

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. 11076
ORDER NO. R-10212

**APPLICATION OF SANTA FE ENERGY OPERATING PARTNERS, L.P. FOR
APPROVAL OF A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 1, 1994, at Santa Fe, New Mexico, before Examiner Jim Morrow.

NOW, on this 30th day of September, 1994, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Santa Fe Energy Operating Partners, L.P. (Santa Fe), seeks approval of the Quail Ridge Unit Agreement and Area for all oil and gas in any and all formations underlying 3514.96 acres, more or less, of federal, state and fee lands in a portion of Townships 20 and 21 South, Ranges 33 and 34 East, Lea County, New Mexico, as further described in Exhibit "A" attached.
- (3) The applicant originally requested approval for a 4135.5-acre unit area. After meeting with the Bureau of Land Management and New Mexico Public Lands personnel, the unit area was reduced to 3514.96 acres. It includes 2078.80 acres of federal land and 1436.16 acres of state land. BLM has designated the unit a logical unit area and the New Mexico Commissioner of Public Lands has given preliminary approval. Both have indicated the proposed unit and unit operating agreements will be approved subject to certain requirements and modifications.

(4) Santa Fe Energy's working interest in the unit is 63.7%. Mitchell Energy has 17.2%, HEYCO has 4.8%, Yates Petroleum has 4.8% and Marshall & Winston has 9.5%. The applicant indicated that Mitchell has responded favorably, but has not ratified the agreement. Other interest owners are still talking.

(5) Morrow sand structure and isopach maps were presented to show that the Morrow sand may be expected to be productive under most of the unit area.

(6) The initial well will be a Morrow test in either Section 30 or 31, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico. The Delaware and Bone Springs formations are secondary objectives.

(7) No interested party appeared at the hearing in opposition to the proposed unit.

(8) All plans of development and operation, and creations, expansions or contractions of participating areas, or expansions or contractions of the unit area should be submitted to the Director of the Division for approval.

IT IS THEREFORE ORDERED THAT:

(1) The Quail Ridge Unit Agreement, executed by Santa Fe Energy Operating Partners, L.P., is hereby approved for all oil and gas in any and all formations underlying 3514.96 acres, more or less, of federal, state and fee lands in Lea County, New Mexico, as further described in Exhibit "A" attached hereto and made a part hereof.

(2) The plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

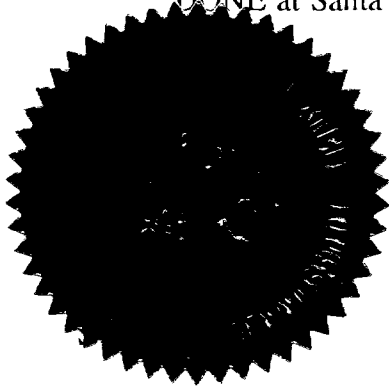
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; in the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of development and operation, all unit participating areas and expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) This order shall become effective upon the approval of said unit agreement by the appropriate agency of the United States Department of Interior and the Commissioner of Public Lands for the State of New Mexico; this order shall terminate ipso facto upon the termination of said unit agreement; and the last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

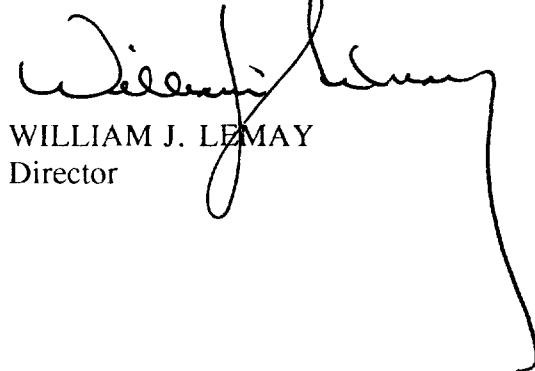

WILLIAM J. LEMAY
Director

EXHIBIT "A"
CASE NO. 11076
ORDER NO. R-10212
QUAIL RIDGE UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM

Section 25: E/2
Section 36: E/2

TOWNSHIP 20 SOUTH, RANGE 34 EAST, NMPM

Section 29: W/2
Section 30: Lots 1-4, E/2 W/2, E/2 (All)
Section 31: Lots 1-4, E/2 W/2, E/2 (All)
Section 32: W/2

TOWNSHIP 21 SOUTH, RANGE 34 EAST, NMPM

Section 5: Lots 1-16 (All)
Section 6: Lots 1, 2, 7, 8, 9, 10, 15 and 16 (E/2
equivalent)

containing 3514.96 acres, more or less.