



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

March 23, 1999

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

Telefax No. (505) 982-2151

Administrative Order NSL-4241

Dear Mr. Bruce:

Reference is made to the following: (i) your initial application on behalf of Santa Fe Energy Resources, Inc. ("Santa Fe") dated January 8, 1999; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, dated February 1, 1999; (iii) the records of the Division in Santa Fe including the file in Division Case No. 12131; and (iv) your letter dated March 20, 1999, with signed waivers from various off-setting operators and/or interest owners: all concerning Santa Fe's request to drill its Rio Blanco Federal Com. Well No. 2 at an unorthodox Morrow gas well location 660 feet from the South and West lines (Unit M) of Section 4, Township 23 South, Range 34 East, NMPM, Lea County, New Mexico.

The S/2 of Section 4 is to be dedicated to the well in order to form a standard 320-acre gas spacing and proration unit for either the Undesignated North Bell Lake-Morrow Gas Pool or the Undesignated Antelope Ridge-Morrow Gas Pool.

Santa Fe's March 20, 1999 letter adequately serves as a re-submittal of this application to the Division for processing administratively under the provisions of Division Rule 104.F.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard for this 320-acre unit.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox Morrow gas well location is hereby approved. Furthermore, the administrative approval of this application negates the necessity for hearing Division Case No. 12131; therefore,

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Santa Fe's request to dismiss Case No. 12131 shall be granted.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or scribble.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division – Hobbs
U. S. Bureau of Land Management – Carlsbad
Conoco, Inc. - c/o W. Thomas Kellahin - Santa Fe
File: Case No. 12131