

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
RESOURCES, INC. FOR COMPULSORY
POOLING, EDDY COUNTY, NEW MEXICO

NO. 11541

APPLICATION

Santa Fe Energy Resources, Inc. hereby makes application for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the N $\frac{1}{4}$ of Section 26, Township 19 South, Range 28 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is an interest owner and has the right to drill a well in N $\frac{1}{4}$ of said Section 26.

2. Applicant proposes to drill its Fort Sedgewick "26" State Com. Well No. 1 in Section 26, at an orthodox well location 660 feet from the North line and 1,980 feet from the West line of the Section, to a depth sufficient to test the Morrow formation (approximately 11,500 feet), and seeks to dedicate the following acreage to the well:

(a) The N $\frac{1}{4}$ of Section 26 for all pools or formations spaced on 320 acres, including the Undesignated South Millman-Atoka Gas Pool, the Undesignated Winchester-Morrow Gas Pool, the Undesignated Winchester-Upper Pennsylvanian Gas Pool, and the Undesignated Winchester Strawn Gas Pool;

(b) The NW $\frac{1}{4}$ of Section 26 for all pools or formations spaced on 160 acres, including the Undesignated Winchester-Wolfcamp Gas Pool;

(c) The N $\frac{1}{2}$ NW $\frac{1}{4}$ for all pools or formations spaced on 80 acres, including the Undesignated Old Millman Ranch-Bone Spring (Associated) Pool; and

(d) The NE $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 26 for all pools or formations spaced on 40 acres, including the Undesignated Outpost-Delaware Pool, the Undesignated East Millman-Queen-Grayburg-San Andres Pool, the Undesignated East Millman-Seven Rivers Pool, the Undesignated Scanlon Draw-Queen Pool, and the Undesignated Winchester-Bone Spring Pool.

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the N $\frac{1}{2}$ of Section 26 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in the well or otherwise dedicate their acreage to the well. Therefore, Applicant seeks an order pooling all mineral or leasehold interest owners underlying the N $\frac{1}{2}$ of Section 26, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pam.).

5. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% of the risk

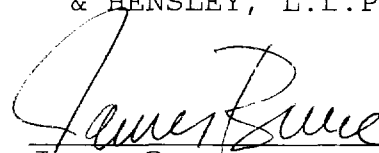
involved in drilling the well.

6. The pooling of all interests underlying the N½ of Section 26, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY, L.L.P.

A handwritten signature in cursive script, appearing to read "James Bruce", is written over a horizontal line.

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