

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

Certified Mail No. P 046 661 424

December 28, 1989

Union Pacific Resources Company
InterFirst Tower
801 Cherry Street
Fort Worth, Texas 76101

Attention: Mr. Jerry Jones

Re: Lone Tree State Com. 24-1
Section 24, T-21-S, R-27-E,
Eddy County, New Mexico
La Huerta Prospect

Gentlemen:

Santa Fe Energy Operating Partners, L.P. proposes to drill a 11,950 Morrow test at a legal location in the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico.

Santa Fe requests you support this test by joining in a one section Working Interest Unit covering all of Section 24 and participating with your 37.5% working interest under a mutually acceptable A.A.P.L. Form 610-1982 Model Form Operating Agreement or farmout under the following general terms:

1. On or before 90 (ninety) days from the date of a formal agreement, Santa Fe will commence the drilling of a well at a legal location of its choice in the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico and drill to a depth of 11,950' or sufficient to test the Morrow formation.
2. If the initial well is completed as a well capable of commercial production, Santa Fe will earn 100% of Union's operating rights from the surface to 100' below total depth drilled in the spacing unit assigned the initial well.

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

An Affiliate of Santa Fe Southern Pacific Corporation

BEFORE EXAMINER

Oil Conservation Division

Exhibit No. 2A

Case No. 9852

3. Union shall retain an overriding royalty sufficient to deliver Santa Fe a 75% net revenue lease and have the option at payout of the initial well to convert the retained overriding royalty to a 25% working interest at payout (proportionately reduced).
4. Santa Fe shall have 180 days from completion of the initial well to commence a subsequent well on the farmout acreage and have 180 days from completion of one well and commencement of the next well on the farmout acreage.
5. On subsequent wells, Union would have a one time option to participate with its back-in working interest or retain its overriding royalty interest.
6. Formal agreements are subject to management approval.

Also enclosed for your review is Santa Fe's Well Cost Estimate. Should Union elect to participate in the drilling of the initial well or farmout under the above proposed terms, please sign in the space provided below and return to the undersigned.

Should you have any questions, please give me a call.

Sincerely,

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

By: 
Gary Green, Landman

GG:pr

Union Pacific Resources Company hereby elects to participate in the drilling of the above proposed well.

By: _____
Title: _____
Date: _____

Union Pacific Resources Company agrees to Farmout its acreage in the proposed Working Interest Unit under the above proposed general terms.

By: _____
Title: _____
Date: _____

pr1344

SANTA FE ENERGY COMPANY
GENERALIZED WELL COST ESTIMATE

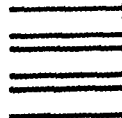
NAME: Lone Tree Prospect
LOC: 660' FSL, 1980' FWL, Section 24-21S-27E, Eddy County, New Mexico
DESC: Drill and complete a 11,950' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER	SFE SHARE
501-000	TANGIBLE WELL COSTS			
-41	CONDUCTOR CSG 20" @ 40'	3,500	3,500	0
-41	SURFACE CSG 13-3/8" @ 1,000'	26,725	26,725	0
-41	PROTECTION CSG 9-5/8" @ 2,600'	49,630	49,630	0
-41	DRILLING LINER			0
-41	PROD CSG 5-1/2" @ 11,950'		128,580	0
-41	PROD LINER			0
-42	TUBING 2-3/8"		47,055	0
-43	WELLHEAD	1,500	19,000	0
-44	PMPG UNIT			0
-45	PRIME MOVER			0
-50	OTHER DWN HOLE EQUIP		6,000	0
-50	RODS			0
-50	SUBSURFACE PMPS			0
-55	CSG EQUIP	1,000	3,000	0
-55	ELECTRICAL			0
-55	MISC. TANGIBLES			0
-55	ROD EQUIP			0
-55	TUBING EQUIP		1,000	0
	TOTAL TANGIBLE COSTS	82,355	284,490	0
541-000	LEASE FACILITY COSTS			
-50	FLOW LINES		5,800	0
-50	LABOR		5,890	0
-50	OTHER PROD EQUIP		17,540	0
-50	TANK FACILITIES		3,380	0
	TOTAL LEASE FACILITY COSTS		32,610	0
511-000	INTANGIBLE WELL COSTS			
-21	LOCATION	25,000	25,000	0
-22	FENCING	1,000	1,000	0
-26	WTR & FUEL FOR RIG			0
-31	CONTRACTOR MOVING EXP	25,000	25,000	0
-32	CONT FOOTAGE OR TURNKEY			0
-32	CONTRACTOR DAY WORK	217,800	217,800	0
-33	DRLG FLUID & ADDITIVES	28,000	28,000	0
-34	BITS & REAMERS	45,720	45,720	0
-36	CORING & CORE ANALYSES			0
-37	CEMENT	32,700	62,700	0
-39	INSPECTION & TSTG OF TANG	3,000	3,000	0
-41	DIRECTIONAL DRLG SURVEYS			0
-42	DRILLING EQUIP RENTAL	26,725	26,725	0
-43	OPEN HOLE LOGGING	30,000	30,000	0
-44	DRILL STEM TSTG	10,000	10,000	0
-45	MUD LOGGING	14,000	14,000	0
-51	TRANSPORTATION	5,000	5,000	0
-52	COMPLETION UNIT		15,000	0
-53	COMPLETION TOOL RENTAL		10,000	0
-54	CASED HOLE LOGS & PERFING		5,000	0
-55	STIMULATION		10,000	0
-56	RIG SITE SUPERVISION	18,400	24,000	0
-72	ADMINISTRATIVE OVERHEAD	7,500	10,000	0
-99	FSHG TOOLS & EXPENSES	10,000		0
-99	TESTING: BHP, GOR, 4 PT. POT		5,000	0
	ABANDONMENT COST	10,000		0
	OTHER INTANGIBLES			0
0	CONTINGENCY (10%)	50,984	57,295	0
	TOTAL INTANGIBLES	560,829	630,240	0
	TOTAL COSTS	643,184	947,340	0

Drilling Dept: Michael R. Burton Date: 12/28/84
 Operations Dept: _____ Date: _____
 SFEC Approved By: _____ Date: _____
 Non Operator Approval By: _____ Date: _____

UNITED STATES POSTAL SERVICE

OFFICIAL BUSINESS



SENDER INSTRUCTIONS

Print your name, address and ZIP Code in the space below.

- Complete items 1, 2, 3, and 4 on the reverse.
- Attach to front of article if space permits, otherwise affix to back of article.
- Endorse article "Return Receipt Requested" adjacent to number.



PENALTY FOR PRIVATE USE, \$300

RETURN

TO



CG

Print Sender's name, address, and ZIP Code in the space below.

SANTA FE ENERGY COMPANY

500 W. ILLINOIS, SUITE 500

MIDLAND, TX 79701

F/O Reg.

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional service(s) requested.
 1. ☒ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery
(Extra charge)

3. Article Addressed to:

Union Pacific Resources Company
 301 Cherry Street
 Fort Worth, Texas 76101

4. Article Number

P 046 661 424

Type of Service:

☐ Registered ☐ Insured
☒ Certified ☐ COD
☐ Express Mail ☐ Return Receipt
 for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

8. Addressee's Address (ONLY if requested and fee paid)

5. Signature - Address

X

6. Signature - Agent

X

7. Date of Delivery

JAN 9 1990

Santa Fe Energy Operating Partners, L.P.

**Santa Fe Pacific Exploration Company
Managing General Partner**

Certified Mail #P 046 661 425

December 28, 1989

Harken Exploration Company
P. O. Box 10626
Midland, Texas 79701

Attention: Mr. J.M. McAninch

Re: Lone Tree State Com. 24-1
Section 24, T-21-S, R-27-E,
Eddy County, New Mexico
La Huerta Prospect

Gentlemen:

Santa Fe Energy Operating Partners, L.P. proposes to drill a 11,950 Morrow test at a legal location in the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico.

Santa Fe requests you support this test by joining in a one section Working Interest Unit covering all of Section 24 and participating with your working interest under a mutually acceptable A.A.P.L. Form 610-1982 Model Form Operating Agreement or farmout under the following general terms:

1. On or before 90 (ninety) days from the date of a formal agreement, Santa Fe will commence the drilling of a well at a legal location of its choice in the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico and drill to a depth of 11,950' or sufficient to test the Morrow formation.
2. If the initial well is completed as a well capable of commercial production, Santa Fe will earn 100% of Harken's operating rights from the surface to 100' below total depth drilled in the spacing unit assigned the initial well.

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

An Affiliate of Santa Fe Southern Pacific Corporation

BEFORE EXAMINER

Oil Counselor

2B

Case No. 9852

3. Harken shall retain an overriding royalty sufficient to deliver Santa Fe a 75% net revenue lease and have the option at payout of the initial well to convert the retained overriding royalty to a 25% working interest at payout (proportionately reduced).
4. Santa Fe shall have 180 days from completion of the initial well to commence a subsequent well on the farmout acreage and have 180 days from completion of one well and commencement of the next well on the farmout acreage.
5. On subsequent wells, Harken would have a one time option to participate with its back-in working interest or retain its overriding royalty interest.
6. Formal agreements are subject to management approval.

Also enclosed for your review is Santa Fe's Well Cost Estimate. Should Harken elect to participate in the drilling of the initial well or farmout under the above proposed terms, please sign in the space provided below and return to the undersigned.

Should you have any questions, please give me a call.

Sincerely,

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

By: 
Gary Green, Landman

GG:pr

Harken Exploration Company hereby elects to participate in the drilling of the above proposed well.

By: _____
Title: _____
Date: _____

Harken Exploration Company agrees to Farmout its acreage in the proposed Working Interest Unit under the above proposed general terms.

By: _____
Title: _____
Date: _____

pr1346

NAME: Lone Tree Prospect
 LOC: 660' FSL, 1980' FWL, Section 24-21S-27E, Eddy County, New Mexico
 DESC: Drill and complete a 11,950' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER	SFE SHARE
501-000	TANGIBLE WELL COSTS			
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-41	SURFACE CSG 13-3/8" @ 1,000'	26,725	26,725	0
-41	PROTECTION CSG 9-5/8" @ 2,600'	49,630	49,630	0
-41	DRILLING LINER			0
-41	PROD CSG 5-1/2" @ 11,950'		128,580	0
-41	PROD LINER			0
-42	TUBING 2-3/8"		47,055	0
-43	WELLHEAD	1,500	19,000	0
-44	PMPG UNIT			0
-45	PRIME MOVER			0
-50	OTHER DWN HOLE EQUIP		6,000	0
-50	ROOS			0
-50	SUBSURFACE PMPS			0
-55	CSG EQUIP	1,000	3,000	0
-55	ELECTRICAL			0
-55	MISC. TANGIBLES			0
-55	ROD EQUIP			0
-55	TUBING EQUIP		1,000	0
	TOTAL TANGIBLE COSTS	82,355	284,490	0
541-000	LEASE FACILITY COSTS			
-50	FLOW LINES		5,800	0
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-50	TANK FACILITIES		3,380	0
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-34	BITS & REAMERS	45,720	45,720	0
-36	CORING & CORE ANALYSES			0
-37	CEMENT	32,700	62,700	0
-39	INSPECTION & TSTG OF TANG	3,000	3,000	0
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-52	COMPLETION UNIT		15,000	0
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-54	CASED HOLE LOGS & PERFING		5,000	0
-55	STIMULATION		10,000	0
-56	RIG SITE SUPERVISION	18,400	24,000	0
-72	ADMINISTRATIVE OVERHEAD	7,500	10,000	0
-99	FSHG TOOLS & EXPENSES	10,000		0
-99	TESTING: BHP, GOR, 4 PT. POT		5,000	0
	ABANDONMENT COST	10,000		0
	OTHER INTANGIBLES			0
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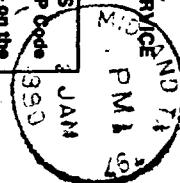
Drilling Dept: Michael R. Burton Date: 12/28/84

Operations Dept: _____ Date: _____

SFEC Approved By: _____ Date: _____

Non Operator Approval By: _____ Date: _____

UNITED STATES POSTAL SERVICE
OFFICIAL BUSINESS



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PENALTY FOR PRIVATE
USE, \$300

RETURN
TO

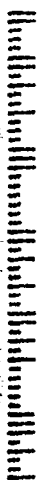
Print Sender's name, address, and ZIP Code in the space below.

SANTA FE ENERGY COMPANY

500 W. ILLINOIS, SUITE 500

MIDLAND, TX 79701

GG
F/O Req.



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<p>3. Article Addressed to:</p> <p>HARKEN EXPLORATION COMPANY P. O. BOX 10626 MIDLAND, TX 79701</p>		<p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> COD <input type="checkbox"/> Return Receipt for Merchandise</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail</p> <p>Always obtain signature of addressee.</p> <p>8. Addressee's Address (ONLY if requested and fee paid)</p>	
<p>5. Signature - Agent</p> <p><i>[Signature]</i></p>		<p>6. Signature - Agent</p> <p><i>[Signature]</i></p>	
<p>7. Date of Delivery</p> <p>1-2-90</p>		<p>8. Addressee's Address (ONLY if requested and fee paid)</p>	

NAME: Lone Tree Prospect
 LOC: 660' FSL, 1980' FWL, ion 24-21S-27E, Eddy County, New Mexico
 DESC: Drill and complete a 11,950' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER	SFE SHARE
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-44	PMPG UNIT			0
-45	PRIME MOVER			0
-50	OTHER DWN HOLE EQUIP		6,000	0
-50	RODS			0
-50	SUBSURFACE PMPs			0
-55	CSG EQUIP	1,000	3,000	0
-55	ELECTRICAL			0
-55	MISC. TANGIBLES			0
-55	ROD EQUIP			0
-55	TUBING EQUIP		1,000	0
	TOTAL TANGIBLE COSTS	82,355	284,490	0
541-000	LEASE FACILITY COSTS			
-50	FLOW LINES		5,800	0
-50	LABOR		5,890	0
-50	OTHER PROD EQUIP		17,540	0
-50	TANK FACILITIES		3,380	0
	TOTAL LEASE FACILITY COSTS		32,610	0
511-000	INTANGIBLE WELL COSTS			
-21	LOCATION	25,000	25,000	0
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-26	WTR & FUEL FOR RIG			0
-31	CONTRACTOR MOVING EXP	25,000	25,000	0
-32	CONT FOOTAGE OR TURNKEY			0
-32	CONTRACTOR DAY WORK	217,800	217,800	0
-33	DRLG FLUID & ADDITIVES	28,000	28,000	0
-34	BITS & REAMERS	45,720	45,720	0
-36	CORING & CORE ANALYSES			0
-37	CEMENT	32,700	62,700	0
-39	INSPECTION & TSTG OF TANG	3,000	3,000	0
-41	DIRECTIONAL DRLG SURVEYS			0
-42	DRILLING EQUIP RENTAL	26,725	26,725	0
-43	OPEN HOLE LOGGING	30,000	30,000	0
-44	DRILL STEM TSTG	10,000	10,000	0
-45	MUD LOGGING	14,000	14,000	0
-51	TRANSPORTATION	5,000	5,000	0
-52	COMPLETION UNIT		15,000	0
-53	COMPLETION TOOL RENTAL		10,000	0
-54	CASED HOLE LOGS & PERFING		5,000	0
-55	STIMULATION		10,000	0
-56	RIG SITE SUPERVISION	18,400	24,000	0
-72	ADMINISTRATIVE OVERHEAD	7,500	10,000	0
-99	FSHG TOOLS & EXPENSES	10,000		0
-99	TESTING: BHP, GOR, 4 PT. POT		5,000	0
	ABANDONMENT COST	10,000		0
	OTHER INTANGIBLES			0
0	CONTINGENCY (10%)	50,984	57,295	0
	TOTAL INTANGIBLES	560,829	630,240	0
	TOTAL COSTS	643,184	947,340	0

Drilling Dept: Michael R. Buxton Date: 12/28/89
 Operations Dept: James H. Buxton Date: 12-28-89
 SFEC Approved By: DBK. Gpatitill Date: 1-3-90
 Non Operator Approval By: _____ Date: _____

Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

Certified Mail No. P-566 806 501

January 3, 1989

Union Pacific Resources Company
Interfirst Tower
801 Cherry Street
Fort Worth, Texas 76101

Attention: Mr. Jerry Jones

Re: Lone Tree State Com. 24-1
Section 24, T-21-S, R-27-E,
Eddy County, New Mexico
La Huerta Prospect

Gentlemen:

Santa Fe Energy Operating Partners, L.P. has made application with the New Mexico Oil Conservation Division for compulsory pooling of the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico.

The hearing is scheduled for January 24, 1990. Enclosed is a copy of the application. Should you have any questions, please give me a call.

Sincerely,

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

By: Gary Green
Gary Green, Landman

GG:pr

Enclosure a/s

pr1350

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

BEFORE EXAMINER OF PROPS
OIL CONSERVATION DIVISION
Section No. 4A
Case No. 9852

BEFORE THE NEW MEXICO 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 in the S $\frac{1}{2}$ of Section 24, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show:

1. Applicant is a working interest owner in the S $\frac{1}{2}$ of said Section 24.

2. Applicant proposes to drill its Lone Tree Fed. Com. 24 No. 1 Well in the S $\frac{1}{2}$ of Section 24, at a location 1980 feet from the West line and 660 feet from the South line, to a depth sufficient to test the Morrow formation (approximately 11,950 feet), and seeks to dedicate the following acreage to the well:

(a) The SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 40 acres;

(b) The E $\frac{1}{4}$ SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 80 acres;

(c) The SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 160 acres; and

(d) The S $\frac{1}{2}$ Section 24 for all pools or

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the S½ of Section 24 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or 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 underlying the S½ of Section 24, pursuant to N.M. Stat. Ann. §70-2-17 (1987 Repl.).

5. 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.

6. The pooling of all interests underlying the S½ of Section 24, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests that this matter be heard at the January 24, 1990 Examiner hearing.

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By James Bruce

James Bruce
500 Marquette, N.W., Suite 950
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

P-566 806 501

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

U.S.G.P.O. 153-508

PS Form 3800, June 1985

Section 1 UNION PACIFIC RESOURCES	
Street and No. 801 CHERRY STREET	
P.O., State and ZIP Code FORT WORTH, TX 76101	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt showing to whom and Date Delivered	
Return Receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

<p>SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check boxes for additional services requested.</p> <p>1. <input checked="" type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
<p>3. Article Addressed to:</p> <p>UNION PACIFIC RESOURCES 801 CHERRY STREET, INTERFIRST TOWER FORT WORTH, TX 76101</p>	<p>4. Article Number</p> <p>P-566 806 501</p>
<p>Type of Service:</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise</p>	
<p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>	
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SANTA FE ENERGY

GC - Lone Tree

500 W. ILLINOIS, SUITE 500

MIDLAND, TX 79701

Santa Fe Energy Operating Partners, L.P.

**Santa Fe Pacific Exploration Company
Managing General Partner**

Certified Mail No. P-566 806 502

January 3, 1989

Harken Exploration Company
P. O. Box 10626
Midland, Texas 79701

Attention: Mr. J.M. McAninch

Re: Lone Tree State Com. 24-1
Section 24, T-21-S, R-27-E,
Eddy County, New Mexico
La Huerta Prospect

Gentlemen:

Santa Fe Energy Operating Partners, L.P. has made application with the New Mexico Oil Conservation Division for compulsory pooling of the S/2 of Section 24, T-21-S, R-27-E, Eddy County, New Mexico.

The hearing is scheduled for January 24, 1990. Enclosed is a copy of the application. Should you have any questions, please give me a call.

Sincerely,

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

By: Gary Green
Gary Green, Landman

GG:pr

Enclosure a/s

pr1351

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

BEFORE THE NEW MEXICO 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 in the S $\frac{1}{2}$ of Section 24, Township 21 South, Range 27 East, N.M.P.M., Eddy County, New Mexico, and in support thereof would show:

1. Applicant is a working interest owner in the S $\frac{1}{2}$ of said Section 24.

2. Applicant proposes to drill its Lone Tree Fed. Com. 24 No. 1 Well in the S $\frac{1}{2}$ of Section 24, at a location 1980 feet from the West line and 660 feet from the South line, to a depth sufficient to test the Morrow formation (approximately 11,950 feet), and seeks to dedicate the following acreage to the well:

(a) The SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 40 acres;

(b) The E $\frac{1}{4}$ SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 80 acres;

(c) The SW $\frac{1}{4}$ Section 24 for all pools or formations spaced on 160 acres; and

(d) The S $\frac{1}{2}$ Section 24 for all pools or

3. Applicant has in good faith sought to join all other mineral or leasehold interest owners in the S½ of Section 24 for the purposes set forth herein.

4. Although Applicant attempted to obtain voluntary agreements from all mineral or 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 underlying the S½ of Section 24, pursuant to N.M. Stat. Ann. §70-2-17 (1987 Repl.).

5. 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.

6. The pooling of all interests underlying the S½ of Section 24, as described above, will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

7. Applicant requests that this matter be heard at the January 24, 1990 Examiner hearing.

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By James Bruce

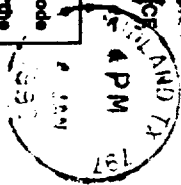
James Bruce
500 Marquette, N.W., Suite 950
Albuquerque, New Mexico 87102
(505) 768-1500

Attorneys for Applicant

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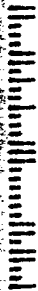
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CG - Lone Tree

SANTA FE ENERGY COMPANY

500 W. ILLINOIS, SUITE 500

MIDLAND, TX 79701



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