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Oil Conservation Division

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 11296

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 approving an unorthodox gas well location and directional drilling, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in the W $\frac{1}{2}$ of said Section 19.
2. Applicant proposes to re-enter a well in the W $\frac{1}{2}$ of Section 19, located at an unorthodox surface location 660 feet from the South line and 2,084 feet from the West line of the Section. Pursuant to Division Rule 111, Applicant requests permission to directionally drill the well to an unorthodox bottom hole location within a 50' X 50' window centered 1,060 feet from the South line and 2084 feet from the West line of the Section. The well will be drilled to a depth sufficient to test the Morrow formation.
3. Applicant seeks to dedicate the following acreage to the well: (a) the W $\frac{1}{2}$ of Section 19 (comprising 320.28

acres) for all pools or formations spaced on 320 acres, including the undesignated Quail Ridge-Morrow Gas Pool; and (b) the SW¼ of Section 19 (comprising 160.19 acres) for all pools or formations spaced on 160 acres.

4. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the W½ of Section 19 for the purposes set forth herein.

5. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold 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 acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners underlying the W½ of Section 19, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

6. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

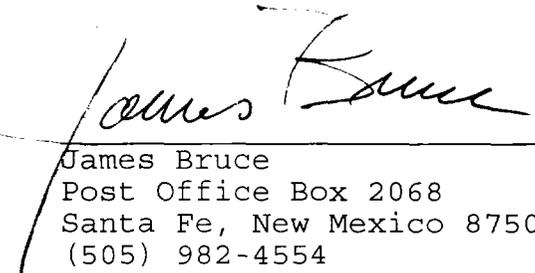
7. The pooling of all interests underlying the W½ of Section 19, as described above, the approval of the

unorthodox surface and bottomhole locations, and approval of directional drilling will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant

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PROPOSED ADVERTISEMENT

Oil Conservation Division

Case No. 11296: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, an unorthodox gas well location, and directional drilling, Lea County, New Mexico. Applicant seeks 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 $\frac{1}{2}$ (the W $\frac{1}{2}$ equivalent) of Section 19, Township 20 South, Range 34 East, forming a standard 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, including the undesignated Quail Ridge-Morrow Gas Pool, and forming 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 unit is to be dedicated to the Applicant's Sinagua 19 Fed. Com. Well No. 2, to be drilled at an unorthodox surface location within said W $\frac{1}{2}$ proration unit 660 feet from the South line and 2084 feet from the West line of the section. Applicant proposes to directionally drill said well to an unorthodox bottomhole location 1060 feet from the South line and 2084 feet from the West line of the section. 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 5 miles East-Southeast of Laguna Gatuna.