

OIL CONSERVATION DIV.
BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

98 OCT 27 PM 3:54

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

No. 13091

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 E½ of Section 23, Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and in support thereof, states:

1. Applicant is a working interest owner in the E½ of said Section 23, and has the right to drill a well thereon.

2. Applicant proposes to drill its Shugart "23" Fed. Com. Well No. 1, at an orthodox gas well location 1650 feet from the South line and 1980 feet from the East line of the section, to a depth sufficient to test the Morrow formation (approximately 12,000 feet), and seeks to dedicate the E½ of Section 23 for all pools or formations spaced on 320 acres, including but not limited to the Undesignated Shugart-Morrow Gas Pool and Undesignated North Shugart-Atoka Gas Pool.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the E½ of Section 23 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

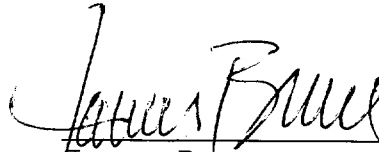
dedicating their interests. Therefore, applicant seeks an order pooling all mineral interest owners in the E½ of Section 23, pursuant to NMSA 1978 §70-2-17 (1996 Supp.).

5. The pooling of all mineral interests underlying the E½ of Section 23 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 E½ of Section 23, 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 pursuant to 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, appearing to read "James Bruce", is written over a horizontal line.

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

Attorney for Santa Fe Energy
Resources, Inc.