

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING AND A NON-STANDARD GAS
SPACING AND PRORATION UNIT,
EDDY COUNTY, NEW MEXICO

MAY 17 1995

Oil Conservation Division O .

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APPLICATION

Santa Fe Energy Resources, Inc., hereby makes application for an order pooling all mineral interests from the surface to the base of the Atoka formation underlying Lots 1-4 and the E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$ equivalent) of Section 7, Township 23 South, Range 29 East, N.M.P.M., Eddy County, New Mexico, and for a non-standard gas spacing and proration unit, 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 7.
2. Applicant proposes to drill its H.F. "7" Fed. Com. Well No. 1 in the W $\frac{1}{2}$ of Section 7, at an orthodox gas well location 1980 feet from the South line and 660 feet from the West line of the Section, to a depth sufficient to test the Atoka formation (approximately 12,200 feet), and seeks to dedicate the W $\frac{1}{2}$ of Section 7 for all pools or formations spaced on 320 acres (including the undesignated Laguna Salado-Atoka Gas Pool), forming a non-standard 308.83 acre gas spacing and proration unit.
3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the W $\frac{1}{2}$ of Section 7 for the purposes set forth herein.
4. 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 7, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl. Pamp.).

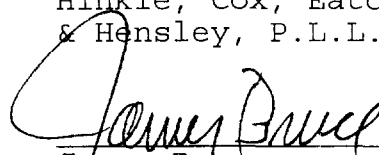
5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty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

6. The pooling of all interests underlying the W½ of Section 7, as described above 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, P.L.L.C., Ltd., Co.



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