

Santa Fe Energy Resources, Inc.
550 W. Texas, Suite 1330
Midland, TX 79701

October 31, 1995

Michael Stogner
New Mexico Oil Conservation District
P. O. Box 1980
Hobbs, NM 88240

Dear Mr. Stogner:

Santa Fe Energy Resources hereby requests approval to commingle Bone Spring and Delaware production in the Mesa Verde "7" Federal #2, located 1980' FWL & 660' FNL of Sec 7, T24S, R32E, in Lea County, NM. A plat of the area and C-116 forms from each zone are attached. A production decline curve for the Bone Spring zone is also attached. The Delaware has not produced long enough for a decent trend. The estimated bottom-hole pressure for each zone is around 1000 psi. Both zones produce 42° to 41° API gravity oil and the water analysis from each zone is attached. The value of the commingled oil will be the same. The oil is currently commingled at the battery from different wells.

The production will be allocated based on a constant exponential decline from the Bone Spring of 61% (see decline curve). The Delaware zone will be allocated the difference between the actual total production and the calculated Bone Spring production.

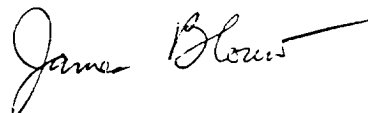
$P_{BS} = P_{BSi} \times .92$ (Initial BS rate of 324 BOPM) where P_{BS} is the monthly BS production and P_{BSi} is the previous month BS production.

$P_{DEL} = P_{TOTAL} - P_{BS}$

Gas production will be assigned to the Bone Spring using a 500 GOR with the difference allocated to the Delaware.

Santa Fe Energy Resources operates all the offset proration units and the BLM has been notified in writing of the proposed commingling.

Sincerely,



James Blount
Production Engineer

Original to Santa Fe
XC: Hobbs