

1/8/99 | 1/28/99 | MS | MW | NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -

Case 12131

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

- NSL
- NSP
- DD
- SD

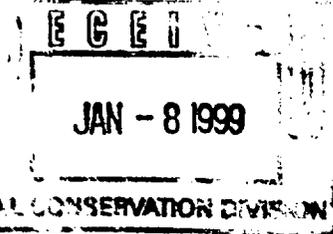
Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

- DHC
- CTB
- PLC
- PC
- OLS
- OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

- WFX
- PMX
- SWD
- IPI
- EOR
- PPR



[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or  Does Not Apply

[A]  Working, Royalty or Overriding Royalty Interest Owners

[B]  Offset Operators, Leaseholders or Surface Owner

[C]  Application is One Which Requires Published Legal Notice

[D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E]  For all of the above, Proof of Notification or Publication is Attached, and/or,

[F]  Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with supervisory capacity.

JAMES BRUCE  
P.O. BOX 1056  
SANTA FE, NM 87504

Print or Type Name

*James Bruce*  
Signature

*Attorney for applicant*  
Title

1/8/99  
Date

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

January 8, 1999

**Hand Delivered**

Michael E. Stogner  
Oil Conservation Division  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F(2), Santa Fe Energy Resources, Inc. ("Santa Fe") applies for administrative approval of an unorthodox gas well location for the following well:

Rio Blanco "4" Fed. Com. Well No. 2  
660 feet FSL & 660 feet FWL  
S½ §4, Township 23 South, Range 34 East, NMPM  
Lea County, New Mexico

Santa Fe plans to drill the well to a depth sufficient to test the Morrow formation (Undesignated Antelope Ridge-Morrow Gas Pool). Well spacing is 320 acres, with wells to be no closer than 1650 feet to the end line and 660 feet to the side line of the unit. See Order No. R-3050. An APD and Form C-102 for the well are being prepared, and will be submitted to the Division as soon as they are available.

The proposed location is based on geologic reasons. Attached as Exhibit A is an isopach of the Upper Morrow Grama Ridge "A" Sand, the main Morrow pay zone in this area. Other Morrow penetrations in this area are noted on the map. The Morrow is a northwest-southeast trending channel sand, and the Morrow thickens as you move to the west in the well unit. Placing the well at the proposed location will enable Santa Fe to penetrate approximately 10-15 feet of Morrow pay, which Santa Fe believes is necessary for a commercial well. Santa Fe's Rio Blanco "4" Fed. Com. Well No. 1, in the SE¼NW¼ of Section 4, encountered substantially less than 10 feet of sand. Thus, the location substantially reduces the risk involved in drilling the well.

Attached as Exhibit B is a land plat of the area, highlighting Santa Fe-operated acreage in yellow. The affected offset acreage (Sections 5 and 8) is in the Bell Lake Unit, operated by Conoco Inc.<sup>1</sup> Santa Fe has also notified the lessee to the south, Phillips Petroleum Company, and the operator of the W½ of Section 9, Southwestern Energy Production Company, although the proposed well is not encroaching to the south. The notice letter to the offsets is attached as Exhibit C.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,



James Bruce

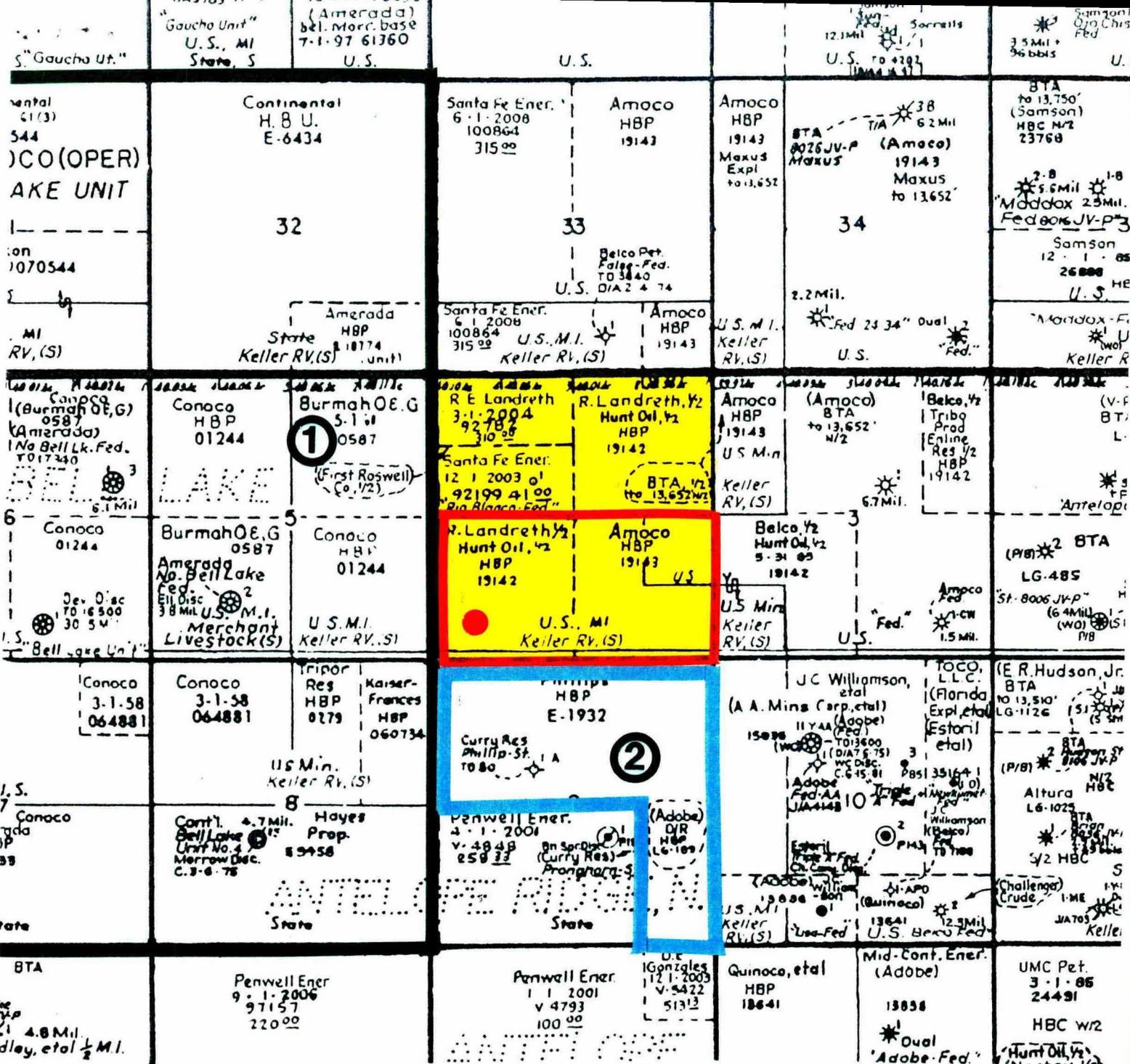
Attorney for Santa Fe  
Energy Resources, Inc.

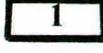
cc: Steven J. Smith

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<sup>1</sup>The unit was approved by Order No. R-355 in Case No. 563.





-  RIO BLANCO "4" FED COM #2  
660' FSL & 660' FWL  
Section 4, T-23-S, R-34-E
-  Proposed 320 Acre Proration Unit
-  SFER, INC., et al Acreage
-  Conoco Inc.  
(Operator of N. Bell Lake Unit)
-  Phillips Petroleum Company



**Santa Fe Energy Resources, Inc.**  
Central Division  
Midland, Texas

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**LEA COUNTY, NEW MEXICO**

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**RIO BLANCO PROSPECT**

**EXHIBIT**

B

DATE: 1/07/99

**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

SUITE B  
612 OLD SANTA FE TRAIL  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)

January 8, 1999

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

Conoco Inc.  
Suite 100W  
10 Desta Drive  
Midland, Texas 79705

Southwestern Energy Production Company  
Suite 300  
2350 North Sam Houston Parkway East  
Houston, Texas 77032

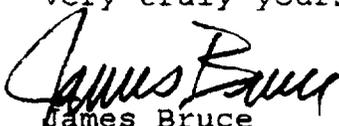
Attention: Samuel Glenn Thompson

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

Gentlemen:

Enclosed is a copy of an administrative application for an unorthodox gas well location, filed with the New Mexico Oil Conservation Division by Santa Fe Energy Resources, Inc., regarding the Rio Blanco "4" Fed. Com. Well No. 2, located in the S¼ of Section 4, Township 23 South, Range 34 East, NMPM, Eddy County, New Mexico. If you object to the location, you must file a written objection with the Division no later than January 28, 1999. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner).

Very truly yours,

  
James Bruce  
Attorney for Santa Fe  
Energy Resources, Inc.

