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Oil Conservation

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

NO. 11660

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 E $\frac{1}{2}$ of Section 29, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the E $\frac{1}{2}$ of said Section 29, and has the right to drill a well thereon.

2. Applicant proposes to drill its Sheep Dip Fed. Com. Well No. 1, at an orthodox location 1980 feet from the North line and 660 feet from the East line, to a depth sufficient to test the Morrow formation (approximately 12,000 feet subsurface), and seeks to dedicate the following acreage to the well:

(a) The E $\frac{1}{2}$ of Section 29 for all pools or formations spaced on 320 acres, including the Undesignated South Carlsbad-Morrow Gas Pool and the Undesignated Frontier Hills-Strawn Gas Pool; and

(b) The NE $\frac{1}{4}$ of Section 29 for all pools or formations spaced on 160 acres.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E $\frac{1}{2}$ of Section 29 for the purposes set forth herein.

4. Although Applicant has attempted to obtain voluntary agreements from all mineral 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 dedicating their interests. Therefore, Applicant seeks an order pooling all mineral interest owners in the E½ of Section 29, pursuant to *N.M. Stat. Ann. § 70-2-17 (1995 Repl. Pamph.)*.

5. Applicant requests the Division to consider the cost of drilling 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 the operator of the well, and that the Division set a penalty for the risk involved in drilling the well.

6. The pooling of all mineral interests underlying the E½ of Section 29, as set forth above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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

Respectfully submitted,

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

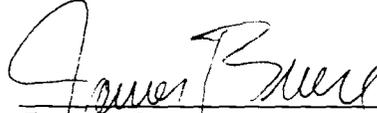


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Attorneys for Santa Fe Energy
Resources, Inc.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application was mailed this 25th day of October, 1996 to William F. Carr, P.O. Box 2208, Santa Fe, New Mexico 87504.

A handwritten signature in cursive script that reads "James Bruce". The signature is written in black ink and is positioned above a horizontal line.

James Bruce