



SIETE OIL & GAS CORPORATION

Petroleum Building Suite 200
P.O. Box 2523 Roswell, New Mexico 88202
Telephone (505) 622-2202

January 26, 1989

RECEIVED
MIDLAND

Exxon Company, U.S.A.
P. O. Box 1600
Midland, TX 79702-1600

JAN 30 1989

ATTENTION: Mr. Joe Thomas
Trades & Unitization

EXXON
Land Section

RE: Proposed Escalante Working Interest Unit
Township 23 South, Range 25 East, NMPM
Section 16: All
Section 17: All
Section 20: E 1/2
Section 21: All
Eddy County, New Mexico

Gentlemen: ¹⁻⁸⁹
~~C#~~ 0002-89

Siete Oil & Gas Corporation is proposing to drill our Escalante Prospect as an 11,000' Morrow test to be located in the SW 1/4 Section 16, T-23-S, R-25-E, Eddy County, New Mexico. Siete holds 600 acres within the proposed unit. Exxon holds 800 acres within what Siete considers to be the prospective area being all of Section 17 and the NE 1/4 Section 20, T-23-S, R-25-E, Eddy County, New Mexico. Siete requests that you contribute your 800 acres under two federal leases to a ~~2240~~ acre working interest unit.

JIF
698.45
Net Acre

2127.28 JIF

Our preliminary AFE estimate to drill and equip this well is \$750,000.00. Siete has scheduled this well for March 15, 1989. We are also submitting letters to Santa Fe Energy and Amoco Production Company requesting a similiar contribution to the proposed unit.

Should Exxon not be in a position to participate in this proposal, Siete requests an option farmout in support of this well. Also, with a commitment to farmout or participate Siete would be in a position to make a geological presentation of the Escalante Prospect.

Should you have any questions or care to discuss this proposal, please do not hesitate to call.

Very truly yours,

SIETE OIL & GAS CORPORATION

GENE SHUMATE
Vice President Land

Exhibit No. 2.
Case No. 9797, 9832
Hearing Date November 29, 1989

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

August 25, 1989

Exxon Company, U.S.A.
P.O. Box 1600
Midland, Texas 79702-1600

ATTN: Joe Thomas
Trades & Unitization

Re: OD-NM-617,282 (O/A)
Escalante Fed Com "20" #1
1980' FEL & 660' FNL
Sec. 20
T-23-S, R-25-E
Eddy County, New Mexico
Mutton Prospect

P# 8-89(0038-89)

Gentlemen:

Santa Fe Energy Operating Partners, L.P. is hereby proposing to drill a 10,900' Morrow test at the referenced location in Eddy County, New Mexico. The N/2 of Section 20 is to be the dedicated Proration Unit. Santa Fe invites you to join in this test and in this regard has enclosed two AFES itemizing the costs. If it is your desire to join, please so indicate by executing and returning one executed AFE to the undersigned. A JO/A will be forwarded upon your election to join.

Should you elect not to join, Santa Fe would request that you farmout your interest in the Proration Unit under mutually acceptable terms.

Your prompt attention to this proposal will be most appreciated.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company,
Managing General Partner

By: 
Patrick J. Tower, Senior Landman

PJT/efw
2 Encls a/s

EFW600-1
Permian Basin District
500 W. Illinois
Suite 500
Midland, Texas 79701
915/687-3551

24-Aug-89

0024

SANTA FE ENERGY COMPANY
GENERALIZED WELL COST ESTIMATE

NAME: Escalante Fed Com 20 No. 1
LOC: 1980' FEL & 660' FNL, Section 20-23S-25E, Eddy County, New Mexico
DESC: Drill and complete a 10,900' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501-000 TANGIBLE WELL COSTS			
-41	CONDUCTOR CSG	3,000	3,000
-41	SURFACE CSG	13-3/8" 48.0 ppf N-40 ST&C @ 500'	11,500
-41	PROTECTION CSG	8-5/8" 24.0 ppf K-55 ST&C @ 2300'	27,300
-41	DRILLING LINER		
-41	PROD CSG	5-1/2" 17.0 ppf LT&C @ 10,900'	108,565
-41	PROD LINER		
-42	TUBING	2-3/8" 4.7 ppf N-80 EUE @ 10,900'	40,875
-43	WELLHEAD	5,000	26,000
-44	PMPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		4,000
-50	RODS		
-50	SUBSURFACE PMPs		
-55	CSG EQUIP	500	1,000
-55	ELECTRICAL		
-55	MISC. TANGIBLES		
-55	ROD EQUIP		
-55	TUBING EQUIP		
	TOTAL TANGIBLE COSTS	20,000	222,240
541-000 LEASE FACILITY COSTS			
-50	FLOW LINES		6,500
-50	LABOR		14,000
-50	OTHER PROD EQUIP		20,000
-50	TANK FACILITIES		6,500
	TOTAL LEASE FACILITY COSTS	0	47,000
511-000 INTANGIBLE WELL COSTS			
-21	LOCATION	20,000	20,000
-22	FENCING	1,000	1,000
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP	25,000	25,000
-32	CONT FOOTAGE OR TURNKEY		
-32	CONTRACTOR DAY WORK	180,000	180,000
-33	DRLG FLUID & ADDITIVES	52,500	52,500
-34	BITS & REAMERS	37,300	37,300
-36	CORING & CORE ANALYSES		
-37	CEMENT	21,000	41,000
-39	INSPECTION & TSTG OF TANG	2,000	3,000
-41	DIRECTIONAL DRLG SURVEYS		
-42	DRILLING EQUIP RENTAL	9,200	9,200
-43	OPEN HOLE LOGGING	15,000	15,000
-44	DRILL STEM TSTG	10,000	10,000
-45	MUD LOGGING	12,250	12,250
-51	TRANSPORTATION	5,000	10,000
-52	COMPLETION UNIT		6,000
-53	COMPLETION TOOL RENTAL		10,000
-54	CASED HOLE LOGS & PERFING		5,000
-55	STIMULATION		30,000
-56	RIG SITE SUPERVISION	14,000	17,500
-72	ADMINISTRATIVE OVERHEAD	9,810	9,810
-99	FSHC TOOLS & EXPENSES		
-99	TESTING: BHP, CDR, & PT. POT		5,000
	ABANDONMENT COST	15,000	
	OTHER INTANGIBLES		
0:	CONTINGENCY (10%)	42,906	49,956
	TOTAL INTANGIBLES	471,966	549,516
	TOTAL COSTS	491,966	818,756

Drilling Dept: Michael H. Bruto Date: 8/24/89
 Operations Dept: Thomas J. Dyer Date: 8-24-89
 SFEC Approved By: _____ Date: _____

24-Aug-89

0024

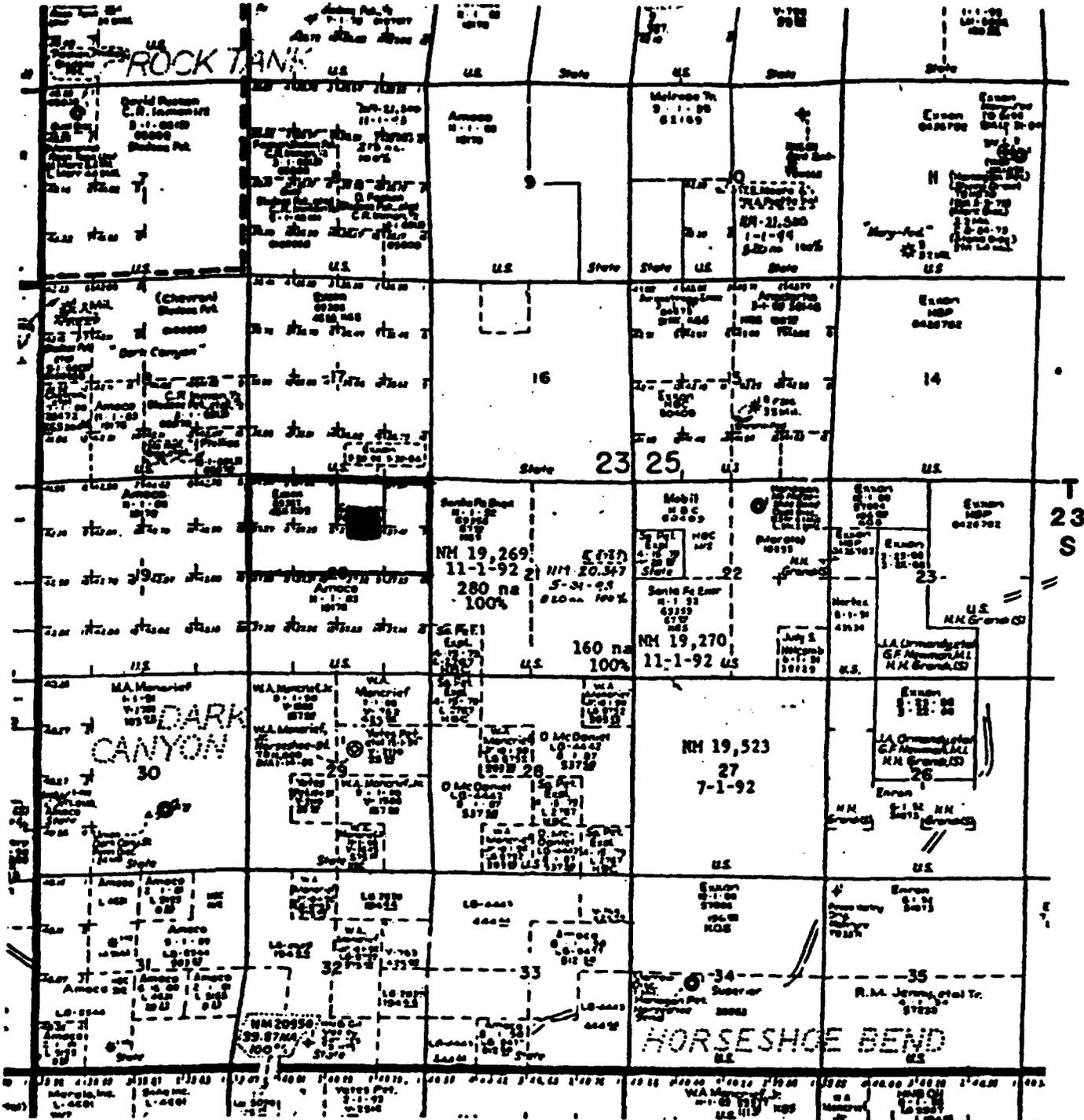
SANTA FE ENERGY COMPANY
GENERALIZED WELL COST ESTIMATE

NAME: Escalante Fed Com 20 No. 1
LOC: 1980' FEL & 660' FNL, Section 20-23S-25E, Eddy County, New Mexico
DESC: Drill and complete a 10,900' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501-000 TANGIBLE WELL COSTS			
-41	CONDUCTOR CSG	3,000	3,000
-41	SURFACE CSG	11,500	11,500
-41	PROTECTION CSG		27,300
-41	DRILLING LINER		
-41	PROD CSG		108,565
-41	PROD LINER		
-42	TUBING		40,875
-43	WELLHEAD	5,000	26,000
-44	PHPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		4,000
-50	RODS		
-50	SUBSURFACE PMPS		
-55	CSG EQUIP	500	1,000
-55	ELECTRICAL		
-55	MISC. TANGIBLES		
-55	ROD EQUIP		
-55	TUBING EQUIP		
	TOTAL TANGIBLE COSTS	20,000	222,240
541-000 LEASE FACILITY COSTS			
-50	FLOW LINES		6,500
-50	LABOR		14,000
-50	OTHER PROD EQUIP		20,000
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	TOTAL LEASE FACILITY COSTS	0	47,000
511-000 INTANGIBLE WELL COSTS			
-21	LOCATION	20,000	20,000
-22	FENCING	1,000	1,000
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP	25,000	25,000
-32	CONT FOOTAGE OR TURNKEY		
-32	CONTRACTOR DAY WORK	180,000	180,000
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-36	CORING & CORE ANALYSES		
-37	CEMENT	21,000	41,000
-39	INSPECTION & TSTG OF TANG	2,000	3,000
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-42	DRILLING EQUIP RENTAL	9,200	9,200
-43	OPEN HOLE LOGGING	15,000	15,000
-44	DRILL STEM TSTG	10,000	10,000
-45	MUD LOGGING	12,250	12,250
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-53	COMPLETION TOOL RENTAL		10,000
-54	CASED HOLE LOGS & PERFING		5,000
-55	STIMULATION		30,000
-56	RIG SITE SUPERVISION	14,000	17,500
-72	ADMINISTRATIVE OVERHEAD	9,810	9,810
-99	FSHG TOOLS & EXPENSES		
-99	TESTING: BHP, CDR, & PT. POT		5,000
	ABANDONMENT COST	15,000	
	OTHER INTANGIBLES		
0:	CONTINGENCY (10%)	42,906	49,956
	TOTAL INTANGIBLES	471,966	549,516
	TOTAL COSTS	491,966	818,756

RETURN THIS COPY TO
SANTA FE ENERGY OPERATING PARTNERS, L.P.

Drilling Dept: Michael B. Bunter Date: 8/24/89
 Operations Dept: Thomas J. Jentz Date: 8-24-89
 SFEC Approved By: _____ Date: _____





**SANTA FE ENERGY
OPERATING PARTNERS, LP.**
PERMIAN BASIN DISTRICT
MIDLAND, TEXAS

**CARLSBAD AREA
EDDY CO., NEW MEXICO**

**MUTTON PROSPECT
(ESCALANTE PROSPECT)**

SCALE 1"=4000'

DATE 5-17-89

EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

EXPLORATION DEPARTMENT
WESTERN DIVISION

September 26, 1989

Pending No. 8-89 (0038-89)
Your OD-NM-617,282 (O/A)
Escalante Fed Com "20" #1
Section 20: N/2, 23S-25E
Eddy County, New Mexico

Mr. Patrick J. Tower
Santa Fe Energy Operating Partners, L.P.
500 W. Illinois, Ste. 500
Midland, Texas 79701

Dear Mr. Tower:

Exxon Company, U.S.A., is in receipt of your letter dated August 25, in which it is requested that Exxon elect to join or farmout the referenced acreage for a 10,900' Morrow test. After careful consideration, Exxon respectfully declines your request in the proposed unit at this time.

We appreciate your request and hope the future will hold some mutually beneficial opportunities.

Yours very truly,

original signed by
Joe B. Thomas
Trades and Unitization
915/683-0236

JBT:kn

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

RECEIVED

OCT 10 1989

OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY)
OPERATING PARTNERS, L.P. FOR)
COMPULSORY POOLING, EDDY COUNTY)
NEW MEXICO.)
_____)

Case No. _____

APPLICATION

Santa Fe Energy Operating Partners, L.P. hereby makes application for an order pooling all interests from the surface to the base of the Morrow Formation underlying the N/2 of Section 20, Township 23 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant has the right and proposes to drill its Escalante 20 Fed. Com. #1 well at an orthodox location 660 feet FNL and 1980 FEL of said Section 20 to a depth sufficient to test the Morrow Formation and intends to dedicate the N/2 of Section 20 to the well.
2. Applicant has in good faith sought to join all other mineral and leasehold interest owners in the N/2 of Section 20 for the purposes set forth herein.
3. Although Applicant attempted to obtain voluntary agreements from all mineral and leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners from the surface to the base of the Morrow Formation underlying the N/2 of

Section 20, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

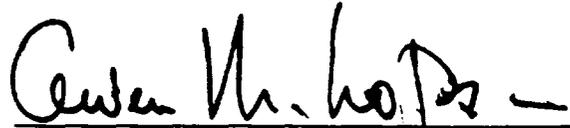
4. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

5. The pooling of all interests underlying the N/2 of Section 20 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

6. Applicant requests that this matter be heard at the November 1, 1989 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

HINKLE, COX, EATON, COFFIELD
& HENSLEY



Owen M. Lopez
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant Santa Fe
Energy Operating Partners, L.P.

EXXON COMPANY, U.S.A.

POST OFFICE BOX 1600 • MIDLAND, TEXAS 79702-1600

PRODUCTION DEPARTMENT
SOUTHWESTERN DIVISION

October 19, 1989

OD-NM-617,282 (O/A)
Escalante Fed Com "20" #1
1980' FEL & 660' FNL
Section 20-23S-25E
Eddy County, New Mexico
Your Mutton Prospect
Our Sheep Draw West Prospect

Santa Fe Energy Operating Partners, L.P.
500 W. Illinois, Suite 500
Midland, Texas 79701
Attn: Patrick J. Tower

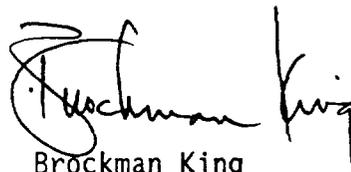
Gentlemen:

By letter of August 25, 1989, you proposed to drill the captioned well with the N/2 of Section 20 as the dedicated proration unit. By letter of September 26th, we advised that Exxon was not interested in participating in this well. Since your initial letter did not provide terms for a farmout, we did not propose any farmout terms at that time. Subsequent to that time, Exxon has received notification of your intention to force pool Exxon at a November 1st hearing before the New Mexico Oil Conservation Division. In order to resolve our farmout terms before the hearing, Exxon proposes the following terms and alternatives:

1. Exxon requests that Santa Fe consider amending your location in order to utilize the E/2 of Section 20 as the dedicated proration unit. This configuration will protect Santa Fe's acreage in Section 21 by eliminating the possibility of another well being drilled in the SE/4 of Section 20. In return for dedicating the E/2 of Section 20, Exxon will farmout our acreage in the NE/4 of Section 20 to Santa Fe on a produce to earn basis delivering a 75% NRI lease with Exxon reserving an overriding royalty equal to the difference between 25% and existing lease burdens. Exxon shall not reserve any back-in after payout of the initial well.
2. If Santa Fe will not consider our proposal in 1. above, then Exxon will farmout its leasehold in the N/2 of Section 20 on a produce to earn basis delivering a 75% NRI lease with Exxon reserving an overriding royalty interest equal to the difference between 25% and existing lease burdens. This overriding royalty interest shall be convertible to a 1/3 back-in after payout of the initial well.

As stated above, Exxon prefers that Santa Fe realign their proration unit to encompass the E/2 Section 20. If you have any questions concerning these proposals, please contact the undersigned at 688-6758. Your early attention to this matter is appreciated.

Yours Very Truly,



Brockman King
Production Land Coordination

Santa Fe Energy Operating Partners, L.P.

OCT 31 1989

Santa Fe Pacific Exploration Company

Managing General Partner

CERTIFIED MAIL

RETURN RECEIPT REQUESTED

TELECOPIED

October 26, 1989

Exxon Company, U.S.A.
P.O. Box 1600
Midland, Texas 79702-1600

ATTN: Brockman King
Production Land Coordinator

Re: OD-NM-617,282 (O/A)
Escalante Fed Com 20 #1
1980' FNL & 1980' FWL
Sec. 20, T-23-S, R-25-E
Eddy County, New Mexico
Mutton Prospect
Your Sheep Draw West Prospect

Gentlemen:

This letter is in response to Exxon's letter of October 19, 1989 and several conversations concerning same. It has just come to Santa Fe's attention through conversations with the OCD District Office that the referenced well will fall under the Field Rules for the Rock Tank Morrow Pool which commands 640 acre spacing. Initially Santa Fe and the OCD District Office felt this location would qualify for 320 acre spacing due to the Dark Canyon Penn Field to the South. However with further research by the OCD, this well is to be placed in the said Rock Tank Field.

Santa Fe has also been forced to move its location due to the topography located around this location. After staking approximately four locations, the only viable location appears to be 1980' FNL & 1980' FWL of this Section 20. Due to this falling approximately 200 feet higher in elevation from our original location, the projected total depth now becomes 11,100'. This should not affect the original AFE costs.

Considering the above, Exxon's request to utilize the E/2 of Section 20 as a Proration Unit and its suggested farmout terms could not be accommodated. Irregardless of the 640 acre spacing, the E/2 Proration Unit is not allowable pursuant to the Federal Regulations, specifically under 43 CFR Section 3105.2-2. The BLM will not approve a Communitization Agreement if it can be independently developed and operated in conformity with an established well spacing program. Since Amoco's lease in the S/2 of Section 20 could have been developed independently on a 320 acre spacing basis, it is our understanding the BLM will not communitize said tract irregardless of OCD approval of same.

Santa Fe will entertain accepting a farmout agreement from Exxon of its interest in the 640 acre Proration Unit, based on delivering a 75% NRI

Permian Basin District
500 W. Illinois
Suite 500
Midland, Texas 79701
915 687-3551

Page 2
Exxon Company, U.S.A.
October 26, 1989

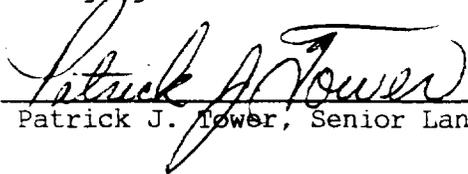
lease with Exxon reserving an ORRI equal to the difference of 25% and existing lease burdens with Exxon having the option to convert the ORRI to a 25% Back-In APO of the initial well, all proportionately reduced. Santa Fe feels that a one-third (1/3rd) Back-In, as Exxon proposes, is excessive for this exploratory Morrow test. Should Exxon like to reconsider and join this well, Santa Fe will likewise offer the option to Exxon should the change in spacing influence Exxon's initial decision.

In order to proceed with this test, Santa Fe plans to go ahead and re-advertise the Compulsory Pooling for the November 29, 1989 docket. Hopefully a voluntary agreement can be reached and said hearing dismissed.

Should you have any questions concerning this matter, please feel free to give me a call.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By: Santa Fe Pacific Exploration Company,
Managing General Partner

By: 
Patrick J. Tower, Senior Landman

PJT/efw

EFW717

NOV 03 1989

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 740
ALBUQUERQUE, NEW MEXICO 87102-2121
(505) 768-1500

700 UNITED BANK PLAZA
POST OFFICE BOX 10
ROSWELL, NEW MEXICO 88202
(505) 622-6510

2800 CLAYDESTA NATIONAL BANK BUILDING
POST OFFICE BOX 3580
MIDLAND, TEXAS 79702
(915) 683-4691

1700 TEXAS AMERICAN BANK BUILDING
POST OFFICE BOX 9238
AMARILLO, TEXAS 79105
(806) 372-5569

216 MONTEZUMA
POST OFFICE BOX 2068
SANTA FE, NEW MEXICO 87504
(505) 962-4554

LEWIS C. COX
PAUL W. EATON
CONRAD E. COFFIELD
HAROLD L. HENSLEY JR.
STUART D. SHANOR
C. D. MARTIN
PAUL J. KELLY JR.
OWEN H. LOPEZ
DOUGLAS L. LUNSFORD
JOHN J. KELLY
T. CALDER EZZELL, JR.
WILLIAM B. BURFORD*
RICHARD E. OLSON
RICHARD R. WILFONG*
STEVEN D. ARNOLD
JAMES J. WECHSLER
NANCY S. CUSACK
JEFFREY L. FORNACIARI
JEFFREY D. HEWETT*
JAMES BRUCE
JERRY F. SHACKELFORD*
JEFFREY W. HELLBERG*
ALBERT L. PITTS
THOMAS M. HNASKO
JOHN C. CHAMBERS*
THOMAS D. HAINES, JR.
FRANKLIN H. MCCALLUM*
GREGORY J. NIBERT

DAVID T. MARKET*
MARK C. DOW
KAREN M. RICHARDSON*
FRED W. SCHWENDIMANN
DAVID MORAN
JAMES R. MCADAMS*
JAMES H. HUDSON
MACDONNELL GORDON
REBECCA NICHOLS JOHNSON
PAUL R. NEWTON
WILLIAM P. JOHNSON
ELLEN S. CASEY
MARGARET C. LUDEWIG
PATRICIA A. WATTS*
MARTIN MEYERS
GREGORY S. WHEELER
ANDREW J. CLOUTIER
IRIANA RADEMAEKERS*
S. BARRY PAISHER
W. CRAIG BARLOW*
ROBERT W. CASE*
JAMES A. GILLESPIE
KAREN L. COLLIER*
GARY W. LARSON
STEPHANIE LANDRY

October 30, 1989

OF COUNSEL
O. M. CALHOUN
MACK EASLEY
JOE W. WOOD
STEPHEN L. ELLIOTT

CLARENCE E. HINKLE (1904-1988)
W. E. BONDURANT, JR. (1934-1973)
ROY C. SNOODGRASS, JR. (1914-1987)

*NOT LICENSED IN NEW MEXICO

CERTIFIED MAIL

Joe B. Thomas
Trades & Unitization Dept.
Exxon Corporation
615 W. Missouri Avenue
Midland, Texas 79701

Dear Joe:

On behalf of our client, Santa Fe Energy Operating Partners, L.P., we filed the enclosed Amended Application in OCD Case No. 9797 in order to have the matter heard on the November 29, 1989 docket. However, per our understanding in such matters, when there exists a potential conflict between our clients, we will withdraw from representing either client if the matter is not resolved.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

James Bruce
By: James Bruce

JB:le
Enclosure

DRB to: W.T. DUNNAN
AC - RA AGUIRRE
- BO KING
- DAN LARSON

RECEIVED
MIDLAND

Western Exp. Div.
Local Section
NOV 2 1989
M.B.D. FRANTES

NOV 03 1989
EXXON
Land Section

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF SANTA FE ENERGY
OPERATING PARTNERS, L.P., FOR
COMPULSORY POOLING AND NON-
STANDARD SPACING AND PRORATION
UNITS, EDDY COUNTY, NEW MEXICO.

Case No. 9797

AMENDED APPLICATION

Santa Fe Energy Operating Partners, L.P., hereby makes an amended application for non-standard spacing and proration units and an order pooling all interests from the surface to the base of the Morrow formation underlying all of Section 20, Township 23 South, Range 25 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Applicant has the right to drill, and proposes to drill, its Escalante 20 Fed. Com. No. 1 well at a standard location 1,980 feet from the North line and 1,980 feet from the West line of said Section 20, to a depth sufficient to test the Morrow formation (approximately 11,000 feet), and intends to dedicate the following acreage to the well:

(a) All of Section 20 for all pools or formations spaced on 640 acres; and

(b) The N $\frac{1}{4}$ of Section 20 for all pools or formations spaced on 320 acres.

2. Applicant has in good faith sought to join all other mineral and leasehold interest owners in Section 20 for the purposes set forth herein.

3. Although Applicant attempted to obtain voluntary agreements from all mineral and leasehold interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have refused to join in dedicating their acreage. Therefore, Applicant seeks an order pooling all mineral and leasehold interest owners from the surface to the base of the Morrow formation underlying Section 20, as described above, pursuant to N.M. Stat. Ann. § 70-2-17 (1987 Repl.).

4. Applicant requests the Division to consider the cost of drilling and completing the well, the allocation of the cost thereof, as well as actual operating charges and costs charged for supervision. Applicant requests that it be designated as operator of the well and that the Division set a penalty of 200% for the risk involved in drilling the well.

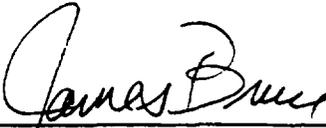
5. Upon information and belief, due to variations in the U.S. Public Land Surveys, Section 20 does not contain 640 acres, thus necessitating non-standard spacing and proration units for units comprising the N½ of Section 20 and possibly for units comprising all of Section 20.

6. The pooling of all interests underlying Section 20, as described above, and the granting of the non-standard spacing and proration units, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests that this matter be heard at the November 29, 1989 Examiner hearing.

WHEREFORE, Applicant requests that the Division grant the relief requested above.

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By 

James Bruce
500 Marquette, N.W.
Suite 740
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant Santa
Fe Energy Operating
Partners, L.P.

LAW OFFICES

HINKLE, COX, EATON, COFFIELD & HENSLEY

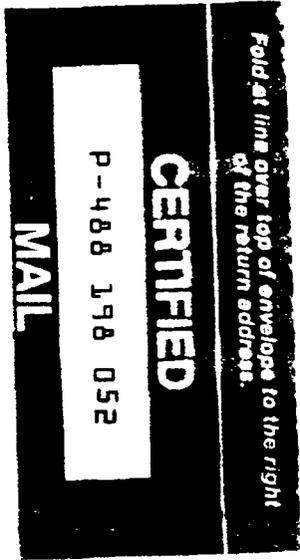
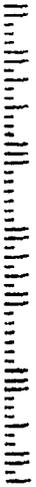
500 MARQUETTE N.W., SUITE 740

ALBUQUERQUE, NEW MEXICO 87102-2121



CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Joe B. Thomas
Trades & Unitization Dept.
Exxon Corporation
615 W. Missouri Avenue
Midland, Texas 79701



TRUST #1

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W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

November 7, 1989

Mr. William LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87504

RECEIVED
NOV - 7 1989
OIL CONSERVATION DIVISION

Re: Application of Exxon Company, USA
for Compulsory Pooling and Unorthodox
Gas Well Location, Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Exxon Company, USA please find enclosed our Application for Compulsory Pooling which we would request be set for hearing on the next available Examiner's docket now scheduled for November 29, 1989.

By copy of this letter to all parties to be pooled and offsetting operators, we are notifying them by certified mail, return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application. In addition, they are advised that the entry of a Compulsory Pooling Order will affect their rights to share in the production from the subject well.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Encl.

xc: Mr. William T. Duncan
Exxon Company, USA
Post Office Box 1600
Midland, Texas 79709

Certified Mail Return-Receipt

All parties listed on Exhibit "A" and "B"
of the Application, w/encl.

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

IN THE MATTER OF THE APPLICATION OF
EXXON COMPANY, USA FOR COMPULSORY
POOLING AND UNORTHODOX GAS WELL
LOCATION, EDDY COUNTY, NEW MEXICO

RECEIVED
NOV - 7 1989
CASE NO. OIL CONSERVATION DIVISION

A P P L I C A T I O N

COMES NOW, EXXON COMPANY, USA, by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 70-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interest as follows: From the top of Wolfcamp Formation to base of the Morrow Formation, underlying the E/2 of Section 20, T23S, R25E, Eddy County, New Mexico.

Applicant further seeks to have Santa Fe Energy Operating Partners, L.P., designated as operator for a well to be drilled at an unorthodox well location in the NE/4 of said Section.

Applicant further seeks approval of an unorthodox gas well location 600 feet FNL and 660 feet fEL of said Section 20, T23S, R25E, NMPM, and in support thereof would show:

1. The working interest owners in Section 20, T23S, R25E are as follows:

(1) Santa Fe Energy Operating
Partners L.P. (NW/4 NE/4)

40 acres

- (2) Exxon Company, USA (all of N/2
except NW/4 NE/4) 280 acres
- (3) Amoco Production Company
(all of S/2) 320 acres

2. Applicant desires to have Santa Fe Operating Partners L.P. designated operator for a well to be drilled at an unorthodox location in NE/4 of Section 20.

3. Applicant has sought a voluntary agreement with all those parties shown on Exhibit "A" for the formation of appropriate spacing and proration unit for the drilling of the subject well, but has been unable to obtain a voluntary agreement.

4. The proposed unorthodox location is the optimum location in the E/2 of Section 20 at which to drill the subject well. The offset operators towards whom the well encroaches are set forth on Exhibit B.

5. Pursuant to the Division notice requirements, applicant has notified all those parties shown on Exhibits "A" and "B" of this Application for compulsory pooling and an unorthodox location and the Applicant's request for a hearing before the Division to be set on November 29, 1989.

6. In order to obtain its just and equitable share of the potential production underlying the above tract. Applicant needs an order pooling the mineral interest

involved in order to protect Applicant's correlative rights and prevent waste.

WHEREFORE, Applicant prays that this Application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order approving the pooling the mineral interest described herein. Applicant further prays that Santa Fe Energy Operators L.P. be named operator of the well, and that the order make provisions for Santa Fe Energy Operators L.P. to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in an amount to be determined at the hearing for the drilling and completing of the well at an unorthodox well location, for such other and further relief as may be proper.

Respectfully submitted,

By:


W. Thomas Kellahin

Kellahin, Kellahin & Aubrey
Post Office Box 2265
Santa Fe, New Mexico 87504

(505) 982-4285

EXHIBIT "A"

WORKING INTEREST OWNERS IN SPACING UNIT

Exxon Company, USA P.O. Box 1600 Midland, Texas 79702-1600	37.5%
Amoco Production Company Regulatory Affairs Section Room 3.338 P.O. Box 3092 Houston, Texas 77253 Attn: Dan Currens	50%
Santa Fe Energy Operating Partners L.P. 500 W. Illinois, Suite 300 Midland, Texas 78701 Attn: Patrick J. Tower	12.5%

EXHIBIT "B"

OFFSET OPERATORS

Exxon Company, USA
P.O. Box 1600
Midland, Texas 79702

Santa Fe Energy Operating Partners, L.P.
500 W. Illinois, Suite 300
Midland, Texas 78701

Siete Oil & Gas Corp.
P.O. Box 2523
Roswell, New Mexico 88202