

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

August 24, 1998

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

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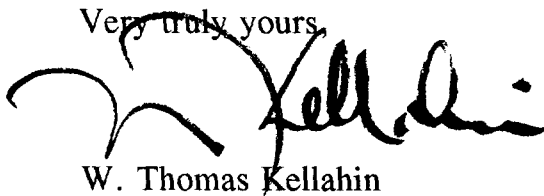
OIL CONSERVATION DIV.

**Re: Rio Blanco "4" Federal Com Well No. 1
N/2 Section 4, T23S, R34E, NMPM
Application of Santa Fe Energy Resources
for compulsory pooling, Lea County, New Mexico**

Dear Ms. Wrotenbery:

On behalf of Santa Fe Energy Resources, Inc., please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for September 17, 1998. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Santa Fe Energy Resources, Inc.
Attn: Steve Smith

CASE 12043: 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 Irregular Section 4, T23S, R34E, NMPM, Lea County, New Mexico and in the following manner: the SE/4NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Cherry Canyon Pool; the NW/4 equivalent to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Bone Springs Gas Pool; and the N/2 equivalent to form a standard 320.03-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Morrow Gas Pool. Said unit(s) is to be dedicated to its Rio Blanco "4" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit F of said Section 4. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 20 miles southwest of Eunice, New Mexico.

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

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

CASE NO. 12043

A P P L I C A T I O N

Comes now SANTA FE ENERGY RESOURCES, INC., by its attorneys, Kellahin & Kellahin and, in accordance with NMSA 1978, Section 70-2-17(c), applies to the New Mexico Oil Conservation Division for an order pooling all interests from the surface to the base of the Morrow formation underlying the following described acreage in Irregular Section 4, T23S, R34E, NMPM, Lea County, New Mexico and in the following manner: the SE/4NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools developed on 40-acre oil spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Cherry Canyon Pool; the NW/4 equivalent to form a standard 160-acre spacing and proration unit for any and all formations and/or pools developed on 160-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Bone Springs Gas Pool; and the N/2 equivalent to form a standard 320.03-acre spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the Antelope Ridge-Morrow Gas Pool. Said unit(s) is to be dedicated to its Rio Blanco "4" Federal Com Well No. 1 to be drilled and completed at a standard gas well location in Unit F of said Section 4. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Santa Fe Energy Resources, Inc., ("Santa Fe") states:

1. Santa Fe has a working interest ownership in the oil and gas minerals from the surface to the base of the Morrow formation underlying a portion of the N/2 equivalent of Irregular Section 4, T23S, R34E, NMPM, Lea County, New Mexico.

2. Santa Fe has proposed this well to all of the appropriate working interest owners in these possible spacing and proration units.

3. Despite its good faith efforts, Santa Fe has been unable to obtain a written voluntary agreement from those remaining working interest owner listed on Exhibit "A."

4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

5. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for September 17, 1998.

WHEREFORE, Santa Fe, as applicant, requests that this application be set for hearing on September 17, 1998 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interests described in the appropriate spacing unit for the drilling of the subject well at a standard gas well location upon terms and conditions which include:

(1) Santa Fe Energy Resources, Inc. be named operator;

(2) Provisions for applicant and all working interest and unleased mineral owners to participate in the costs of drilling, completing, equipping and operating the well;

(3) In the event a working interest or unleased mineral interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS; and

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501
(505) 982-4285

Exhibit "A"

Robert E. Landreth
505 N. Big Spring, Suite 507
Midland, Texas 79701

First Roswell Co.
P. O. Box 1997
Roswell, New Mexico 88202-1797
Attn: Mr. Thomas E. Jennings

Hunt Oil Company
1445 Ross Avenue
Dallas, Texas 75202-2785
Attn: Mr. Michael R. Shaw