

DRILLING PROGRAM

Sinagua "19" Federal No. 2

Page 2

9. Abnormal Conditions, Pressures, Temperatures & Potential Hazards:

No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature is 207 degrees Fahrenheit and the estimated bottom hole pressure is 3650 psi. No Hydrogen Sulfide or other hazardous gases or fluids have been encountered in offset wells, but it is reported to exist in the Yates formation: The Yates formation is covered by the existing 9 5/8" casing string, therefore no Hydrogen Sulfide Drilling Operations Plan is being submitted. No major lost circulation zones have been reported in the offsetting wells.

10. Anticipated Starting Date and Duration of Operations:

Road and location work will not begin until approval has been received from the B.L.M. The anticipated spud date is May 15, 1995. Once spudded, the drilling operation should be completed in approximately 45 days. If the well is productive, an additional 30 days will be required for completion and testing before permanent facilities are installed.

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OFFICE

OPERATIONS PLAN

SANTA FE ENERGY RESOURCES, INC.

Sinagua "19" Federal No. 2

1. Remove P & A marker.
2. Weld on well head.
3. Drill out top cement from 0-30' with a rat hole machine.
4. Move in, rig up drilling rig and nipple up BOP's.
5. Pick up 8 3/4" bit and drill out cement plug from 1400-3300', bridge plug at 5500', cement plugs from 5650' to 5750', 6200 to 6300', and 8440' to 8540'.
6. Sidetrack existing well bore at ^{12,200'}~~10,500'~~ and directionally drill to 14,000'. Run logs. *SJS*
7. Either run and cement 4000' of 5 1/2" 17 ppg S-95 LT&C casing followed by 10,000' of 5 1/2" 17.0 ppf N-80 LT&C casing in two stages with a stage collar at approximately 10,000' to bring cement to at least 200' inside the 9 5/8" casing or plug and abandon as per B.L.M. requirements.

Exhibit "A"

Santa Fe Energy Resources, Inc.

Sinagua "19" Federal No. 2

Section 19, T-20-S, R-34-E

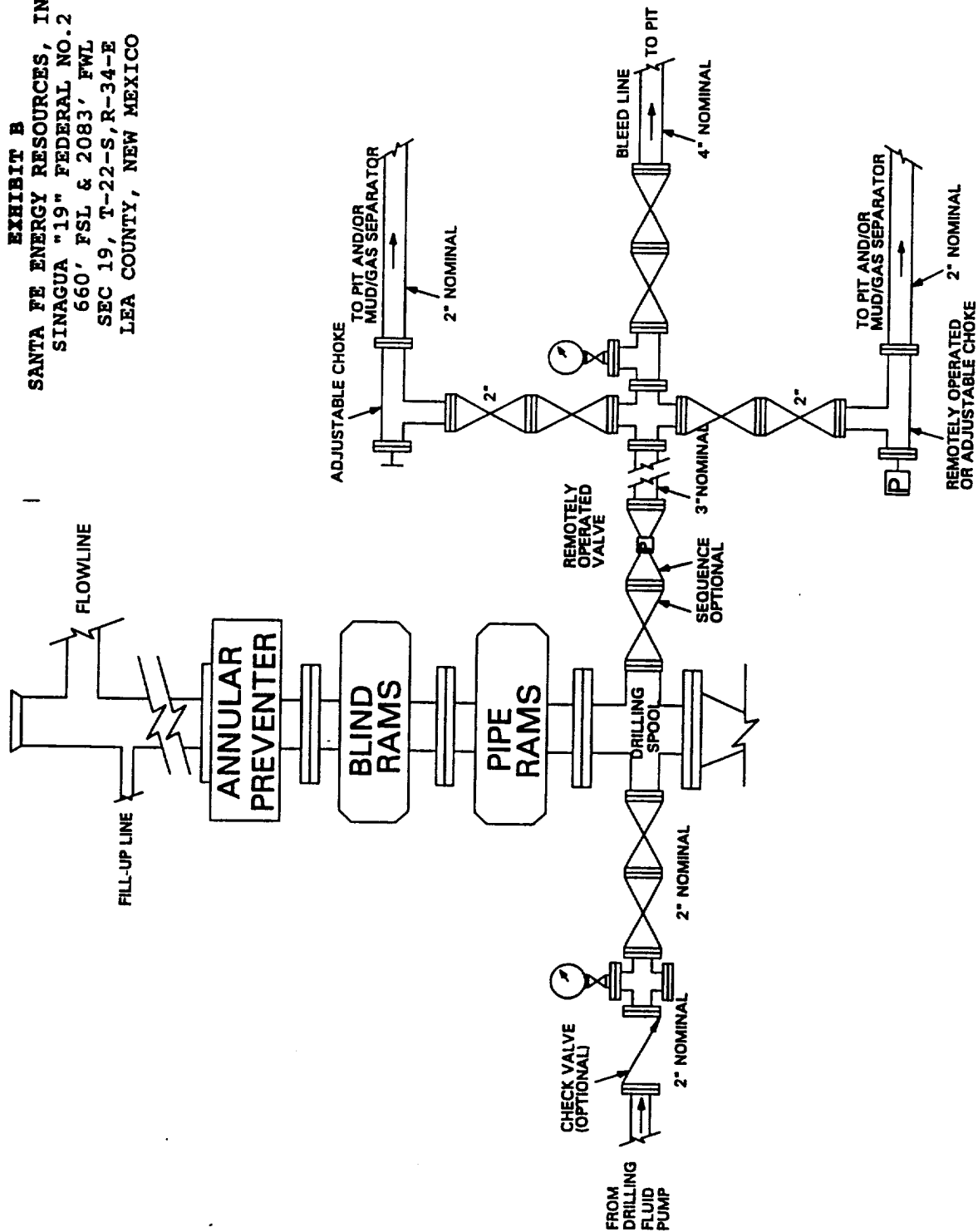
Lea County, New Mexico

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EXHIBIT B
SANTA FE ENERGY RESOURCES, INC.
 SINAGUA "19" FEDERAL NO.2
 660' FSL & 2083' FWL
 SEC 19, T-22-S, R-34-E
 LEA COUNTY, NEW MEXICO



(20) Upon the failure of the operator of said pooled unit(s) to commence re-entry and directional drilling operations on the subject well on or before September 1, 1995, the order pooling the subject unit(s) should become null and void and of no effect whatsoever.

(21) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(22) The operator of the well and unit(s) shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(23) The applicant should be required to conduct a directional survey to determine the location of the kick-off point prior to directional drilling and subsequent to completion of directional drilling operations in order to determine the bottomhole location of the subject well.

(24) The applicant should be required to notify the supervisor of the Division's Hobbs district office of the date and time of conductance of any directional surveys in order that the same may be witnessed. In addition, the applicant should be required to submit copies of the directional surveys to both the Santa Fe and Hobbs offices of the Division upon completion.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Morrow formation underlying the following described acreage in Section 19, Township 20 South, Range 34 East, NMPM, are hereby pooled in the following manner:

Lots 1 through 4 and the E/2 W/2 (W/2 equivalent) to form a 320.28-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 Quail Ridge-Morrow Gas Pool and the Undesignated West Lynch-Morrow Gas Pool; and,

Lots 3 and 4 and the E/2 SW/4 (SW/4 equivalent) to form a 160.19-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(s) shall be dedicated to the plugged and abandoned Cities Service Oil Company Government "N" Com Well No. 1-Y (API No. 30-025-22564) (to be re-designated the Sinagua "19" Federal Com Well No. 2) located 660 feet from the South line and 2084 feet from the West line (Unit N) of Section 19, which will be re-entered by the applicant and directionally drilled in a northerly direction so as to penetrate the Morrow formation at an unorthodox bottomhole gas well location within 50 feet of a point 1060 feet from the South line and 2084 feet from the West line of Section 19, also hereby approved.

PROVIDED HOWEVER THAT, the operator of said unit(s) shall commence re-entry and directional drilling operations on the subject well on or before the 1st day of September, 1995, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Morrow formation.

PROVIDED FURTHER THAT, in the event said operator does not commence re-entry and directional drilling operations on the well on or before the 1st day of September, 1995, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division Director for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Santa Fe Energy Resources, Inc., is hereby designated the operator of the subject well and unit(s).

(3) After the effective date of this order and within 90 days prior to commencing re-entry operations, the operator shall furnish the Division and each known working interest owner in the subject unit(s) an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated well costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

(A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$5200.00 per month while drilling and \$520.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all the parties to this forced pooling order reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit(s) shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.


(15) The applicant shall conduct a directional survey to determine the location of the kick-off point prior to directional drilling and subsequent to completion of directional drilling operations in order to determine the bottomhole location of the subject well.

(16) The applicant shall notify the supervisor of the Division's Hobbs district office of the date and time of conductance of any directional surveys in order that the same may be witnessed. In addition, the applicant shall submit copies of the directional surveys to both the Santa Fe and Hobbs offices of the Division upon completion.

(17) Jurisdiction is hereby 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.

6/7/95
STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

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