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August 10, 2000

HAND DELIVERED

David R. Catanach, Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

CO AUG 10 AM 5:32
OIL CONSERVATION DIV.

Re: **Case 12449**: Application of Santa Fe Snyder Corporation for compulsory pooling, Lea County, New Mexico.

Dear Mr. Catanach:

At the July 27 Examiner Hearing Santa Fe Snyder Corporation ("Santa Fe") testified that a Morrow well in the NE/4 of Section 18, Township 23 South, Range 34 East, NMPM, would drain 320-acres. Therefore, according to Santa Fe, its proposed Paloma Blanco "18" Federal Well No. 1 is the only well needed to produce the Morrow reserves under the E/2 of Section 18 and their proposed standup unit is the appropriate spacing unit for this well.

BTA Oil Producers, Inc. ("BTA"), which represents 100% of the working interest in the S/2 of Section 18, opposes Santa Fe's application because, if granted, it will deny BTA the opportunity to produce the reserves under its spacing unit thereby impairing its correlative rights. BTA also contends that Santa Fe is abusing the compulsory pooling provisions in the Oil & Gas Act for it is not attempting to pool the E/2 of Section 18 to enable it to drill a well. Instead, it is using the compulsory pooling statute to prevent BTA from drilling in the SE/4 of Section 18 while it drains the Morrow reserves from under BTA's acreage.

At the conclusion of the July 27th hearing, you asked Santa Fe to provide to you the drainage information which supported its testimony that one well in the Morrow formation in this area

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would drain 320-acres. A copy of that data was also to be supplied to BTA. At my request, you gave BTA an opportunity to respond to this drainage information. To date, no drainage information has been provided. However, whatever drainage evidence Santa Fe provides to the Division from the Gaucho Area to the North and whatever analogy Santa Fe asks you to accept from this data, Santa Fe's recent development plans for the Morrow formation refute its drainage evidence. In this case, Santa Fe's word simply does not match its deed.

While Santa Fe argues to the Division that one well will drain 320-acres, Santa Fe intends to develop this reservoir on a 160-acre spacing pattern. Enclosed are an orientation map and three acreage dedication plats (Division Forms C-102) recently filed by Santa Fe. Each of the acreage dedication plats is a public record from the files of the Division. It is proper for the Division to take notice of these documents in considering Santa Fe's application in this case. As you can see from the enclosed, Santa Fe proposes to drill wells in the NE/4 of Section 18, the NW/4 of Section 17, the SW/4 of Section 17 the NE/4 of Section 19. Three of these wells are only 1320 feet apart. These wells are located on the tracts North, Northeast, East and South of BTA's acreage in the SE/4 of Section 18. Three of these wells are only 660 feet from BTA's acreage.

This development confirms BTA's position at the July 27 Examiner Hearing that Santa Fe is trying to misuse the pooling power of the Division to keep BTA from developing its reserves in the SE/4 of Section 18. Santa Fe asks you to invoke the police power of the state – not to insure that its acreage is developed and wells drilled – but to prevent BTA from developing leases -- while Santa Fe drains BTA's acreage from the North, Northeast, East and South. If Santa Fe's application is granted, BTA will be unable to drill a well in the SE/4 of this section to protect itself from drainage and its correlative rights will be denied.

Furthermore, if Santa Fe's application is granted, BTA will be forced to decide on whether or not to commit its 100% working interest in the SE/4 of Section 18 to a Morrow well in the NE/4 of that section before data is available from the well currently being drilled in the NW/4 of Section 17. In other words, BTA will have to make its decision on whether or not to participate in this well before Santa Fe has to make a final decision on whether or not to drill the well.

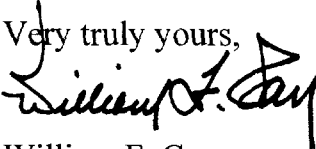
BTA Oil Producers, Inc. requests that the application of Santa Fe Snyder be denied thereby protecting BTA's correlative rights by affording BTA the opportunity to produce its fair and equitable share of the reserves under its own tract. Denial of Santa Fe's application will not impair the correlative rights of Santa Fe for Santa Fe will still have the opportunity to develop the reserves it owns under the acreage it owns in the N/2 of Section 18 with the well

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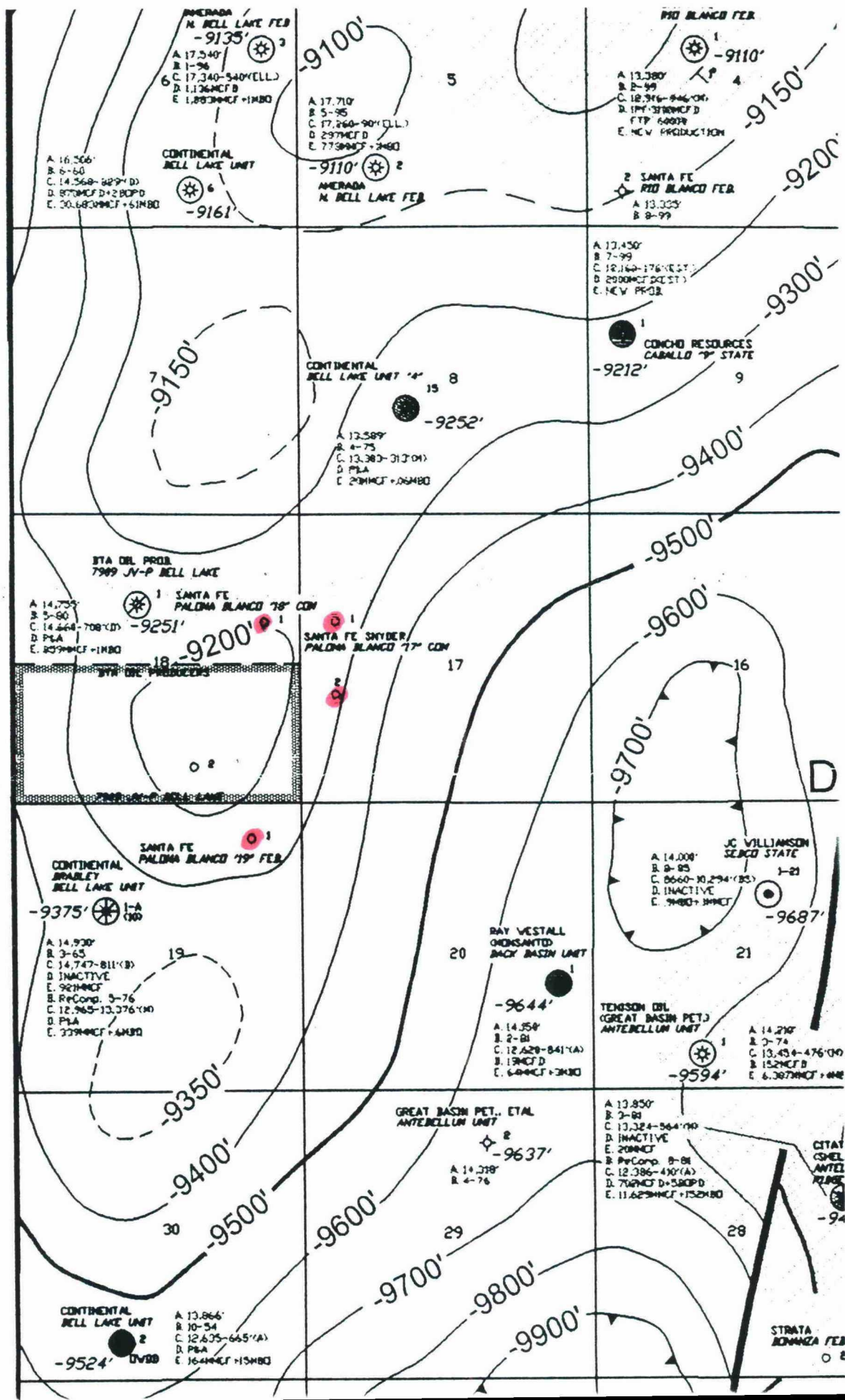
it currently is proposing to drill.

Very truly yours,

William F. Carr

cc: Bob Crawford
BTA Oil Producers, Inc.

J. Scott Hall, Esq.
Miller, Stratvert & Torgerson, P. A.

Marilyn Hebert, Esq.
Oil Conservation Division



DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <u>30-025-35033</u>	Pool Code 70360 71920 ✓	Pool Name Antelope Ridge (Atoka) N. Bell Lake (Morrow) ✓
Property Code <u>25899</u>	Property Name PALOMA BLANCO 17 FEDERAL	Well Number 1
OGRID No. 20305	Operator Name SANTA FE SNYDER CORPORATION	Elevation 3469

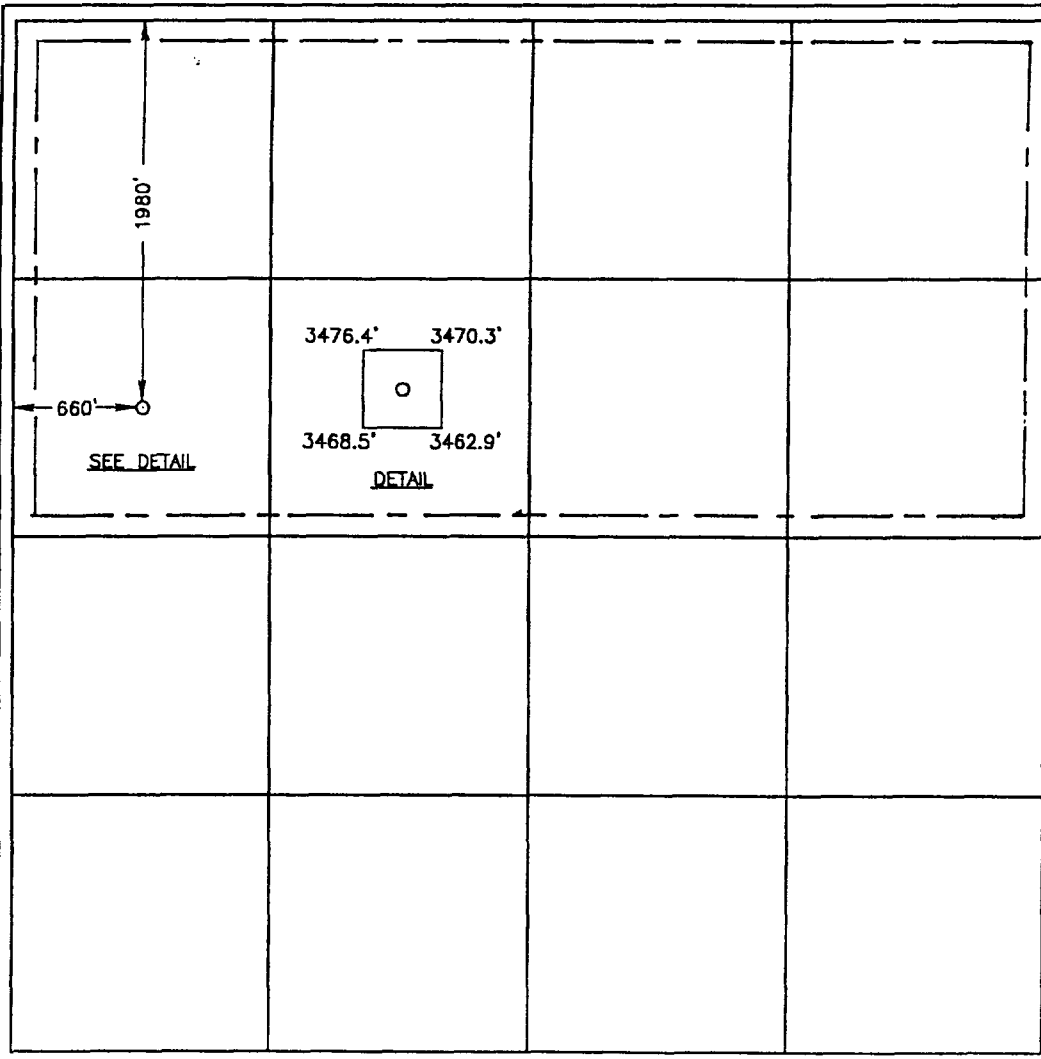
Surface Location

UL or lot No. E	Section 17	Township 23 S	Range 34 E	Lot Idn	Feet from the 1980	North/South line NORTH	Feet from the 660	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><u>James P. "Phil" Stinson</u> Signature</p> <p><u>James P. "Phil" Stinson</u> Printed Name</p> <p><u>Agent for Santa Fe Snyder</u> Title</p> <p><u>3-27-00</u> Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>MARCH 25, 2000</p> <p>Date Surveyed _____ LMP</p> <p>Signature of Professional Surveyor _____</p> <p><u>Ronald J. Eidson</u> Professional Surveyor</p> <p>Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641 RONALD J. EIDSON 12185</p>
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DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

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P.O. BOX 2088, SANTA FE, N.M. 87504-2088

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <u>30-025-35034</u>	Pool Code 70360/71920	Pool Name Antelope Ridge (Atoka)/N. Bell Lake (Morrow)
Property Code <u>25899</u>	Property Name PALOMA BLANCO 17 FEDERAL	Well Number 2
OGRID No. 20305	Operator Name SANTA FE SNYDER CORPORATION	Elevation 3467

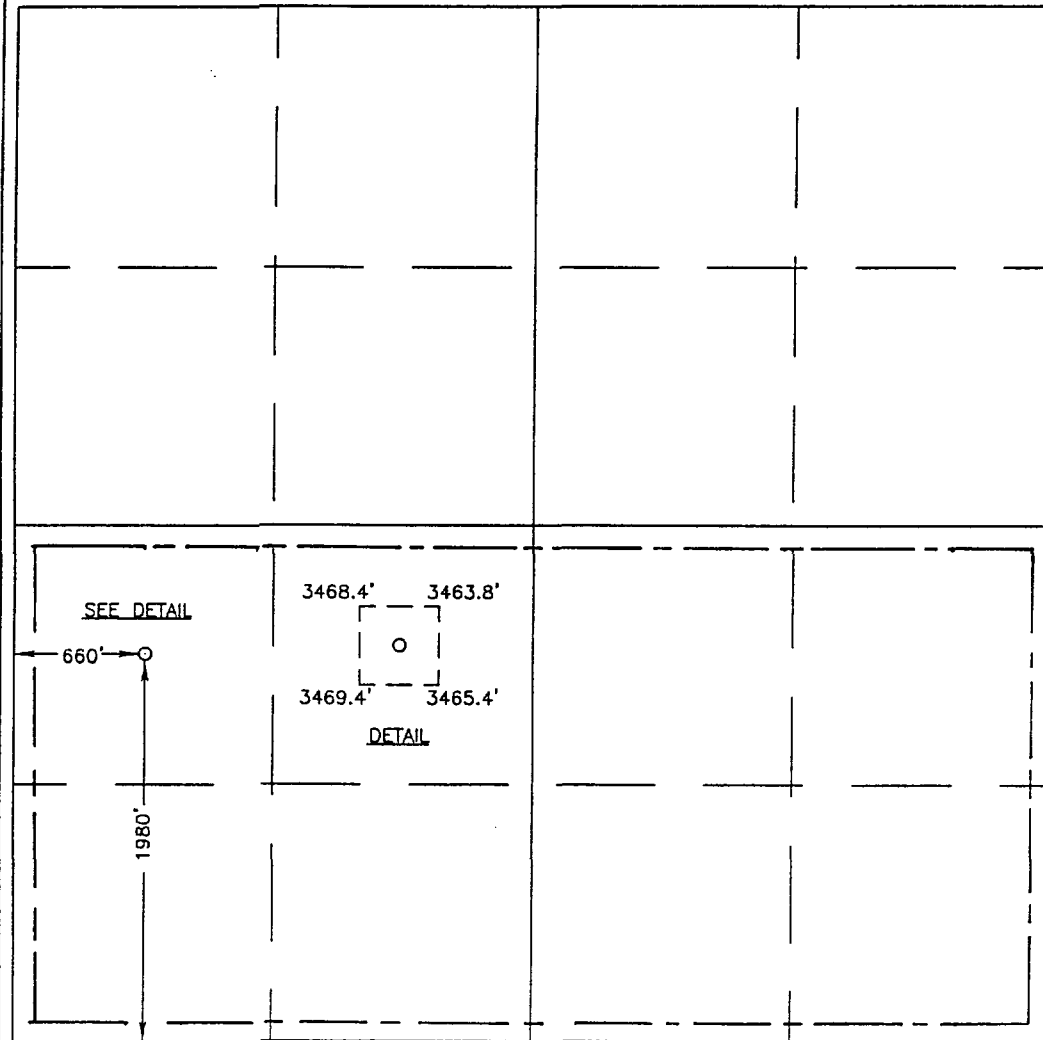
Surface Location

UL or lot No. L	Section 17	Township 23 S	Range 34 E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 660	East/West line WEST	County LEA
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 320		Joint or Infill	Consolidation Code	Order No.					

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OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

				OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>James P. "Phil" Stinson</u> Signature <u>James P. "Phil" Stinson</u> Printed Name <u>Agent for Santa Fe Snyder</u> Title <u>4-17-2000</u> Date	
				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 belief. APRIL 6, 2000 Date Surveyed Signature & Seal of Professional Surveyor <u>Ronald J. Eidson</u> Professional Surveyor NEW MEXICO 309 00-11-0436 Certificate No. RONALD J. EIDSON 3239 TARYN EIDSON 12641 DAVIDSON-MCDONALD 12185	

DISTRICT I
P.O. Box 1880, Hobbs, NM 88241-1880

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number <u>30-025-34950</u>	Pool Code <u>72000</u>	Pool Name <u>Bell Lake Morrow-Mid</u>
Property Code <u>25388</u>	Property Name <u>PALOMA BLANCO 19 FED. COM.</u>	Well Number <u>1</u>
OGRID No. <u>20305</u>	Operator Name <u>SANTA FE SNYDER CORPORATION</u>	Elevation <u>3506</u>

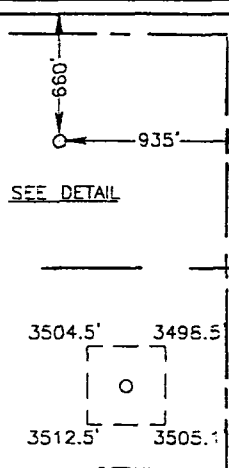
Surface Location

UL or lot No. <u>A</u>	Section <u>19</u>	Township <u>23 S</u>	Range <u>34 E</u>	Lot Idn	Feet from the <u>660</u>	North/South line <u>NORTH</u>	Feet from the <u>935</u>	East/West line <u>EAST</u>	County <u>LEA</u>
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Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres <u>320</u>	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>James P. "Phil" Stinson</u> Signature <u>James P. "Phil" Stinson</u> Printed Name <u>Agent for Santa Fe Snyder</u> Title <u>1-17-00</u> Date
	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 belief. <u>NOVEMBER 30, 1999</u> Date Surveyed <u>RONALD J. EDSON</u> Signature <u>RONALD J. EDSON</u> Professional Surveyor <u>3239</u> New Mexico <u>11-30-99</u> Date <u>3239</u> Certificate No. <u>RONALD J. EDSON</u> Name <u>12641</u> New Mexico <u>12185</u> Professional Surveyor