

HINKLE, COX, EATON, COFFIELD & HENSLEY

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September 6, 1990

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JOHN R. KULSETH, JR.
TONY CONNERS*

*NOT LICENSED IN NEW MEXICO

Mr. William LeMay
Director
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Case 10001

-200-5

Re: OCD Order No. R-9257 (Application of Santa Fe Energy for Compulsory Pooling)

Dear Mr. LeMay:

All of the parties pooled by the above order have either farmed out or have agreed to pay their share of well costs. As a result, they are not bound by the order.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

James Bruce
By: James Bruce

JB:le

cc: W. Perry Pearce
W. Thomas Kellahin

OIL CONSERVATION DIVISION
RECEIVED

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July 12, 1990

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10001

Mr. Michael Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Case No. 10001, Application of Santa Fe Energy for Compulsory Pooling, Eddy County

Dear Mr. Stogner:

As you requested at hearing on July 11th. Enclosed is a copy of the proposal letter sent by Santa Fe to Marbob Energy Corp.

Notice has been sent to all parties for the August 8th hearing.

Very truly yours,

HINKLE, COX, EATON, COFFIELD & HENSLEY

By: James Bruce

JB:le
Enclosure

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

May 9, 1990

Marbob Energy Corporation
P. O. Drawer 217
Artesia, New Mexico 88210

Re: OD-NM-617,333
Muskegan State Com No. 1
Eddy County, New Mexico

Gentlemen:

Santa Fe Energy Operating Partners, L.P. (Santa Fe), as Operator, proposes the drilling of a 10,900' Morrow test, being a 320 acre proration unit consisting of the E/2 Section 20, T-17-S, R-29-E, Eddy County, New Mexico, to be located 1980' FNL & 660' FEL, Section 20.

Our records indicate that Conoco, Inc. owns all the Working Interest, from 5000' & down, under the NE/4, SW/4 SE/4 Section 20, and that Marbob Energy Corporation owns all the Working Interest, from 5000' & down, under NE/4 SE/4 Section 20.

Santa Fe requests that you (i) join in the drilling of the test well for your proportionate share indicated below, (ii) farmout your interest down to a 100' below deepest depth drilled capable of commercial production providing for an overriding royalty interest of 25% inclusive of the existing royalty and overriding royalty, with the option to convert your overriding royalty interest to a 25% back-in after payout, proportionately reduced, or (iii) sell your interest to Santa Fe for \$150.00 per acre, being \$6,000.00.

Enclosed you will find an AFE in the amount of \$655,107.00, for the completed cost of the proposed test well. The percentage of working interest attributable to this well will be as follows:

Conoco, Inc.	62.5%
Marbob Energy Corporation	12.5%
Santa Fe Energy Operating Partners, L.P.	25.0%
	<u>100.0%</u>

Permian Basin District
500 W. Illinois
Suite 500
Midland, Texas 79701
915/687-3551

Marbob Energy Corporation
May 9, 1990
Page 2

Please indicate your election (i) to participate in the drilling of the test well, (ii) to farmout your respective interest, or (iii) to sell your interest by signing in the space provided below and returning one executed letter to the letterhead address below within 30 days.

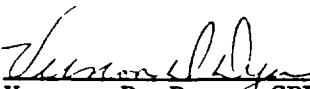
Santa Fe anticipates spudding the Muskegan State Com No. 1 on or before September 1, 1990.

Your prompt attention in regard to this proposal will be greatly appreciated.

If you have any questions, please do not hesitate to contact me.

Yours very truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company,
Managing General Partner

By: 
Vernon D. Dyer, CPL #3174
District Landman

VDD/sgd

_____ Marbob Energy Corporation elects to join,
as to its proportionate interest, in the drilling
of the test well.

_____ Marbob Energy Corporation elects to farmout
its proportionate interest as set forth herein.

_____ Marbob Energy Corporation elects to sell its
interest to Santa Fe as set forth herein.

MARBOB ENERGY CORPORATION

By: _____

Title: _____

Date: _____

pt870

SANTA FE ENERGY RESOURCES, INC.

GENERALIZED WELL COST ESTIMATE

NAME: Muskegon 20 State Co. No. 1
 LOC: 1980' FNL & 660' FEL, Section 20-17S-29E, Eddy County, New Mexico
 DESC: Drill and complete a 10,900' Morrow well

ACCOUNT	DESCRIPTION OF COSTS		DRY HOLE	PRODUCER
501-000	TANGIBLE WELL COSTS			
-41	CONDUCTOR CSG			
-41	SURFACE CSG	13-3/8" 48.0 ppf H-40 @ 450'	10,350	10,350
-41	PROTECTION CSG	8-5/8" 24.0 ppg K-55 ST&C @ 2600'	30,862	30,862
-41	DRILLING LINER			
-41	PROD CSG	5-1/2" 15.5 & 17.0 K-55 & N-80 @ 10,900'		90,470
-41	PROD LINER			
-42	TUBING	2-3/8" 4.7 ppf N-80 8rd		41,000
-43	WELLHEAD		3,000	18,000
-44	PMPG UNIT			
-45	PRIME MOVER			
-50	OTHER DWN HOLE EQUIP			6,000
-50	RODS			
-50	SUBSURFACE PMPs			
-55	CSG EQUIP			2,000
-55	ELECTRICAL			
-55	MISC. TANGIBLES			1,000
-55	ROD EQUIP			
-55	TUBING EQUIP			1,000
	TOTAL TANGIBLE COSTS		44,212	200,682
541-000	LEASE FACILITY COSTS			
-50	FLOW LINES			5,000
-50	LABOR			10,000
-50	OTHER PROD EQUIP			10,000
-50	TANK FACILITIES			15,000
	TOTAL LEASE FACILITY COSTS		0	40,000
511-000	INTANGIBLE WELL COSTS			
-21	LOCATION		18,000	18,000
-22	FENCING		1,000	1,000
-26	WTR & FUEL FOR RIG			
-31	CONTRACTOR MOVING EXP			
-32	CONT FOOTAGE OR TURNKEY	\$14/ft	152,600	152,600
-32	CONTRACTOR DAY WORK	3 @ \$4500/d	13,500	13,500
-33	DRLG FLUID & ADDITIVES		35,000	35,000
-34	BITS & REAMERS			
-36	CORING & CORE ANALYSES			
-37	CEMENT		25,000	45,000
-39	INSPECTION & TSTG OF TANG		3,000	5,000
-41	DIRECTIONAL DRLG SURVEYS			
-42	DRILLING EQUIP RENTAL		5,000	5,000
-43	OPEN HOLE LOGGING		16,000	16,000
-44	DRILL STEM TSTG		5,000	5,000
-45	MUD LOGGING		9,600	9,600
-51	TRANSPORTATION		3,000	8,000
-52	COMPLETION UNIT	\$1200/d		10,800
-53	COMPLETION TOOL RENTAL			9,000
-54	CASED HOLE LOGS & PERFING			8,000
-55	STIMULATION			10,000
-56	RIG SITE SUPERVISION		11,250	15,250
-72	ADMINISTRATIVE OVERHEAD		5,000	5,000
-99	FSHG TOOLS & EXPENSES			
-99	TESTING: BHP, GOR, 4 PT. POT			5,000
	ABANDONMENT COST		8,000	
	OTHER INTANGIBLES			
0	CONTINGENCY (10%)		31,095	37,675
	TOTAL INTANGIBLES		342,045	414,425
	TOTAL COSTS		386,257	655,107

Drilling Dept: Darrell RobertsDate: 4/4/90Operations Dept: James E. BentleyDate: 4-4-90SFER Approval By: DB KilpatrickDate: 4-5-90

Non Operator Approval By: _____

Date: _____

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June 1, 1990

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Mr. William Lemay
Director
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Application of Santa Fe Energy for Compulsory Pooling, E $\frac{1}{2}$ of
Section 20, Township 17 South, Range 29 East, NMPM, Eddy
County, New Mexico

Dear Mr. Lemay:

The above case is currently set for the June 27, 1990 Examiner
Hearing. Please continue this case to the July 11, 1990 Examiner
Hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By:  James Bruce

JB:le

cc: Vernon Dyer