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April 7, 1998

Hand Delivered

Florene Davidson
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed are an original and two copies of a compulsory pooling application, together with a proposed advertisement, filed on behalf of Santa Fe Energy Resources, Inc. Please set this matter for the April 30, 1998 Examiner hearing. Thank you.

Very truly yours,

James Bruce

Attorney for Santa Fe
Energy Resources, Inc.

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

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

No. 11969

APPLICATION

Santa Fe Energy Resources, Inc. applies for an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the W $\frac{1}{2}$ of Section 24, Township 18 South, Range 30 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant is a working interest owner in the W $\frac{1}{2}$ of said Section 24, and has the right to drill a well thereon.

2. Applicant proposes to drill its Benson "24" Fed. Com. Well No. 1, at an orthodox location 1980 feet from the South line and 1980 feet from the West line of Section 24, to a depth sufficient to test the Morrow formation (approximately 12,000 feet), and seeks to dedicate the following acreage to the well:

(a) The W $\frac{1}{2}$ of Section 24 to form a 320 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 North Shugart-Morrow Gas Pool;

(b) The SW $\frac{1}{4}$ of Section 24 to form a 160 acre gas spacing and proration unit for any and all formations and/or pools spaced on 160 acres within said vertical extent; and

(c) The NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 40, for depths below 4100 feet subsurface, to form a 40 acre oil spacing and proration unit for any and all formations and/or pools spaced on 40 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 24 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 24, pursuant to NMSA §70-2-17 (1995 Repl. Pamp.).

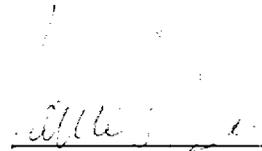
5. The pooling of all mineral interests underlying the $W\frac{1}{2}$ of Section 24 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

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 24, 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,



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

Attorney for Santa Fe Energy
Resources, Inc.

PROPOSED ADVERTISEMENT

Case 11964: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy 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 Section 24, Township 18 South, Range 30 East, NMPM, and in the following manner: The W $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool; the SW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE $\frac{1}{4}$ SW $\frac{1}{4}$, below 4100 feet subsurface, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to the Benson "24" Fed. Com. Well No. 1, located at an orthodox well location 1980 feet from the South line and 1980 feet from the West line (Unit K) of said Section 24. Also to be considered will be the cost of 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 7 miles southeast of Loco Hills, New Mexico.

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Case 11964: Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy 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 Section 24, Township 18 South, Range 30 East, NMPM, and in the following manner: The W $\frac{1}{2}$ to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including but not limited to the Undesignated North Shugart-Morrow Gas Pool; the SW $\frac{1}{4}$ to form a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE $\frac{1}{4}$ SW $\frac{1}{4}$, below 4100 feet subsurface, to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said units are to be dedicated to the Benson "24" Fed. Com. Well No. 1, located at an orthodox well location 1980 feet from the South line and 1980 feet from the West line (Unit K) of said Section 24. Also to be considered will be the cost of 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 7 miles southeast of Loco Hills, New Mexico.