

**JAMES BRUCE**  
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April 28, 1999

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Case 12178

Via Fax and U.S. Mail

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

Re: Request for verbal authorization to produce well pending  
approval of an unorthodox oil well location

Maljamar "15" Fed. Well No. 1  
1310 feet FNL & 1310 feet FEL  
E $\frac{1}{2}$ NE $\frac{1}{4}$  §15, Township 17 South, Range 32 East, NMPM  
Lea County, New Mexico

Dear Lori:

Santa Fe Energy Resources, Inc. ("Santa Fe") requests verbal authorization to produce the above well pending approval of an unorthodox oil well location. The Hobbs office has denied authorization to produce until the location is approved. They informed Santa Fe that they would accept verbal approval from Mike Stogner. However, I understand that Mike is out for the next two weeks, and thus the request is directed to you.

The background of this matter is as follows:

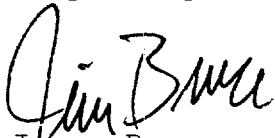
1. The well was drilled to test the Devonian formation, and the NE $\frac{1}{4}$ NE $\frac{1}{4}$  of Section 15 was dedicated to the well. Approval of an unorthodox location for the well was granted by Administrative Order NSL-4150.
2. The Devonian was not productive, and the well was completed uphole in the Wolfcamp formation (Undesignated Baish-Wolfcamp Pool). Well spacing is 80 acres in the Wolfcamp, with wells to be located within 150 feet of the center of a quarter-quarter section.

3. The entire NE¼ of Section 15 is subject to federal lease NM 031572. Working, royalty, and overriding royalty interest ownership is common throughout the NE¼ of Section 15. **The well is only moving toward an interior boundary of the lease, and no offset owner is adversely affected.**
4. Santa Fe has applied for approval of the location (copy enclosed). However, due to quirks in the special pool rules (described in the application), a hearing on the application is required. This matter is set for the May 13th hearing.

Based on the above facts, approval of the location should be routine and unopposed, and Santa Fe requests verbal authorization be given to the Hobbs office (Donna Pritzer) to allow oil to be transported.

Please call me if you have any questions on this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jim Bruce", written in a cursive style.

James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.

**JAMES BRUCE**  
**ATTORNEY AT LAW**

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April 20, 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 approval of an unorthodox oil well location for the following well:

Maljamar "15" Fed. Well No. 1  
1310 feet FNL & 1310 feet FEL  
~~ENE~~NE 1/4, Township 17 South, Range 32 East, NMPM  
Lea County, New Mexico

The well was drilled to test the Devonian formation (Undesignated Maljamar-Devonian Pool), and the ~~NE~~NE 1/4 of Section 15 was dedicated to the well. Unorthodox location approval was granted by Administrative Order NSL-4150.

The well has now been completed uphole in the Wolfcamp formation (Undesignated Baish-Wolfcamp Pool). A completion report is being prepared, and will be submitted to you shortly. Well spacing is 80 acres, with wells to be located within 150 feet of the center of a quarter-quarter section line. A Form C-102 for the well is attached as Exhibit A.

Submitted as Exhibit B is a land plat of the subject area, with the well's location marked thereon. The entire NE 1/4 of Section 15 is subject to federal lease NM 031572. Working, royalty, and overriding royalty ownership is common throughout the NE 1/4 of Section 15. As to the working interest, Altura Energy Ltd. and Santa Fe own 50%, and Maralo Inc. owns 50%. Thus, the well is only moving toward the interior of a lease under which ownership is common.

Under Order No. R-2765, administrative approval for an unorthodox location in the Baish-Wolfcamp Pool may be granted if the well is no closer than 330 feet to the outer boundary of the well unit. However, the well is only 10 feet from the outer boundary. Therefore, although this application is submitted for administrative approval, a hearing may be required. If a hearing is required, Santa Fe requests that the hearing be set for the May 13, 1999 Examiner hearing.

Also, the special pool rules require notice to "all operators offsetting the proposed unorthodox location." Santa Fe is gathering information on offset operators, and notice will be given to all such persons. The notice letter will be submitted to you when it is sent out.

Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce". The signature is written in dark ink and is positioned above the printed name.

James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.