



Don D. DeCarlo
Division Manager, Production

AUG - 9 1996

August 6, 1996

Mr. David Catanach, Examiner
New Mexico Department of Energy, Minerals, and Natural Resources
Oil Conservation Division
2040 S. Pachecho
Santa Fe, New Mexico 87505

OK Ben cosper
DHC

Re: Request for Temporary Off-Lease Measurement and Storage
Rock Waterhole Canyon "16" State Lease
Section 16 - T22S - R24E
Indian Basin (Upper Penn, Assoc.) Field ~ 33685
Eddy County, New Mexico

Dear David,

As a follow-up to our phone conversation yesterday, Santa Fe Energy respectfully requests temporary approval for off-lease measurement and storage for the referenced State lease. The Rock Waterhole Canyon "16" State #1 is currently drilling in Unit D of Section 16 - T22S - R24E, and we expect this well to be completed within the next 30-40 days.

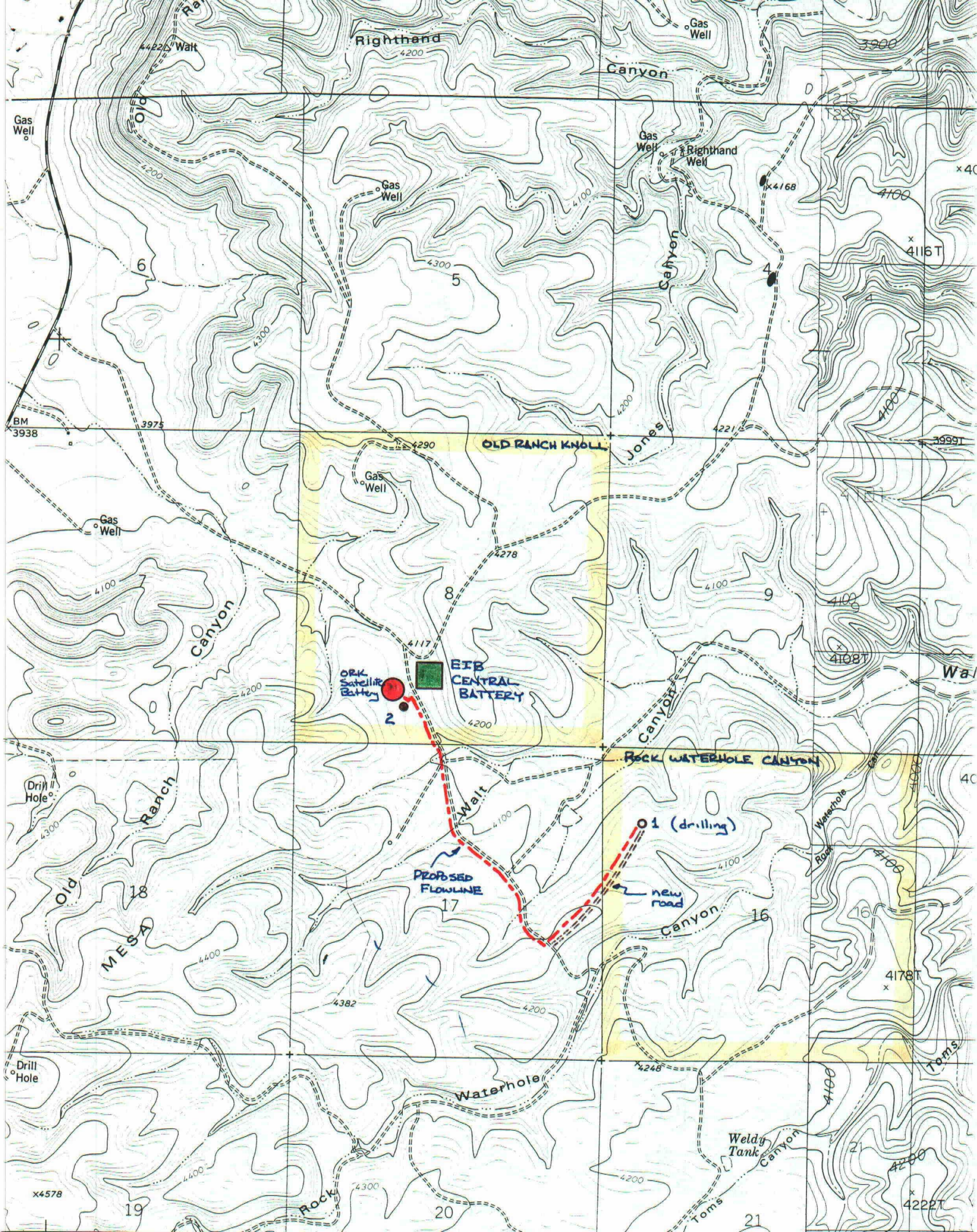
As you are probably aware, wells in this field will typically produce very large volumes of water. In fact, several wells in the area make in excess of 3,000 barrels of water per day. For this reason, it is necessary to have access to massive water gathering, handling, and disposal systems, even during a test period. We propose to use idle facilities at our Old Ranch Knoll "8" Fed Com #2 well (\pm 1 mile NW, Section 8, Unit N) during the testing phase of the RWC "16" State #1. Oil will be sold from storage tanks at the ORK "8" #2 facility and gas will be measured independently, compressed at a central site, and sold into a gathering system operated by Yates Petroleum. Water will be transported to our East Indian Basin Central Facility (OCD Commingling Order CTB-400), also in Section 8, where it will be transferred to a disposal system. (see attached map and schematic)

We expect the testing phase for the RWC "16" State #1 to take approximately 120 days. Because permanent facilities will be very expensive, Santa Fe Energy will assess their economic feasibility at the conclusion of this test period. Thank you for your consideration. If you have any questions concerning this request, please contact me at (915) 686-6709.

Sincerely,

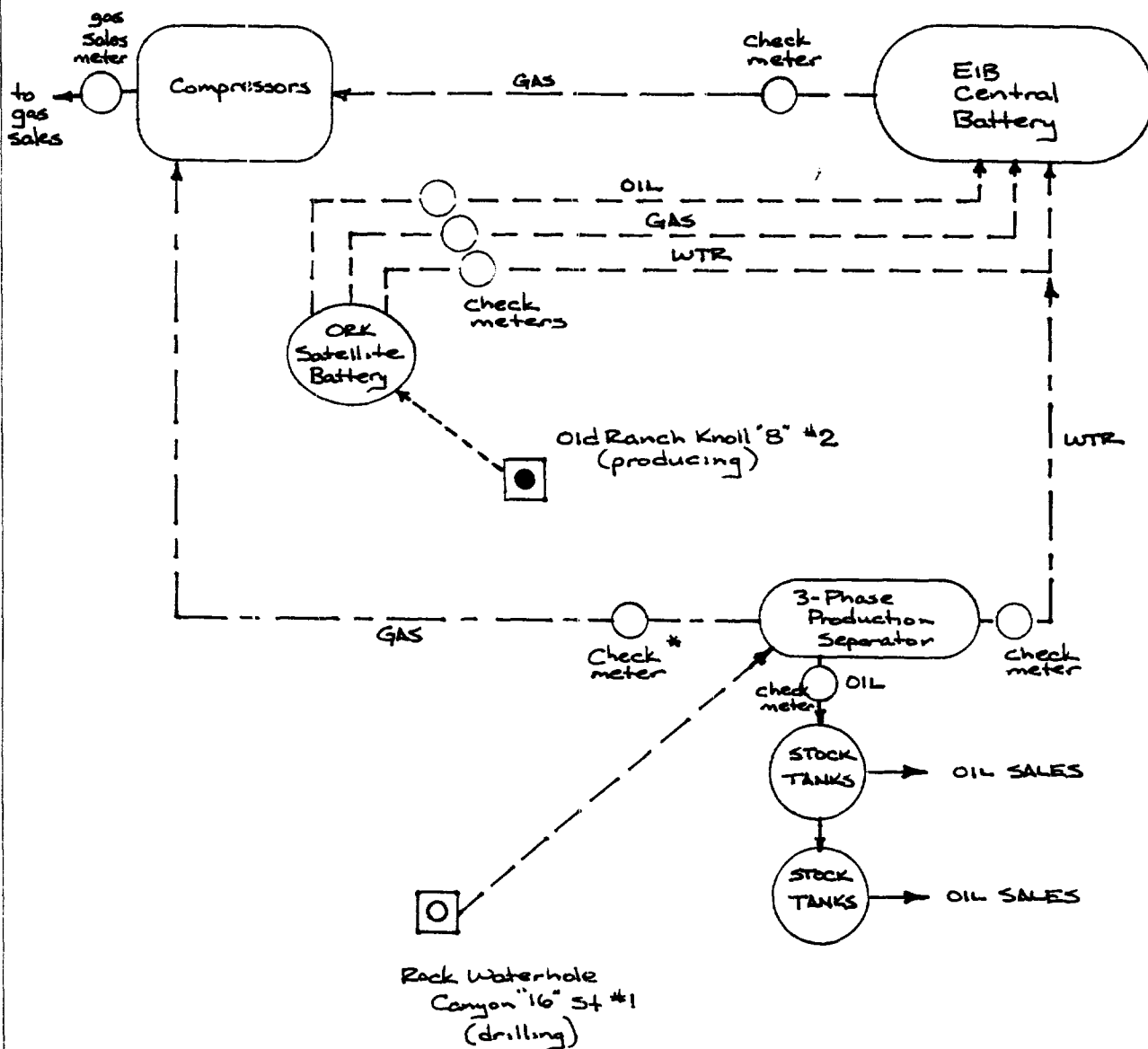
Don Rogers
Project Manager - Indian Basin Area

c: D. D. Decarlo
M. R. Burton



DUR 8/6/96

ROCK WATERHOLE CANYON "16" ST #1 TEST PROCEDURE SCHEMATIC



* gas sales will be computed by allocation of check meter volumes relative to total gas sales at the discharge of the compressors.

OLS-178

State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

September 24, 1996

Santa Fe Energy Resources, Inc.
P.O. Box 2497
Midland, Texas 79702

Attn: Mr. Don Rogers

Re: Application for Off-Lease Storage
Rock Waterhole Canyon '16' State Well No. 1
Old Ranch Knoll '8' Federal Com Well No. 2
Unit Letter D, Section 16-22S-24E
Indian Basin Upper Penn (Associated 33685) Pool
Eddy County, New Mexico

Dear Mr. Rogers:

We have received a copy of the New Mexico Oil Conservation Division's Administrative Order No. OLS-178 which notifies this office of your application to off-lease store the production for the above-captioned well.

Pursuant to State Land Office Rule Nos. 1.053, 1.054 and 1.055, please submit a copy of your off-lease storage request to this office. Enclosed is a copy of our off-lease storage and commingling rules and regulations. The filing fee for a commingling application is thirty (\$30.00) dollars.

Santa Fe Energy Resources, Inc.


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September 24, 1996

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 

LARRY KEHOE, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File
OCD



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

ADMINISTRATIVE ORDER OLS-178

Santa Fe Energy Resources, Inc.
P.O. Box 2497
Midland, Texas 79702

Attention: Mr. Don Rogers

*Rock Waterhole Canyon '16 State Well No.1
Unit Letter D, Section 16, Township 22 South, Range 24 East
Eddy County, New Mexico
Indian Basin Upper Penn (Associated - 33685) Pool*

As an exception to Division Rule 309.A. of the Division Rules and Regulations, and pursuant to the provisions of Rule 309.C., the above named company is hereby authorized for off-lease storage for the subject well. Inasmuch that duplicate measurement would constitute economic waste, the aforementioned production is to be transported prior to measurement to its own tank battery to be located in Unit 'N', Section 8, Township 22 South, Range 24 East, NMPM, Eddy County, New Mexico.

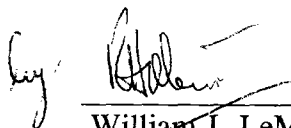
NOTE: These facilities were formerly utilized for the Old Ranch Knoll '8' Federal Com Well No.2. At the time application was made, these facilities were indicated to be in an idle status.

PROVIDING THAT: All flow lines shall be maintained in a safe and adequate condition and any leaks or failures must be reported to the Division, and; it is the responsibility of the operator to notify the transporter of this approval.

FURTHER: This installation shall be operated in accordance with the provisions of Rules 309.A. and 309.B. of the Division Rules and Regulations and there shall be no intercommunication of the handling, separating, treating, or storage facilities designated to each of the above leases.

NOTE: The operator shall notify the Artesia district office upon implementation of off lease storage and measurement operations.

DONE at Santa Fe, New Mexico on this 11th day of September, 1996.



William J. LeMay, Director

WJL/BES

cc: Oil Conservation Division - Artesia
State Land Office - Oil & Gas Division

State of New Mexico

ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

2040 South Pacheco

P.O. Box 6429

Santa Fe, New Mexico 87505-5472

Don Rogers

Santa Fe Energy Resources, Inc.

500 W. Illinois

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RETURN TO SENDER 2015 10/22/96

BARCODE IS FOR RETURN ADDRESS

REASON FOR RETURN:

FORWARD ORDER EXPIRED

87505-5472

79701-4337 23

