

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

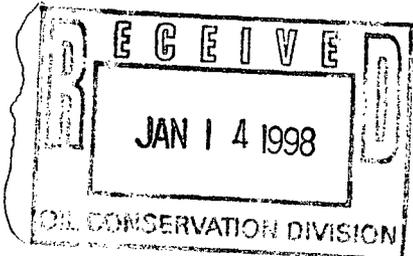
[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
 NSL NSP DD SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
P.O. BOX 1056
SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
Signature

Attorney for Applicant
Title

1/14/98
Date

Print or Type Name

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

SUITE B
612 OLD SANTA FE TRAIL
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

January 14, 1998

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Santa Fe Energy Resources, Inc. ("Santa Fe") hereby applies for administrative approval of an unorthodox gas well location for the following well:

Hackberry "24" Fed. Well No. 1
1980 feet FNL & 510 feet FWL
E½ S24, Township 19 South, Range 30 East, NMPM
Eddy County, New Mexico

Santa Fe plans to drill the well to a depth sufficient to test the Morrow formation (Undesignated Hackberry-Morrow Gas Pool). Well spacing is 320 acres, with wells to be drilled 1650 feet from the end line and 660 feet from the side line of the unit. An APD and Form C-104 for the well are attached hereto as Exhibits A and B, respectively.

The proposed location is based on topographic reasons. Attached as Exhibit C is a topographic map of the area. The caprock is to the immediate west of the well, and the surface drops off substantially, requiring the well to be moved slightly to the east.

Attached as Exhibit D is a land plat of the subject area. The only offsetting lessee, Louis Dreyfus Natural Gas Corporation, has been notified of this application, as evidenced by the notice letter attached hereto as Exhibit E.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
 Santa Fe Energy Resources, Inc.

3. ADDRESS AND TELEPHONE NO.
 550 W. Texas, Suite 1330; Midland, TX 79701 (915) 682-6373

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface
 (H) 1980' FNL & 510' FEL
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 26 miles NE of Carlsbad, New Mexico

10. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drg. unit line, if any) 510'

10. NO. OF ACRES IN LEASE 640

17. NO. OF ACRES ASSIGNED TO THIS WELL 320

19. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. NA

10. PROPOSED DEPTH 12350'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3450' GR

22. APPROX. DATE WORK WILL START* January 12, 1998

5. LEASE DESIGNATION AND SERIAL NO.
 NM 4351

6. IF INDIAN, ALLUDED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME WELL NO.
 Hackberry "24" Fed #1

9. AN WELL NO.

10. FIELD AND POOL, OR WILDCAT
 No. Hackberry (Morrow)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 24, T-19-S, R-30-E

12. COUNTY OR PARISH
 Eddy

13. STATE
 New Mexico

PROPOSED CASING AND CEMENTING PROGRAM

| SIZE OF HOLE | GRADE SIZE OF CASING | WEIGHT PER FOOT | SETTING DEPTH | QUANTITY OF CEMENT |
|--------------|----------------------|-----------------|---------------|-------------------------|
| 17 1/2" | H-40 13 3/8" | 48.0 | 450' | 450 sx to circulate |
| 11" | K-55 8 5/8" | 24.0 & 32.0 | 3000' | 850 sx to circulate |
| 7 7/8" | N-80 & S-95 5 1/2" | 17.0 | 12350' | 1100 sx for TOC @ 6000' |

We propose to drill to a depth sufficient to test the Morrow formation for gas. If productive, 5 1/2" casing will be cemented to TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program

- Exhibit A - Operations Plan
- Exhibit B - BOP and Choke Schematic
- Exhibit C - Drilling Fluid Program
- Exhibit D - Auxiliary Equipment
- Exhibit E - Topo Map at Location
- Exhibit F - Plat Showing Existing Wells
- Exhibit F (A) - Plat of Location
- Exhibit G - Well Site Layout
- Surface Use and Operations Plan

Santa Fe Energy Resources, Inc. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described above. Bond Coverage: Blanket Bond BLM Bond File No. MI 0750

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGN: James P. "Phil" Stinson TITLE: Agent for Santa Fe Energy DATE: 12-22-97

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would be affected by this permit.

APPROVED BY _____ TITLE _____ DATE _____



*See Instructions On Reverse Side

DISTRICT I
P. O. Box 1980
Hobbs, NM 88241-1980

State of New Mexico
En. Minerals, and Natural Resources L. ment

Form C-102
Revised 02-10-94
Instructions on back

DISTRICT II
P. O. Drawer DD
Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
P. O. Box 2088
Santa Fe, New Mexico 87504-2088

Submit to the Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

DISTRICT III
1000 Rio Brazos Rd.
Aztec, NM 87410

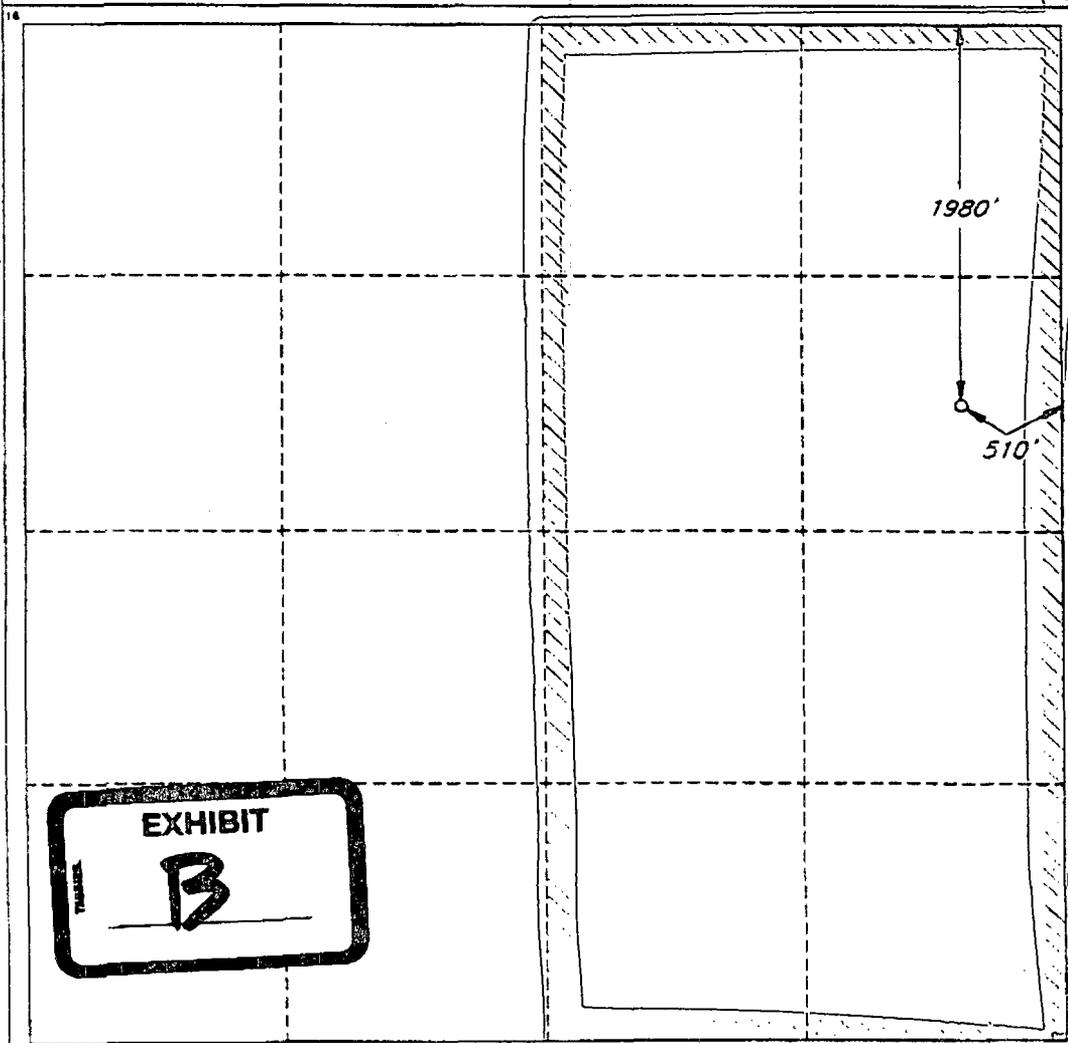
AMENDED REPORT

DISTRICT IV
P. O. Box 2088
Santa Fe, NM 87507-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | | | | | |
|---|---------------|--|----------------------------|---------------------------------------|------------------------|---------------------------|-----------------------|------------------------|----------------|
| 1 API Number | | 2 Pool Code | | 3 Pool Name No. Hackberry (Morrow) | | | | | |
| 4 Property Code | | 5 Property Name HACKBERRY '24' FEDERAL | | | | | 6 Well Number 1 | | |
| 7 OGRID No. | | 8 Operator Name SANTA FE ENERGY RESOURCES, INC. | | | | | 9 Elevation 3450' | | |
| 10 SURFACE LOCATION | | | | | | | | | |
| UL or lot no. H | Section 24 | Township 19 SOUTH | Range 30 EAST, N.M.P.M. | Lot Ida | Feet from the 1980' | North/South line NORTH | Feet from the 510' | East/West line EAST | County EDDY |
| 11 BOTTOM HOLE LOCATION IF DIFFERENT FROM SURFACE | | | | | | | | | |
| UL or lot no. | Section | Township | Range | Lot Ida | Feet from the | North/South line | Feet from the | East/West line | County |
| 12 Dedicated Acres 320 | | 13 Joint or Infill | | 14 Consolidation Code | | 15 Order No. | | | |

NO ALLOWABLE WELL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *James P. Stinson*
Printed Name: James P. "Phil" Stinson

Title: Agent for Santa Fe Energy
Date: 12-22-97

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

Date of Survey: DECEMBER 20, 1997

Signature and Seal of Professional Surveyor



Certificate No. 5519
ROGER M. ROBBINS P.S. #12128
JOB #55549 / 73 NW / V.H.B.

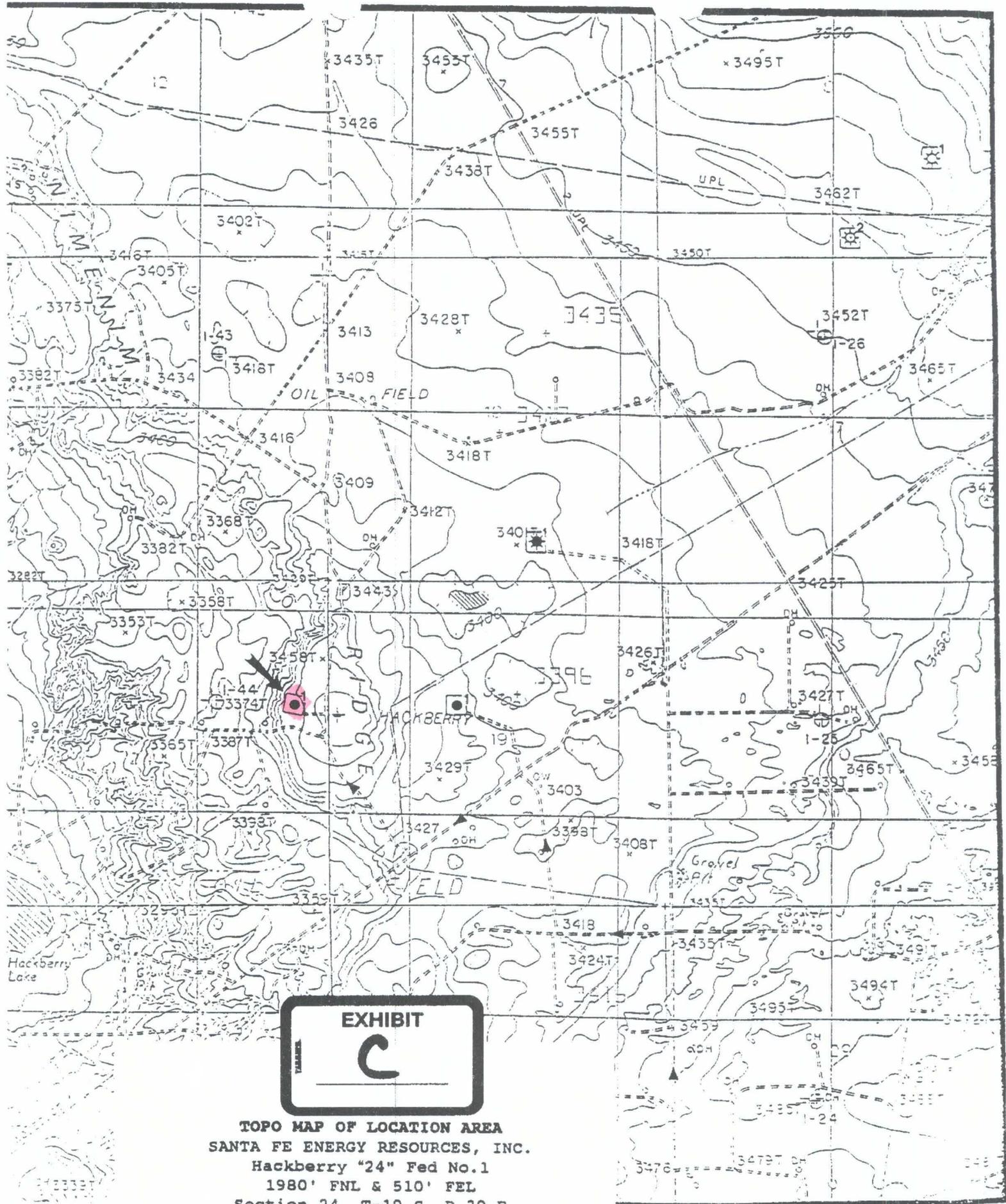
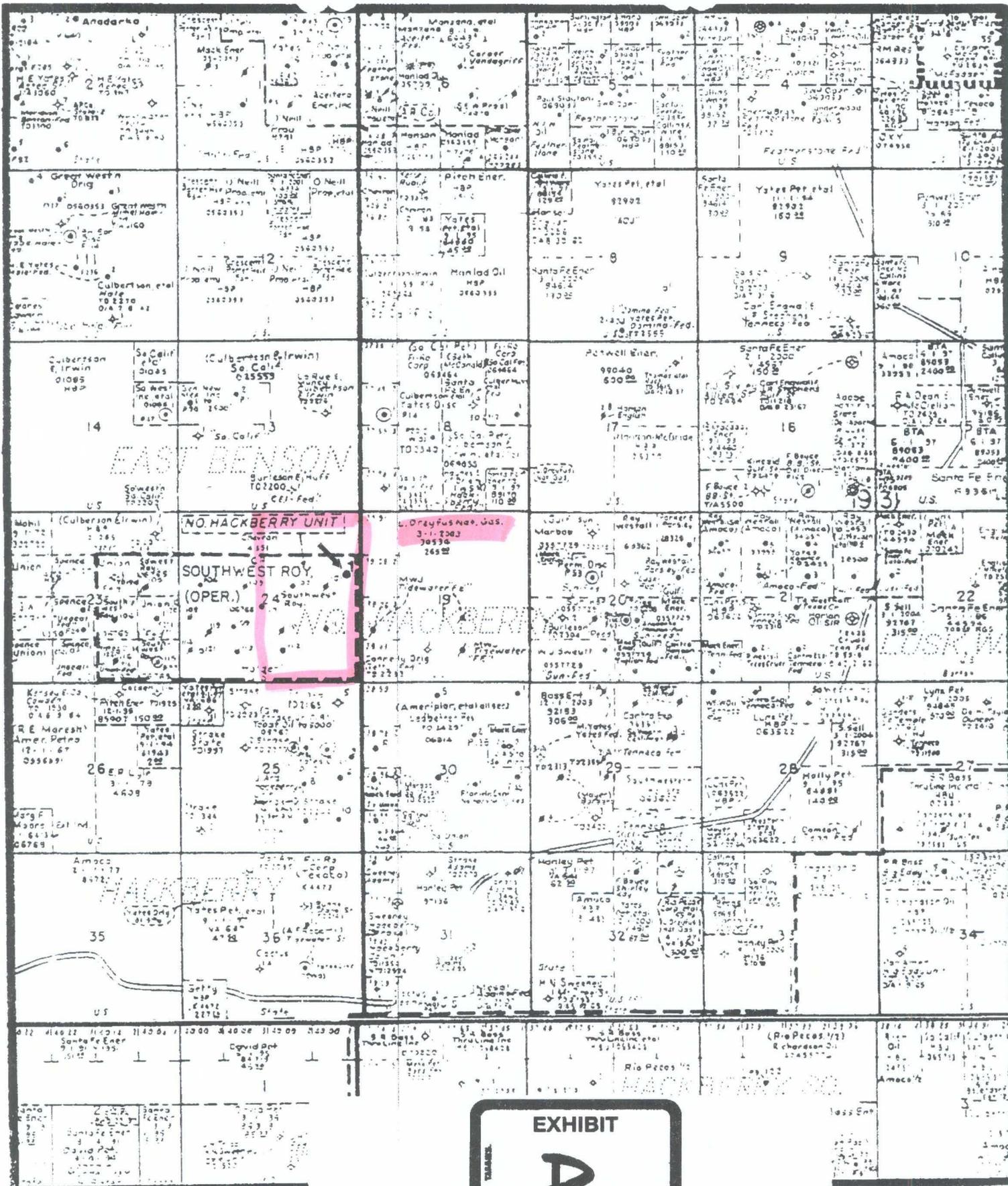


EXHIBIT
C

TOPO MAP OF LOCATION AREA
SANTA FE ENERGY RESOURCES, INC.
Hackberry "24" Fed No.1
1980' FNL & 510' FEL
Section 24, T-19-S, R-30-E
Eddy County, New Mexico



SANTA FE ENERGY RESOURCES, INC.
 Hackberry "24" Fed No.1
 1980' FNL & 510' FEL
 Section 24, T-19-S, R-30-E
 Eddy County, New Mexico

JAMES BRUCE
ATTORNEY AT LAW

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(505) 982-2043
(505) 982-2151 (FAX)

January 14, 1998

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Louis Dreyfus Natural Gas Corporation
Suite 600
14000 Quail Springs Parkway
Oklahoma City, Oklahoma 73134

Attention: Rusty Waters

Gentlemen:

On January 14, 1998, Santa Fe Energy Resources, Inc. filed an application at the New Mexico Oil Conservation Division seeking administrative approval of an unorthodox gas well location for the Hackberry "24" Fed. Well No. 1, located in the E½ of Section 24, Township 19 South, Range 30 East, NMPM, Eddy County, New Mexico. A copy of the application is enclosed. Santa Fe's records show that you own an interest offsetting the above well. If you object to the unorthodox location, you must notify the Division in writing no later than 20 days from the date of this letter. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,



James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

