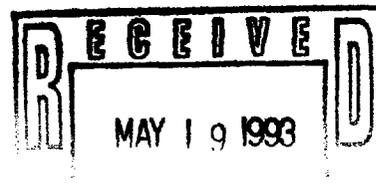


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



CASE NO. 10,694

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

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Mewbourne Oil Company as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Santa Fe Energy Operating
Partners, L.P.
Suite 1330
550 West Texas
Midland, Texas 79701
(915)686-6631
Attn: C. Smith

ATTORNEY

James Bruce
Hinkle, Cox, Eaton, Coffield & Hensley
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

OTHER PARTY

ATTORNEY

STATEMENT OF CASE

APPLICANT

Applicant seeks to force pool 320 acres of land for a Morrow test well. There are interest owners who have not yet committed their interests to the well.

OTHER PARTY

PROPOSED EVIDENCE

APPLICANT

WITNESSES	EST. TIME	EXHIBITS
Curtis Smith (Landman)	10 minutes	(a) Land Plat (b) List of Interest Owners (c) Correspondence (d) AFE (e) Affidavit of Notice
(Geologist)	10 minutes	(a) Isopach (b) Production Map (c) Cross-section

OTHER PARTY

WITNESSES	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

The well location is unorthodox for 160 acre units. Applicant requests the compulsory pooling application be granted, but that in the event applicant completes the well uphole in a formation spaced on 160 acres, it be required to apply for approval of the unorthodox location at that time.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

A handwritten signature in black ink, appearing to read "James Bruce", written over a horizontal line.

James Bruce
Post Office Box 2068
Santa Fe, New Mexico 87504-2068
(505) 982-4554

Attorneys for Applicant

CASE 10691: (Readvertised)

Application of Santa Fe Energy Operating Partners, L.P. for vertical contraction and redesignation of an existing Delaware Oil Pool and new pool creation, or in the alternative for a special pool-wide depth bracket allowable, Eddy County, New Mexico. Applicant requests that the vertical limits of the Los Medanos-Delaware Pool be contracted to exclude all depths below 7,680 feet as found in the Santa Fe Energy Operating Partners, L.P. Pure Gold "C-17" Federal Well No. 4, located in Unit H of Section 17, Township 23 South, Range 31 East, and that said pool be redesignated as the Los Medanos-Upper Delaware Pool. Applicant further requests the creation of a new pool for lower Delaware production for all depths below 7,680 feet as found in said Pure Gold "C-17" Federal Well No. 4, to be designated as the Los Medanos-Lower Delaware Pool, with its horizontal limits comprising the SW/4 of Section 9, the W/2 of Section 16, and the NE/4 of Section 17, Township 23 South, Range 31 East. In the alternative, pursuant to Rule 505(D), applicant requests a special pool-wide depth bracket allowable of 187 barrels of oil per day for the Los Medanos-Delaware Pool, based upon the deepest perforations in said Pure Gold "C-17" Federal Well No. 4. Said pool is located approximately at milepost 13 on State Highway 128.

CASE 10694: Application of Santa Fe Energy Operating Partners, L.P. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described areas in Section 18, Township 20 South, Range 34 East, and in the following manner: The N/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the NE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NW/4 NE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to the applicant's Sinagua 18 Federal Well No. 1, to be drilled at an orthodox location within said N/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 3 1/2 miles southwest of Warren Gas Co. Compressor Station.

CASE 10692: (Continued from March 18, 1993, Examiner Hearing.)

Application of Pogo Producing Company for special pool rules for the East Loving-Delaware Pool, Eddy County, New Mexico. Applicant seeks an order providing for a gas/oil ratio of 8,000 cubic feet of gas per barrel of oil produced for the East Loving-Delaware Pool, which covers all or parts of Sections 2, 3, 9, 10, 11, 13, 14, 15, 21, 22, 23, 24, 26, 27, 28, and 34 in Township 23 South, Range 28 East. Said pool is centered at Loving, New Mexico.

CASE 10695: Application of Bridge Oil (U.S.A.) Inc. for directional drilling and an unorthodox bottomhole oil well location, Chaves County, New Mexico. Applicant seeks authority to deviate a distance of approximately 500 feet east from its existing Yates Federal Well No. 1, surface location 660 feet from the North line and 990 feet from the West line (Unit D) of Section 27, Township 14 South, Range 29 East, and recompleat said well in the Undesignated King Camp-Devonian Pool at a new unorthodox bottomhole oil well location within 50 feet of a point 660 feet from the North line and 1490 feet from the West line (Unit C) of said Section 27. The acreage dedication for said well will be changed to the NE/4 NW/4 of said Section 27 forming a standard 40-acre oil spacing and proration unit for said pool. The subject wellsite is located approximately 18 miles east by south of Hagerman, New Mexico.

CASE 10696: Application of Petroleum Development Corporation for a horizontal/high angle directional drilling pilot project, special operating rules therefor, a non-standard oil proration unit and a special project oil allowable, Chaves County, New Mexico. Applicant seeks authority to initiate a short-radius high angle/horizontal directional drilling pilot project in the Tomahawk-San Andres Pool underlying the S/2 SW/4 of Section 25, Township 7 South, Range 31 East, thereby creating a non-standard 80-acre oil spacing and proration unit for said pool. The applicant proposes to utilize its existing Strange Federal Well No. 5 located 660 feet from the South line and 1980 feet from the West line (Unit N) of said Section 25 by kick-off from vertical, build angle to approximately 90 degrees with a short radius curve and continue with a horizontal drainhole in said pool. Applicant further seeks special rules and provisions within the project area including the designation of a prescribed area limiting the horizontal displacement of the well's producing interval within 100 feet to the outer boundary of said 80-acre unit and special allowable provisions for a double-sized oil proration unit. Said project area is located approximately 12 miles south by east of Kenna, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - APRIL 8, 1993
8:15 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM, STATE LAND OFFICE BUILDING,
SANTA FE, NEW MEXICO

Dockets Nos. 11-93 and 12-93 are tentatively set for April 22, 1993 and May 6, 1993. Applications for hearing must be filed at least 23 days in advance of hearing date.

The following cases will be heard before David R. Catanach, Examiner or Michael E. Stogner, Alternate Examiner:

CASE 10693: Application of Pronghorn SWD System for salt water disposal, Lea County, New Mexico. Applicant seeks authority to dispose of produced salt water into the Capitan Reef formation through the perforated interval from approximately 3220 feet to 5050 feet in its Brooks Federal "7" Well No. 6 located in Unit N, Section 7, Township 20 South, Range 33 East, which is approximately 1 mile northwest of Laguna Gatuna.

CASE 10687: (Continued from March 18, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the following described areas in Section 17, Township 18 South, Range 28 East, and in the following manner: the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; and the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said unit is to be dedicated to its Illinois Camp "17" State Well No. 2, to be drilled at a standard location within said E/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2 miles north of Illinois Camp.

CASE 10688: (Continued from March 18, 1993, Examiner Hearing.)

Application of Mewbourne Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the base of the Abo formation to the base of the Morrow formation underlying the following described areas in Section 31, Township 17 South, Range 28 East, and in the following manner: the S/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent; the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the SW/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent. Said unit is to be dedicated to its Chalk Bluff "31" State Well No. 1, to be drilled at a standard location within said S/2 proration unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1 mile southwest of the Baylor Triangulation Station.

CASE 10666: (Readvertised)

Application of Santa Fe Energy Operating Partners, L. P. for compulsory pooling, an unorthodox gas well location and a non-standard gas spacing and proration unit, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 8, Township 20 South, Range 27 East, and in the following manner: the E/2 forming a non-standard 320-acre gas spacing and proration unit for the McMillan-Morrow Gas Pool; the E/2 forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated McMillan-Wolfcamp Gas Pool; the SE/4 forming a standard 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent; and the NE/4 SE/4 forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not necessarily limited to the Undesignated McMillan Seven Rivers-Queen Pool and Undesignated North Avalon-Bone Spring Pool. Said units are to be dedicated to a single well to be drilled 1980 feet from the South line and 660 feet from the East line (Unit I) of said Section 18, which is considered to be an unorthodox gas well location in the Morrow interval only but standard for all other horizons. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. The area is located approximately 3 miles west by southwest of Burton Flat, New Mexico.

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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SPECIAL COUNSEL
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March 31, 1993

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David B. Catanach
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

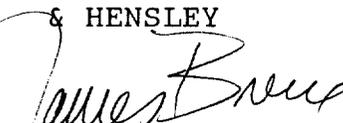
Re: Case No. 10,694, the Application of Santa Fe
Energy Operating Partners, L.P. for Compulsory
Pooling, Lea County, New Mexico

Dear Mr. Catanach:

Please continue the above case to the April 22, 1993 examiner
hearing. Thank you.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY


James Bruce

HINKLE, COX, EATON, COFFIELD & HENSLEY

ATTORNEYS AT LAW

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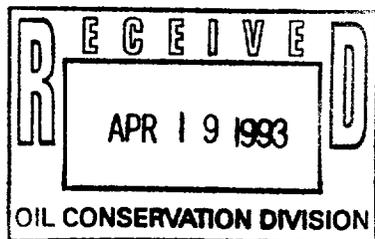
April 19, 1993

Michael E. Stogner
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503

Re: Case No. 10,694, the Application of Santa Fe
Energy for Compulsory Pooling, Lea County,
New Mexico

Dear Mr. Stogner:

Please continue the above matter to the May 20, 1993 examiner
hearing. Thank you.



Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

James Bruce
James Bruce

JB:frs

VIA HAND DELIVERY

JGB5\93764.c

HINKLE, COX, EATON, COFFIELD & HENSLEY

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May 27, 1993

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*NOT LICENSED IN NEW MEXICO

James A. Davidson
Post Office Box 494
Midland, Texas 79702

Re: Sinagua 18 Fed. Com. Well No. 1;
OCD Case No. 10694

Dear Mr. Davidson:

We represent Santa Fe Energy Operating Partners, L.P. in the above matter. Please be advised that Santa Fe did not force pool you in the above case, and you will not be subject to any order entered therein.

Please call me if you have any questions.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY

James Bruce
James Bruce

JB:frs

c: William J. LeMay ✓
Curtis Smith

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CASE FILE
10694

Catanach

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
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(505) 827-5800

August 24, 1993

Mr. James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
Attorneys at Law
Post Office Box 2068
Santa Fe, New Mexico 87504-2068

Dear Mr. Bruce:

Based upon your letter of August 20, 1993, and in accordance with the provisions of Division Order No. R-9904, Santa Fe Energy Operating Partners, L.P. is hereby granted an extension of time in which to begin the well on the unit pooled by said order until November 1, 1993.

Sincerely,

A handwritten signature in black ink that reads "Larry O. Van Ryan".

LARRY O. VAN RYAN
Chief Petroleum Engineer

LOV/fd

cc: Case 10694

Jerry Sexton

Memo

From
FLORENE DAVIDSON
OC Staff Specialist

8/23/93

To Florene

Would you please check
the subject order and prepare
an extension if it is okay?

Thanks



HINKLE, COX, EATON, COFFIELD & HENSLEY

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MICHAEL A. GROSS
THOMAS D. HAINES, JR.
GREGORY J. NIBERT
DAVID T. MARKETTE*
MARK C. DOW

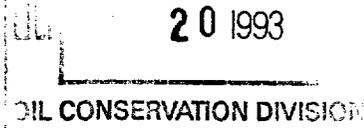
FRED W. SCHWENDIMANN
JAMES M. HUDSON
JEFFREY S. BAIRD*
REBECCA NICHOLS JOHNSON
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STANLEY K. KOTOVSKY JR.
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DARREN L. BROOKS
CHRISTINE E. LALE
PAUL G. NASON
DARLA M. SILVA

*NOT LICENSED IN NEW MEXICO

August 20, 1993

William J. LeMay
Oil Conservation Division
310 Old Santa Fe Trail
Santa Fe, New Mexico 87503



Re: Request for Extension of Well Commencement
Deadline, Order No. R-9904

Dear Mr. LeMay:

The above order pooled the N $\frac{1}{2}$ of § 18 - 20 South - 34 East for a Morrow test well at an orthodox location, and fixed a commencement deadline of September 1, 1993. Santa Fe Energy Operating Partners, L.P. (Santa Fe), the operator under the order, hereby requests that the well commencement deadline be extended to November 1, 1993. The reasons for this request are as follows:

1. Santa Fe applied for an APD for the well with the Bureau of Land Management (BLM) on February 3, 1993. The first page of the APD is attached as Exhibit A.

2. The APD was denied by the BLM on July 1, 1993¹, because of possible potash mineralization at the proposed location (the proposed well is in the oil-potash area). No potash lessee had objected to the location. The BLM's denial letter is attached as Exhibit B.

3. Santa Fe subsequently filed a new APD, and has been verbally informed by the BLM that the location is acceptable.

¹The hearing on the compulsory pooling application was held May 20, 1993.

William J. LeMay
Page Two
August 20, 1993

4. The new location is 2,210 feet from the North and East lines of Section 18, requiring Santa Fe to obtain approval of an unorthodox gas well location from the Division, as well as the amendment of Order No. R-9904 to allow the pooled unit to be dedicated to a well at the unorthodox location. Santa Fe is in the process of applying to the Division for approval of the unorthodox location, and the hearing will be set for 8:15 a.m. on September 23, 1993 at the Division's offices at 310 Old Santa Fe Trail, Santa Fe, New Mexico.

Based on the foregoing, Santa Fe needs additional time to secure BLM final approval of the APD, obtain unorthodox location approval, prepare the site for drilling, and commence drilling. Therefore, Santa Fe requests that the commencement date (and the completion date) be extended by two months.

By copies of this letter, Santa Fe is notifying the two parties pooled under Order No. R-9904 of this request, and of the upcoming hearing date.

Very truly yours,

HINKLE, COX, EATON, COFFIELD
& HENSLEY



James Bruce

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

c: Larry Nermyr (w/encl.)
Certified Mail No. P 176 011 392

Doyle Hartman (w/encl.)
Certified Mail No. P 176 011 393

Curtis Smith (First Class Mail)

VIA HAND DELIVERY

Form 3160-3 (November 1983) (formerly 9-331C)

OPERATOR'S COPY

SUBMIT IN TRIPLICATE (Other instructions on reverse side)

Form approved Budget Bureau No. 1004-0136 Expires August 31, 1985

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK: DRILL [X], DEEPEN [], PLUG BACK []
1b. TYPE OF WELL: OIL WELL [], GAS WELL [X], OTHER []
2. NAME OF OPERATOR: Santa Fe Energy Operating Partners, L.P.
3. ADDRESS OF OPERATOR: 550 W. Texas, Suite 1330, Midland, Texas 79701
6. LOCATION OF WELL: 2130' FEL and 660' FNL, Sec. 18, T-20S, R-34E
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE: 8 miles NE from Halfway Bar, NM
15. DISTANCE FROM PROPOSED LOCATION TO NEAREST PROPERTY ON LEASE LINE, FT.: 660'
16. NO. OF ACRES IN LEASE: 280
17. NO. OF ACRES ASSIGNED TO THIS WELL: 320
18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL DRILLING COMPLETED OR APPLIED FOR ON THIS LEASE, FT.: 2317'
19. PROPOSED DEPTH: 13,700'
20. ROTARY OR CABLE TOOLS: Rotary
21. ELEVATIONS: 3615.4' GR
22. APPROX. DATE WORK WILL START: March 1, 1993

Table with 5 columns: SIZE OF HOLE, SIZE OF CASING, WEIGHT PER FOOT, SETTING DEPTH, QUANTITY OF CEMENT. Includes rows for 17-1/2", 12-1/4", and 7-7/8" hole sizes.

We propose to drill to a depth sufficient to test the Morrow formation for gas. If productive, 5-1/2" casing will be cemented at TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal regulations.

Drilling Program

- Exhibit A - Operations Plan
Exhibit B - BOP and Choke Schematic
Exhibit C - Drilling Fluids Program
Exhibit D - Auxiliary Equipment
Exhibit E - Topo Map of Location
Exhibit F - Plat showing Existing Wells
Exhibit G - Well Site Layout

RECEIVED FEB 3 10 49 AM 1993 CARLSON AREA HEADQUARTERS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone.

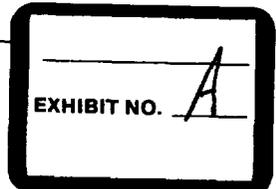
SIGNED: Daniel Roberts, Sr. Drilling Engineer, February 1, 1993

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE

APPROVED BY TITLE DATE

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED



*See Instructions On Reverse Side



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
 1474 Rodco Rd.
 P.O. Box 27115
 Santa Fe, New Mexico 87502-0115



IN REPLY REFER TO

3160(067)
 NM-13276

JUL 1 1993

CERTIFIED--RETURN RECEIPT REQUESTED
 P 217 222 527

Santa Fe Energy Operating Partners, L. P.
 Attention: Darrell Roberts
 550 W. Texas, Suite 1330
 Midland, TX 79701

RE: Sinagua 18 Federal Well No. 1
 NM-13276
 660' FNL & 2130' FEL, Sec 18, T20S, R34E
 Lea County, New Mexico

Dear Mr. Roberts:

On February 3, 1993, this office received an Application for Permit to Drill (APD) for the above referenced well location. This location falls within the designated Secretary's Potash Area as defined in the 1986 Secretary's Order.

Considerable time has been spent evaluating the physical characteristics of the ore body and the feasibility of economically mining potash in the subject area. The Tenth ore zone is the important potassium bearing formation in this area which meets the leasing criteria of 4 feet of 10 percent K₂O as sylvite or 4 feet of 4 percent K₂O as langbeinite. This combined with a mineralogical evaluation of the ore zone leads us to conclude that the Tenth ore zone constitutes a "Potash Enclave". Therefore, the drilling of this well may result in undue waste of potash.

In accordance with the 1986 Secretary's Order, the APD cannot be approved at the present location. Your copies of the APD are enclosed. However, an alternate location may be available approximately 1300 feet or further to the west southwest of the proposed location. A vertical or directional well can be drilled from inside the barren zone at or near this location.

This decision was given serious consideration by the Bureau of Land Management, regrettably, it may have an adverse impact to your company. Therefore, and in accordance with 43 CFR 3165.4, you may appeal this decision to the Interior Board of Land Appeals, according to the procedures outlined on the enclosed Form 1842-1. Please contact Gary Williams at (505) 887-6544, if you have any further questions.

Sincerely,

Kathryn Eaton

for Monte G. Jordan
 Acting State Director

2 Enclosures

ILLEGIBLE

