

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 and completing said well.

(4) Mr. Walter Krug, doing business as Wallen Production Company, appeared at the hearing through counsel in opposition to the application.

(5) Santa Fe Energy and its partners own over 93% of the working interest in the S/2 of Section 18 and have the right to develop the minerals under the acreage. The other interest owners have been contacted with offers for them to participate in the unit or to sell or farm out their interests.

(6) Pool rules for the Quail Ridge-Morrow Gas Pool provide for 320-acre units with wells to be located no closer than 660 feet to the nearest side boundary nor closer than 1980 feet to the nearest end boundary, nor closer than 330 feet to any quarter-quarter section boundary.

(7) The proposed surface location is within a drilling island authorized by the Bureau of Land Management in the Potash Enclave. The BLM denied two proposed vertical locations outside the drilling island. The island is defined by Yates-formation producing wells at each corner, three of which are operated by Wallen Production Company, the protestor.

(8) The bottomhole location was selected for geologic reasons. Santa Fe Energy submitted Middle and Lower Morrow isopach maps in the thicker part of the reservoirs. The proposed location is also positioned to avoid drainage interference with the Sinagua "18" Well No. 1 in the N/2 of Section 18.

(9) Based on the applicant's testimony, 20-inch surface casing would be set at 450 feet and cemented back to surface. The proposed well would be drilled vertically to the top of the Yates formation at approximately 3300 feet. 13 3/8-inch casing would be set and cemented to surface. Verticalhole would be continued to 5200 feet where 8 5/8-inch casing would be set and cemented with sufficient volume to tie back into the 13 3/8-inch casing. At 5500 feet, the well would be kicked off from the vertical in a southeast direction. Angle would be increased to eight degrees from vertical so as to reach the proposed bottomhole location in the Morrow formation at a depth of 13700 feet. 5 1/2-inch casing would be set to total depth for completion in the Morrow. The BLM has approved Santa Fe Energy's "Application for Permit to Drill" which proposed the casing program described above.

(10) The well is expected to cost \$1,229,000 which is \$150,000 more than a vertical well.