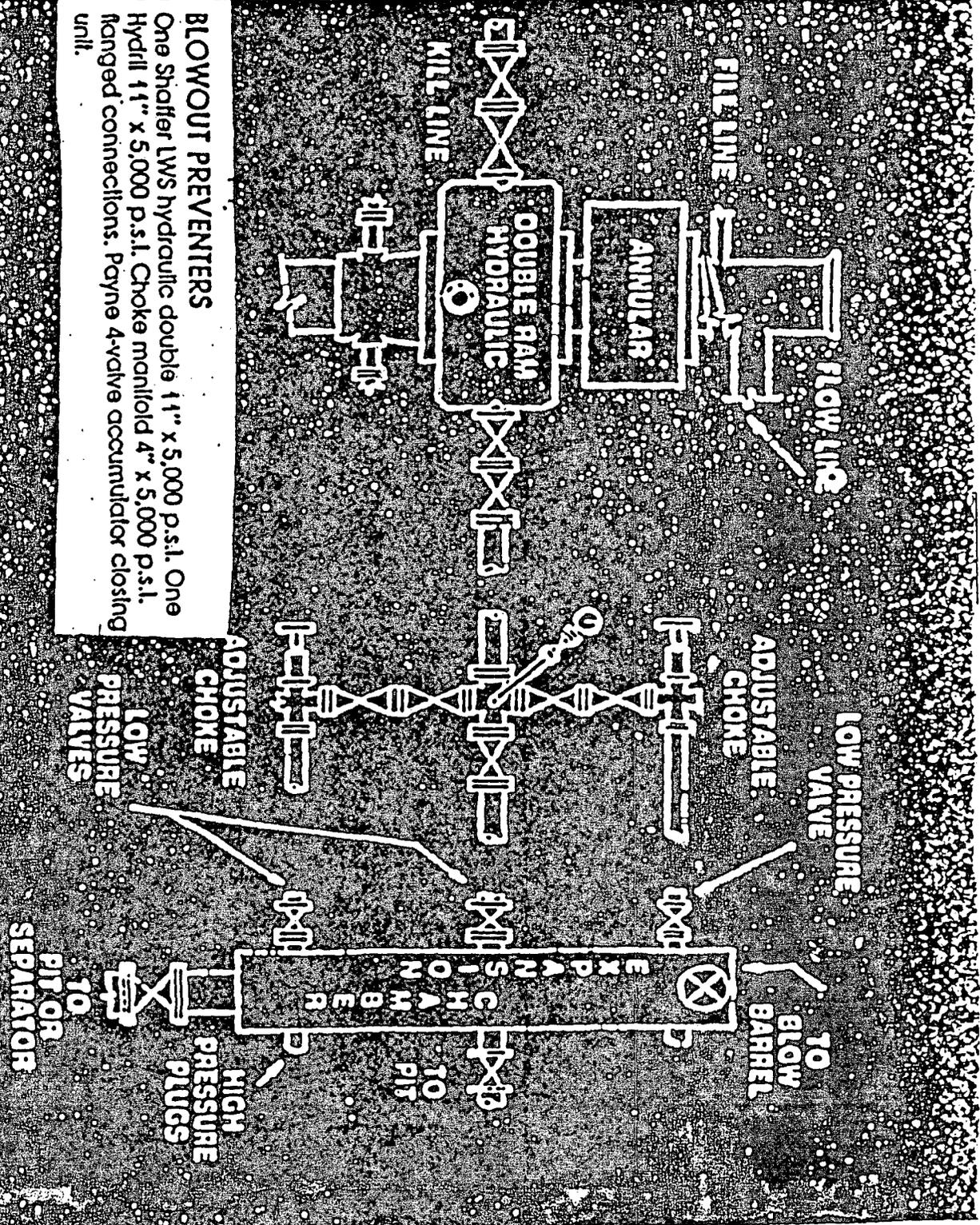
SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed: February 9, 1989

Signature & Seal of Professional Surveyor: *John W. West*

Certificate No.: John W. West, No. 676





BLOWOUT PREVENTERS

One Shafter LWS hydraulic double 11" x 5,000 p.s.i. One Hydrill 11" x 5,000 p.s.i. Choke manifold 4" x 5,000 p.s.i. Ranged connections. Payne 4-valve accumulator closing unit.

Standard Blowout Preventer Seal

NOTICE OF STAKING

(Not to be used in place of Application for Permit to Drill Form 3160-3)

1. Oil Well _____ Gas Well <u>X</u> Other _____ Re-Entry (Specify)		6. Lease Number NM 58511	
2. Name of Operator: Sendero Petroleum Inc.		7. If Indian, Allottee or Tribe Name N/A	
3. Name of Specific Contact Person: Tony Sam/Kurt Boley		8. Unit Agreement Name N/A	
4. Address & Phone No. of Operator or Agent 915-684-4561 P. O. Box 1736, Midland, Texas 79702		9. Farm or Lease Name Pronghorn Federal	
5. Surface Location of Well Attach: a) Sketch showing road entry into pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		10. Well No. 1	
		11. Field or Wildcat Name Indian Basin Cisco	
		12. Sec., T., R., M., or Blk and Survey or Area Section 8, T21S R23E	
15. Formation Objective(s) Cisco	16. Estimated Well Depth 7650'	13. County, Parish or Borough Eddy	14. State NM

17. Additional Information (as appropriate; must include surface owner's name, address, and telephone number).

BLM 505-887-6544 P. O. Box 1778, Carlsbad, New Mexico 88220

18. Signed Kurt Boley Title Vice President Date 5/4/90

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

Operators must consider the following prior to the onsite:

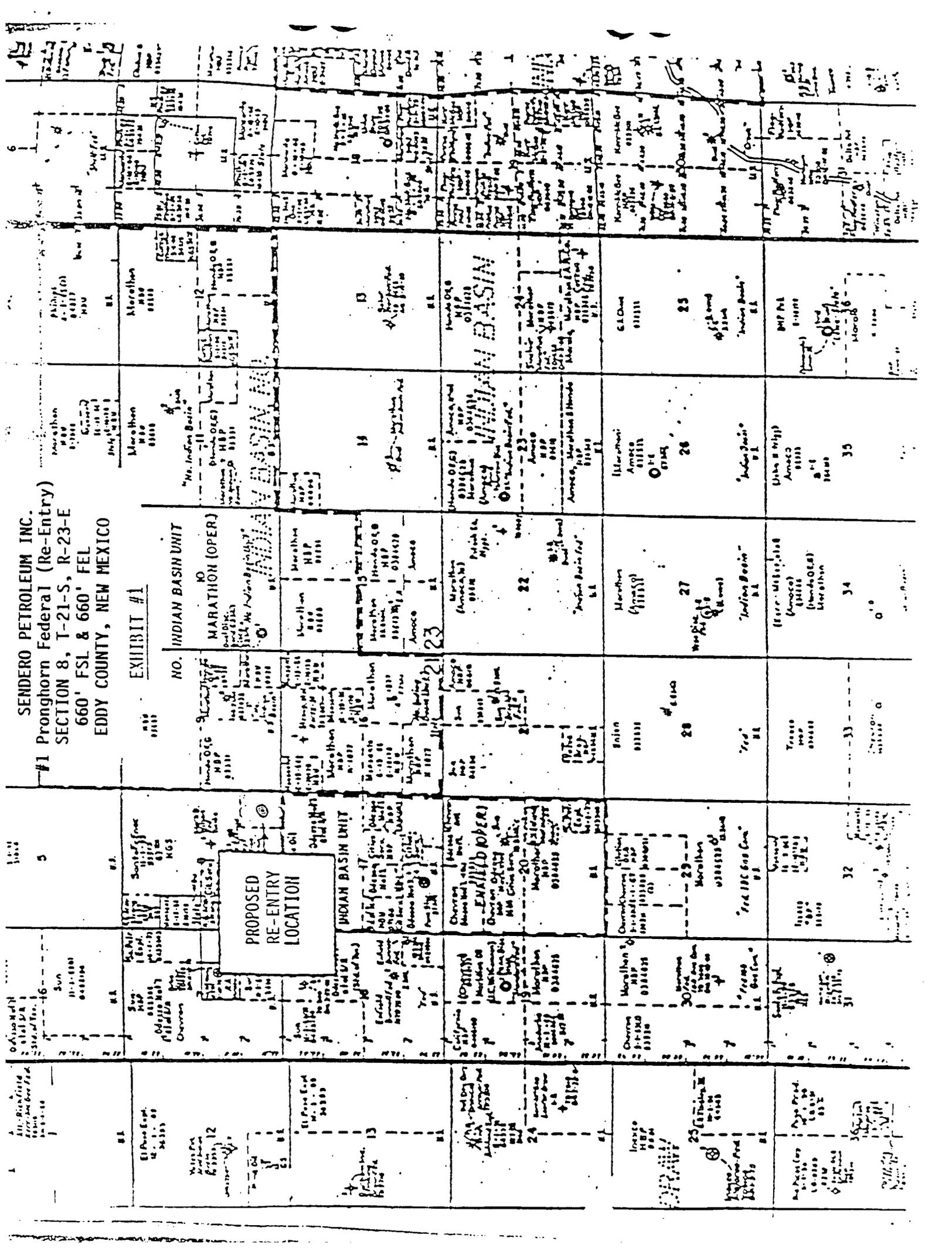
- a) H2S Potential
- b) Cultural Resources (Archeology)
- c) Federal Right of Way or Special Use Permit

SENDERO PETROLEUM INC.
#1 Pronghorn Federal (Re-Entry)
SECTION 8, T-21-S, R-23-E
660' FSL & 660' FEL
EDDY COUNTY, NEW MEXICO

EXHIBIT #1

NO. INDIAN BASIN UNIT
MARATHON (OPER)

PROPOSED RE-ENTRY LOCATION



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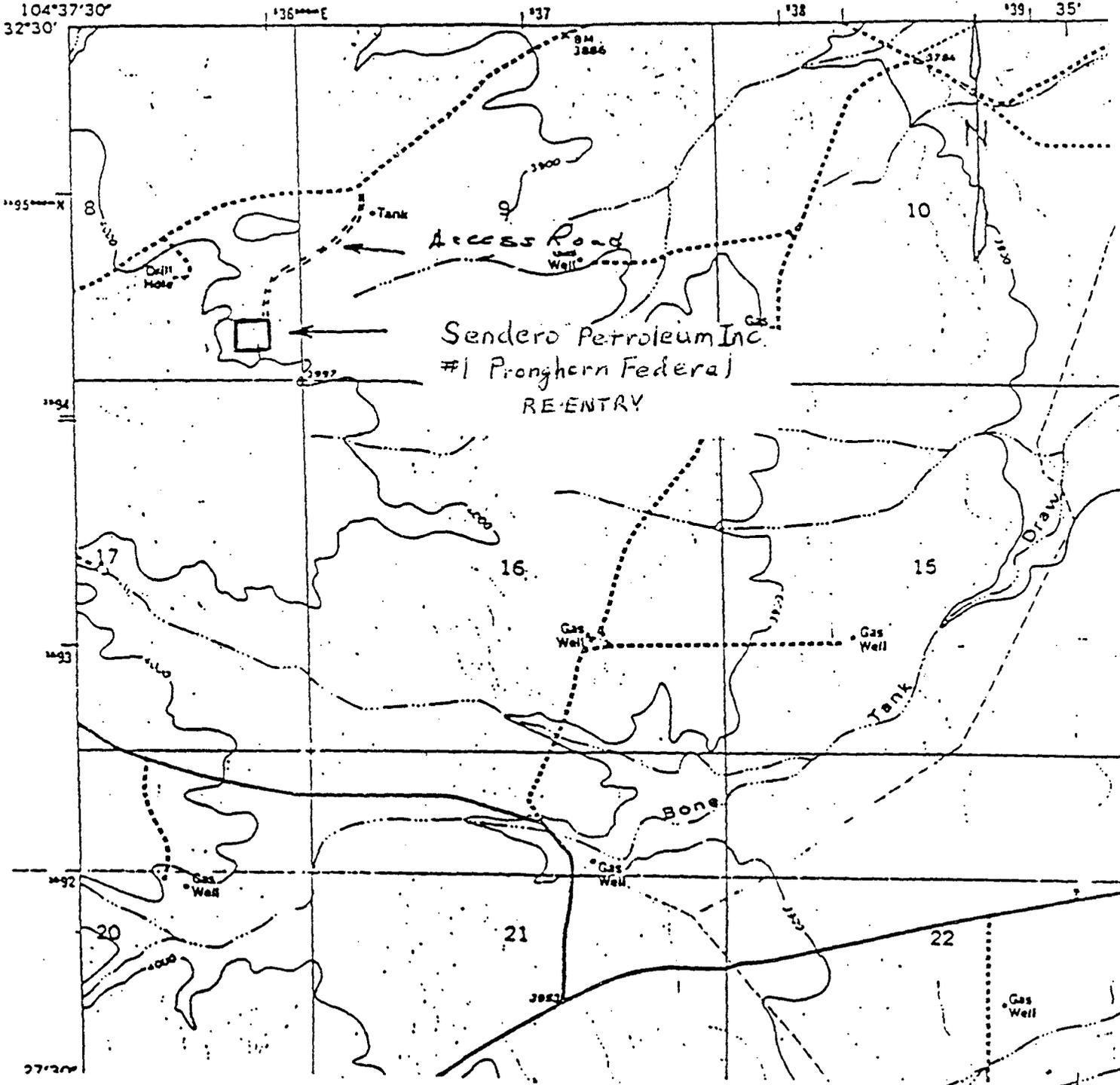
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SENDERO PETROLEUM INC.
#1 Pronghorn Federal (Re-Entry)
SECTION 8, T-21-S, R-23-E
660' FSL & 660' FEL
EDDY COUNTY, NEW MEXICO

1943 & 1944
180' CANYON
RANCH

UNITED STATES DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
EXHIBIT #2



SENDERO PETROLEUM INC.
#1 Pronghorn Federal (Re-Entry)
SECTION 8, T-21-S, R-23-E
660' FSL & 660' FEL
EDDY COUNTY, NEW MEXICO

EXHIBIT #3

PROPOSED
RE-ENTRY
LOCATION

T.20 S.

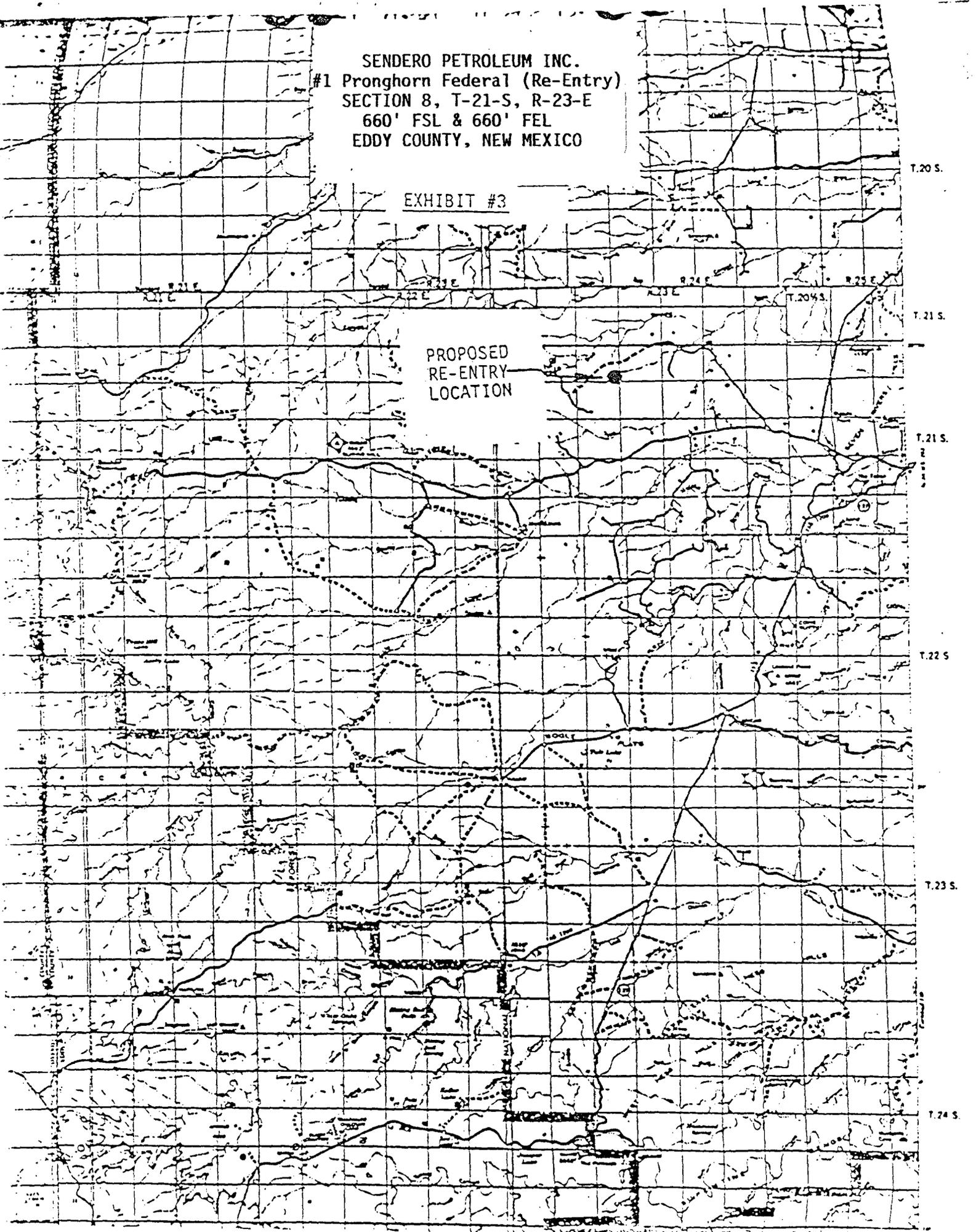
T.21 S.

T.21 S.

T.22 S.

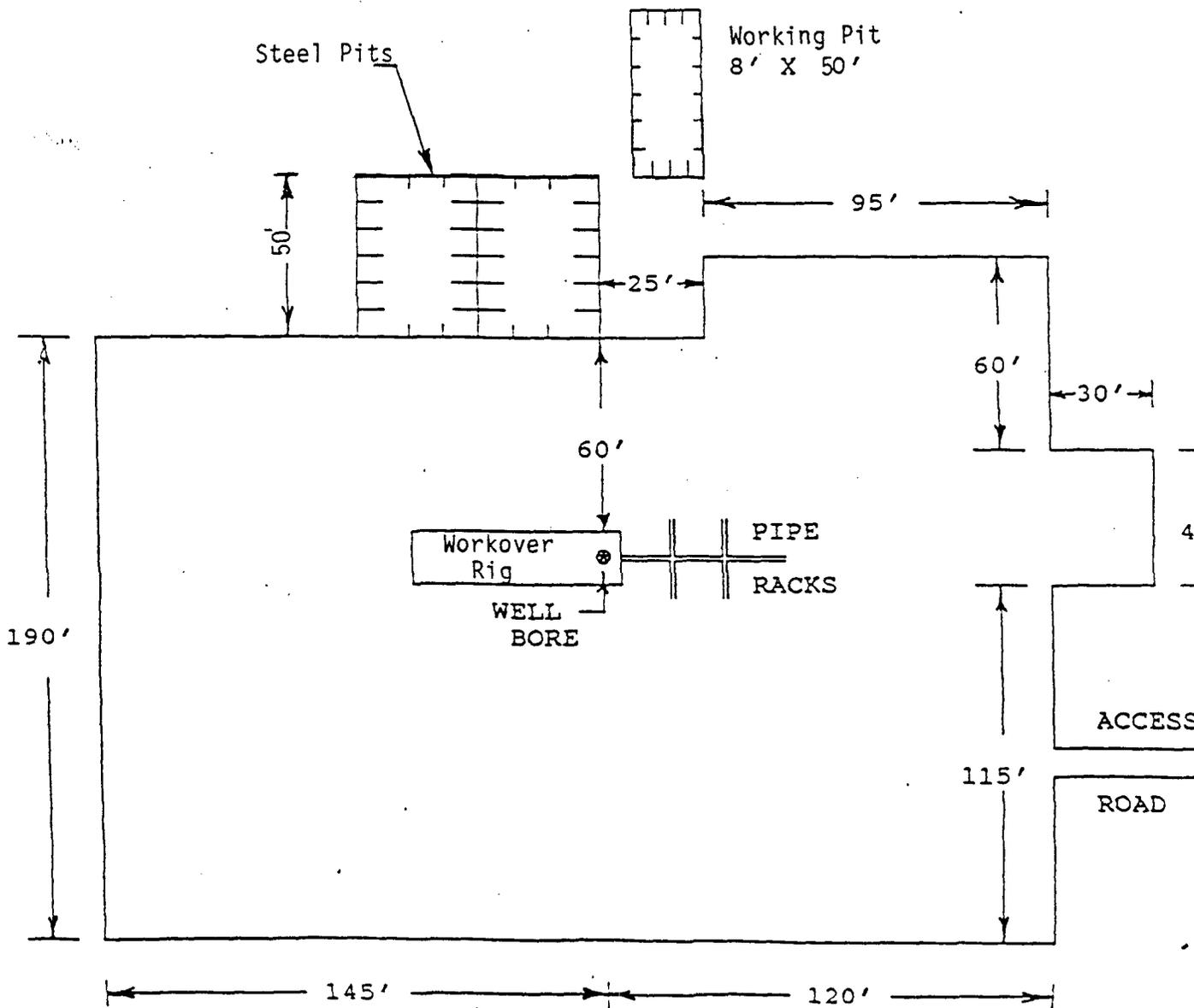
T.23 S.

T.24 S.



SENDERO PETROLEUM INC.
#1 Pronghorn Federal (Re-Entry)
SECTION 8, T-21-S, R-23-E
660' FSL & 660' FEL
EDDY COUNTY, NEW MEXICO

EXHIBIT #4



APPROX. SCALE: 1"=50'

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. 9619
Order No. R-8913

APPLICATION OF SANTA FE
EXPLORATION COMPANY FOR
AN UNORTHODOX GAS WELL
LOCATION, DUAL COMPLETION,
AND COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

*See Also
Order No. R-8913-A*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 29, 1989, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 12th day of April, 1989, 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 Exploration Company, seeks an order pooling all mineral interests in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool, underlying all of Section 8, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, forming a standard 640-acre gas spacing and proration unit for both pools.
- (3) Production from both zones is to be from a dually completed well to be located at a proposed unorthodox gas well location 660 feet from the South and East lines (Unit P) of said Section 8.

(4) The applicant has the right to drill and proposes to drill a well at the unorthodox gas well location described above.

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

(6) 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 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.

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

(8) The evidence presented at the hearing and information obtained from Division records indicates that there have been two wells previously drilled in said Section 8, these being the Robert N. Enfield Indian Basin Well No. 3 located at a standard location 1650 feet from the South and East lines (Unit J), which was drilled in 1966, tested in the Upper Pennsylvanian, and was apparently deemed non-commercial and subsequently plugged and abandoned, and the Odessa Natural Gasoline Company Standard Federal "A" Well No. 1 located at an unorthodox gas well location 660 feet from the South and West lines (Unit M), which was drilled in 1962, tested in the Upper Pennsylvanian, and was also subsequently plugged and abandoned.

(9) Geologic evidence and testimony presented at the hearing indicates that a well at the proposed unorthodox location will better enable the applicant to produce the gas underlying the proposed proration unit.

(10) Marathon Oil Company (Marathon), the operator of the North Indian Basin Unit Area which encompasses acreage immediately to the East of said Section 8, entered an appearance at the hearing in this case.

(11) Evidence presented at the hearing indicates that the applicant has voluntarily reached an agreement with Marathon Oil Company as to a production penalty to be assessed against the subject well due to its proposed unorthodox location.

(12) The proposed 60 percent production penalty is based upon the proposed well location's east-west variance from a standard well location or 990/1650.

(13) The agreement, presented as applicant's Exhibit No. (6), stipulates that said 60 percent penalty is to be applied against any producing well rate, and to this end, Marathon has proposed that the well's daily production be limited to 40 percent of the CAOF established by test as required by Rule 401 of the Division Rules and Regulations or 40 percent of its prorated allowable, whichever is less.

(14) Both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool are prorated gas pools governed by the Rules and Regulations for the Prorated Gas Pools in New Mexico as promulgated by Division Order No. R-8170.

(15) The method of determining the well's gas allowable should be accomplished by assigning the subject well an acreage factor of 0.40 in the subject pools inasmuch as the alternate method proposed by Marathon does not blend itself well into the current gas proration system and would be very difficult to administer.

(16) No other offset operator objected to the proposed unorthodox gas well location.

(17) Approval of the proposed unorthodox location and dual completion will afford the applicant the opportunity to produce its just and equitable share of the gas in the subject pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights, provided that the subject well's gas allowable in the subject pools be penalized as described in Finding No. (15) above.

(18) 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.

(19) 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 the drilling of the well.

(20) Any non-consenting 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.

(21) 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.

(22) \$5000.00 per month while drilling and \$500.00 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.

(23) 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.

(24) Upon the failure of the operator of said pooled unit to commence the drilling of the well to which said unit is dedicated on or before July 15, 1989, the order pooling said unit should become null and void and of no effect whatsoever.

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

(26) The operator of the well and unit 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.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool underlying all of Section 8, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, are hereby pooled to form a standard 640-acre gas spacing and proration unit for said pools, to be dedicated to a well to be drilled at an unorthodox gas well location, also hereby approved, 660 feet from the South and East lines (Unit P) of said Section 8.

(2) The applicant is further authorized to dually complete the subject well in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the 15th day of July, 1989, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Upper Pennsylvanian and Morrow formations.

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the 15th day of July, 1989, 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 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.

(3) Santa Fe Exploration Company is hereby designated the operator of the subject well and unit.

(4) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(5) 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.

(6) 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.

(7) 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.

(8) 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, and

(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.

Case No. 9619
Order No. R-8913

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

(10) \$5000.00 per month while drilling and \$500.00 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.

(11) 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.

(12) 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.

(13) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Eddy 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.

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

(15) The operator of the well and unit 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.

(16) For purposes of assigning gas allowables, the subject well shall be assigned an acreage factor of 0.40 in the Undesignated Indian Basin-Upper Pennsylvanian Gas Pool and the Undesignated Indian Basin-Morrow Gas Pool.

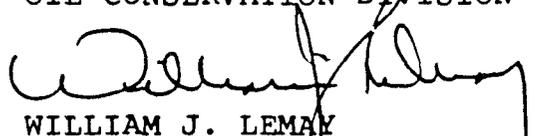
-8-

Case No. 9619
Order No. R-8913

(17) Jurisdiction of this cause is 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

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 9619 DE NOVO
Order No. R-8913-A

APPLICATION OF SANTA FE EXPLORATION
COMPANY FOR AN UNORTHODOX WELL LOCA-
TION, DUAL COMPLETION, AND COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO.

*See Also Order No.
R-8913*

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9:00 a.m. on July 20, 1989, at Santa Fe, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 28th day of July, 1989, the Commission, a quorum being present, having considered the record and being fully advised in the premises,

FINDS THAT:

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

(2) Pursuant to Division Order No. R-8913, the applicant, Santa Fe Exploration Company, commenced the drilling of the subject well at an unorthodox location 660 feet from the South and East lines of Section 8, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(3) The applicant has completed the drilling of the subject well, has been unsuccessful in establishing commercial production, and has plugged and abandoned the well.

(4) Division Order No. R-8913 should be vacated and Case No. 9619 dismissed.

-2-

Case No. 9619 DE NOVO
Order No. R-8913-A

IT IS THEREFORE ORDERED THAT:

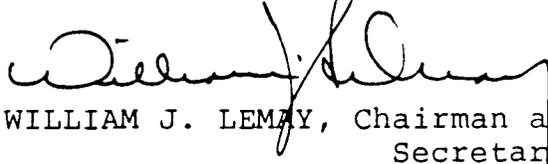
(1) Division Order No. R-8913 is hereby vacated and Case No. 9619 is hereby dismissed.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



WILLIAM R. HUMPHRIES, Member



WILLIAM J. LEMAY, Chairman and
Secretary

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