

Administrative Order DD-166(H)

Santa Fe Energy Resources, Inc.

April 2, 1997

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and NW/4 SE/4 of said Section 20;

- (4) The subject Federal "AE" Well No. 1, located at a standard surface oil well location 1650 feet from the South line and 1980 feet from the East line (Unit J) of said Section 20, was drilled in 1979 to a total depth of 12,730 feet with completions in the Morrow, Wolfcamp, Bone Spring, and Delaware formations and was plugged and abandoned in 1984;
- (5) The applicant/operator proposes to re-enter said well, clean out the existing wellbore in such a manner as to allow them to kick-off from vertical at a depth of approximately 3,515 feet by milling a window in the production casing, drill in a northerly direction with a short radius curve (90 foot radius), and drill horizontally within the Cherry Canyon member a lateral distance of approximately 1,910 feet;
- (6) The applicable drilling window or "producing area" for said wellbore should include that area within the subject 80-acre non-standard oil spacing and proration unit comprising SW/4 NE/4 and NW/4 SE/4 of said Section 20 that is no closer than 330 feet to the outer boundary of said proration unit; and,
- (7) It appears the applicant has satisfied all of the appropriate requirements prescribed in said Rule 111.D and E, the subject application should be approved and the well should be governed by the provisions contained within this order and all other applicable provisions of Division General Rule 111.

IT IS THEREFORE ORDERED THAT:

(1) The applicant, Santa Fe Energy Resources, Inc.'s ("Santa Fe"), is hereby authorized to re-enter and recomplete the Federal "AE" Well No. 1 (API No. 30-015-23027), from a standard surface oil well location 1650 feet from the South line and 1980 feet from the East line (Unit J) of Section 20, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico, by milling a window in the production casing at a depth of approximately 3,515 feet, kick-off from vertical in a northerly direction with a short radius curve (90 foot radius), and continue drilling horizontally within the Cherry Canyon member of the Delaware Mountain Group in either the Undesignated Herradura Bend-Cherry Canyon Pool or Undesignated Indian Draw-Delaware Pool a lateral distance of approximately 1,910 feet.

PROVIDED HOWEVER THAT prior to commencing directional drilling operations in said wellbore, the applicant shall establish the location of the kick-off point by means of a directional survey acceptable to the Division.