



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

April 29, 1988

Santa Fe Energy Operating Partners, L.P.
500 W. Illinois
Suite 500
Midland, TX 79701

Attention: Patrick J. Gaume

Administrative Order TX-187

Dear Mr. Gaume:

Reference is made to your request for an exception to the tubing setting requirements as contained in Division Rule 107 (d) (3) for the below-named well.

Pursuant to the authority granted me by Rule 107 (d) (4), you are hereby authorized to set tubing at 14,323 feet in the following well:

Sterling Silver "3" Federal Well No. 1
Unit E, Section 3, Township 24 South,
Range 31 East, NMPM, Eddy County, New Mexico

The Division reserves the right to rescind this authority in the event that waste appears to be resulting therefrom.

Very truly yours

A handwritten signature in black ink, appearing to read "William J. LeMay".

William J. LeMay
Director

WJL/REJ/ag

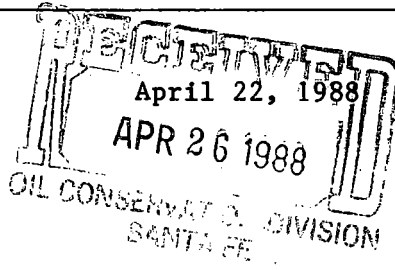
cc: Oil Conservation Division - Artesia

PV2V2005152328



Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner



4-28-88
Mike Williams -OK

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

Attention: Mr. Roy Johnson

Re: Rule 107 Exception
Sterling Silver 3 Fed No. 1
E-3-24S-31E

Dear Mr. Johnson:

Santa Fe Energy requests administrative exception to Rule 107 for the subject well. Rule 107(c)(3) states the tubing shall be not more than 250' above the top perforation. We are in violation of this rule because our tubing is set at 14,323', and the present top perforation is at 14,719'. We set our tubing at 14,323' in order to thru tubing perforate zone 14,401-07'. We intended to perforate and test zone 14,719-59', and then add additional zones until the Morrow interval proved commercial. Zone 14,719-59' proved commercial and we have postponed adding additional zones.

If an exception is not granted, we would either have to perforate a zone that we do not want to complete in at this time, or we would have to move the packer which would cause packer fluid being dumped on existing perforations.

Both procedures are costly and have potential to damage the productivity of our present zone. Therefore, we ask for an exception to Rule 107 on the basis of preventing waste of reserves.

Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, LP
By Santa Fe Pacific Exploration Company
as Managing General Partner

By Patrick J. Gaume
Patrick J. Gaume
Sr. Production Engineer

dw-634

cc: Mike Williams
OCD - Artesia
Billie Hood

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