



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

April 2, 1997

APR 11 1997

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Administrative Order DD-166(H)
High Angle/Horizontal

Dear Mr. Bruce:

Reference is made to Santa Fe Energy Resources, Inc.'s ("Santa Fe") application dated February 24, 1997 for authorization to re-enter the plugged and abandoned Dinero Operating Company Amoco Federal "AE" Well No. 1 (API No. 30-015-23027), to be redesignated the Federal "AE" Well No. 1, and recomplete by side tracking off of the vertical wellbore and drilling horizontally in order to test the Cherry Canyon member of the Delaware Mountain Group in either the Undesignated Herradura Bend-Cherry Canyon Pool or Undesignated Indian Draw-Delaware Pool underlying an 80-acre area comprising the SW/4 NE/4 and NW/4 SE/4 of Section 20, Township 22 South, Range 28 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The above-described 80-acre tract is within one mile of both the Herradura Bend-Cherry Canyon and Indian Draw-Delaware Pools, both of which are subject to the statewide rules and regulations, as promulgated by Rule 104.C(1)(a), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
- (3) The "project area" proposed by Santa Fe would consist of an over-sized spacing unit comprising 80 acres (two standard 40-acre tracts) underlying the SW/4 NE/4