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OIL CONSERVATION DIVISION

BEFORE THE
OIL CONSERVATION DIVISION
NEW MEXICO DEPARTMENT OF ENERGY,
MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION OF
SANTA FE ENERGY OPERATING PARTNERS, L.P.
FOR COMPULSORY POOLING AND FOR
NON-STANDARD SPACING OR PRORATION UNIT,
EDDY COUNTY, NEW MEXICO

CASE NO. _____

APPLICATION

COMES NOW Santa Fe Energy Operating Partners, L.P., through its undersigned attorneys, and hereby makes application to the Oil Conservation Division pursuant to N.M.Stat.Ann. § 70-2-17 for an order pooling all mineral interests in the Morrow formation underlying Lots 4, 5, 6, 7 and the NW/4 (W/2) of Section 12, Township 22 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and for a non-standard gas proration unit, and in support thereof would show the Division:

1. Applicant owns or represents 100% of the working interest underlying Lots 4, 5, 6, 7 (SW/4) of Section 12, Township 22 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and has the right to drill thereon.

2. Applicant proposes to drill a well to test the Morrow formation at a location which is 1980 feet from the South line and 660 feet from the West line of Section 12.

3. A non-standard 332.74-acre proration unit comprising Lots 4, 5, 6, 7 and SW/4 (W/2) of Section 12 will be dedicated to the well.

4. Applicant has sought and obtained either voluntary agreement for pooling or farmout agreements from all other interest owners in the NW/4 of Section 12 except for the following:

Chevron USA Inc.
P. O. Box 1635
Houston, TX 77251

Ernest A. Hanson
P. O. Box 1515
Roswell, NM 88201

Hondo Oil & Gas Company
P. O. Box 2208
Roswell, NM 88201

Marathon Oil Company
P. O. Box 3128
Houston, TX 77253

Texaco Inc.
P. O. Box 3109
Midland, TX 79702

Ronny G. Altman
4th National Bank Bldg.
Tulsa, OK 74119

Paul J. Woodul
P. O. Box 3481
Tulsa, OK 74101

Hanson-McBride Petroleum
P. O. Box 1515
Roswell, NM 88202

5. Said pooling of interests and the formation of the above-described non-standard proration unit will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

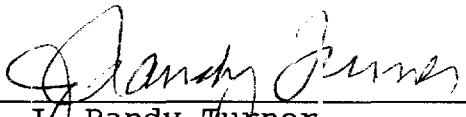
6. In order to permit the Applicant to obtain its just and fair share of the oil and gas underlying the subject lands, the

mineral interests should be pooled, Applicant should be allowed to form the above-described non-standard spacing or proration unit, and Applicant should be designated the operator of the well to be drilled.

WHEREFORE, Applicant prays that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on May 30, 1990, and that after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Applicant to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well, allowing Applicant to form the above-described non-standard spacing or proration unit, and making such other further provisions as may be proper.

Respectfully submitted,

KEMP, SMITH, DUNCAN & HAMMOND

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ATTORNEYS FOR SANTA FE ENERGY
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