



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 23, 1999

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

Telefax No. (505) 982-2151

Administrative Order NSL-4219(SD)

Dear Mr. Bruce:

Reference is made to the following three applications that you filed on behalf of the operator, Santa Fe Energy Resources, Inc. ("Santa Fe") for exceptions to Rule 2(b) of the *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool"*, as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, and R-9922-D and the *"General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico"*, as promulgated by Division Order No. R-5353, as amended, all in irregular Section 5, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico:

- (i) existing Nagooltee Peak "5" Federal Com. Well No. 3 (API No. 30-015-29900), located 1230 feet from the South line and 800 feet from the West line (Unit M), application received February 11, 1999;
- (ii) proposed Nagooltee Peak "5" Federal Com. Well No. 4 (API No. 30-015-30488), to be drilled 610 feet from the North line and 1900 feet from the East line (Lot 2/Unit B), application received February 11, 1999; and
- (iii) proposed Nagooltee Peak "5" Federal Com. Well No. 5 (API No. 30-015-30558), to be drilled 2045 feet from the South line and 2200 feet from the West line (Unit K), initial application received January 22, 1999 and completed with supplemental data received on February 11, 1999.

Your applications further indicated that two "lay-down" 320-acre, more or less, standard spacing and proration units are to be established by Santa Fe for Indian Basin-Upper Pennsylvanian Associated Pool production in irregular Section 5.

The subject applications have been duly filed under the provisions of ("Division") Rule 104.F and Rule 2(c) of the Division's associated pool rules.

By the authority granted me under the provisions of: (i) Rule 2(c) of the *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool/General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico"*; and (ii) Division Rule 104.F(2), the three above-described unorthodox oil/gas well locations within the Indian Basin-Upper Pennsylvanian Associated Pool are hereby approved.

Also, Santa Fe is hereby authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from its: (i) existing Nagooltee Peak "5" Federal Well No. 2 (**API No. 30-015-28074**), located at an unorthodox location (approved by Division Order No. R-10138, issued in Case No. 10988 and dated June 22, 1994) 1562 feet from the North line and 1202 feet from the West line (Lot 4/Unit D) of irregular Section 5; and (ii) proposed Nagooltee Peak "5" Federal Well No. 4: to a standard 372.88-acre spacing and proration unit comprising Lots 1, 2, 3, and 4 and the S/2 N/2 (N/2 equivalent) of irregular Section 5. Santa Fe is permitted to produce the allowable assigned the subject 372.88-acre spacing and proration unit from both wells in any proportion.

Furthermore, Santa Fe is authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from its: (i) existing Nagooltee Peak "5" Federal Well No. 1 (**API No. 30-015-24713**), located at a standard location 1633 feet from the South line and 1636 feet from the East line (Unit J) of irregular Section 5; (ii) proposed Nagooltee Peak "5" Federal Well No. 3; and (iii) proposed Nagooltee Peak "5" Federal Well No. 5: to a standard 320-acre spacing and proration unit comprising the S/2 of irregular Section 5. Santa Fe is permitted to produce the allowable assigned the subject 320-acre spacing and proration unit from all three wells in any proportion.

Finally, Santa Fe will assure that any and all wells in irregular Section 5 producing from the Indian Basin-Upper Pennsylvanian Associated Pool are being operated pursuant to the applicable requirements of Division Order No. R-9922-D.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenberg", followed by a large, stylized flourish or initial.

Lori Wrotenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad