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January 13, 1997

Hand Delivered

Florene Davidson
New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of an application for compulsory pooling, together with a proposed advertisement, filed on behalf of Santa Fe Energy Resources, Inc. Please set this matter for the February 6th docket. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.


James Bruce

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, LEA COUNTY, NEW MEXICO.

NO. 11715

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 the S½ of Section 29, Township 22 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the S½ of said Section 29, and has the right to drill a well thereon.

2. Applicant proposes to drill its Gaucho Unit Well No. 2 at a location 1650 feet from the South line and 1650 feet from the West line of the Section, to a depth sufficient to test the Morrow formation (approximately 13600 feet subsurface), and seeks to dedicate the S½ of Section 29 for all pools or formations spaced on 320 acres, including the Undesignated Antelope Ridge-Atoka Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 29 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral 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 interests. Therefore, Applicant seeks an order

pooling all mineral interest owners in the S½ of Section 29, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamph.)*.

6. The pooling of all mineral interests underlying the S½ of Section 29 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in the proposed well;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;
- (d) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates per the COPAS accounting procedure;
- (e) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- (f) Granting such further relief as the Division deems proper.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above a horizontal line.

James Bruce
Post Office Box 2068
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Attorneys for Santa Fe Energy
Resources, Inc.

sferapp.fp2

PROPOSED ADVERTISEMENT

Case 11716: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the S½ of Section 29, Township 22 South, Range 34 East, NMPM, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Antelope Ridge-Atoka Gas Pool. Said unit is to be dedicated to applicant's Gaucho Unit Well No. 2, to be drilled at an orthodox gas well location. 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 and the well. Said unit is located approximately 16 miles southwest of Eunice, New Mexico.