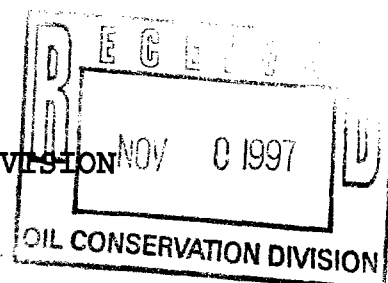


BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION



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

NO. 11888

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 Lots 1-4 and the E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$ equivalent) of Section 19, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of said Section 19, and has the right to drill or re-complete a well thereon.

2. Applicant proposes to re-enter the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located 660 feet from the South line and 2084 feet from the West line of Section 19. Applicant will test the Morrow formation at that location, but, if unsuccessful, will directionally drill to a bottomhole location 1100 feet from the South line and 660 feet from the West line of the section,¹ to test the Morrow formation, and seeks to dedicate the following acreage to the well:

(a) The W $\frac{1}{2}$ of Section 19 to form a 320.28 acre gas spacing and proration unit for any and all formations and/or pools spaced on 320 acres within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool;

¹Applicant has applied for administrative approval of the unorthodox location.

and

(b) Lots 3, 4 and the E $\frac{1}{2}$ SW $\frac{1}{4}$ (SW $\frac{1}{4}$ equivalent) of Section 19 to form a 160.19 acre gas spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the W $\frac{1}{2}$ of Section 19 for the purposes set forth herein.

4. Although Applicant 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 W $\frac{1}{2}$ of Section 19, pursuant to NMSA §70-2-17 (1995 Repl. Pamp.).

6. The pooling of all mineral interests underlying the W $\frac{1}{2}$ of Section 19 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, the Division enter its order:

- (a) Pooling all mineral interests in the W $\frac{1}{2}$ of Section 19, from the surface to the base of the Morrow formation;
- (b) Designating applicant as operator of the well;
- (c) Considering the cost of drilling and completing the well, and allocating the cost thereof among the well's working interest owners;

- (d) Approving actual operating charges and costs charged for supervision, together with a provision adjusting said rates as provided in the COPAS accounting procedure;
- (e) Setting a penalty for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well; and
- (f) Granting such further relief as the Division deems proper.

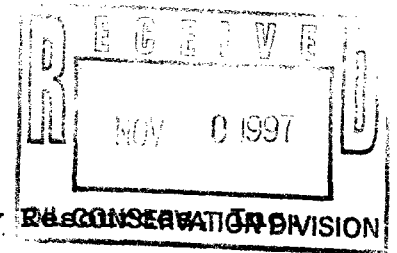
Respectfully submitted,

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

James Bruce
Post Office Box 1056
Santa Fe, New Mexico 87504
(505) 982-2043

Attorney for Santa Fe Energy
Resources, Inc.

PROPOSED ADVERTISEMENT



Case 11888: Application of Santa Fe Energy Resources, Inc.

for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in of Section 19, Township 20 South, Range 34 East, NMPM, and in the following manner: Lots 1-4 and the E $\frac{1}{2}$ W $\frac{1}{2}$ (W $\frac{1}{2}$ equivalent) to form a standard 320.28-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated Quail Ridge-Morrow Gas Pool; and Lots 3,4 and the E $\frac{1}{2}$ SW $\frac{1}{4}$ (SW $\frac{1}{4}$ equivalent) to form a standard 160.19-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com. Well No. 1Y (to be redesignated the Topaz Fed. Com. Well No. 1), located at an unorthodox gas well location 660 feet from the South line and 2084 feet from the West line (Unit N) of said Section 19. If re-entry at that location is unsuccessful, the well will be directionally drilled to an unorthodox location within a 50 foot radius of 660 feet from the South line and 1100 feet from the West line (Unit M) of Section 19. Also to be considered will be the cost of re-entering and directionally drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for the risk involved in drilling the well. Said unit is

located approximately 20.5 miles west-northwest of Oil Center, New Mexico.

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