

Robert B. Wilson, Trustee
P.O. Box 10236
Lubbock, Texas 79408
(806) 763-9555

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF TEXAS
EL PASO DIVISION

IN RE:

SANTA FE EXPLORATION COMPANY;
a New Mexico Corporation
and
SANTA FE EXPLORATION COMPANY;
a Texas Corporation
Debtors

CASE NO. 96-31711-LK
(Jointly administered)

MOTION TO SELL REAL AND PERSONAL PROPERTY
OF THE ESTATES

COMES NOW Robert B. Wilson ("Trustee"), Trustee for Santa Fe Exploration Company, Inc., Debtor-in-Possession ("Santa Fe") and files this Motion to Sell Real and Personal Property of the Estates pursuant to 11 U.S.C. § 363(b) and would show the Court as follows:

1. Santa Fe proposes to sell the real and personal property described in Exhibit "A" to Cimarron Exploration Company ("Cimarron") under the terms and conditions and for the consideration set out therein.
2. Santa Fe proposes to sell such properties free and clear of liens. There are liens holders on various properties reflected in Exhibit "A" and same have been served with Notice as required by law.
3. Santa Fe would show that this proposed sale is in the best interest of all the

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creditors of the estates as well as of other parties in interest affected by environmental issues present in this proceeding.

UNLESS OBJECTION IS FILED WITH THE BANKRUPTCY COURT AS BELOW STATED, SAID PROPERTY SHALL BE SOLD ON OR AFTER 9:00 A.M. ON THE 18TH DAY OF JULY, 1997.

NOTICE TO CREDITORS AND PARTIES IN INTEREST:

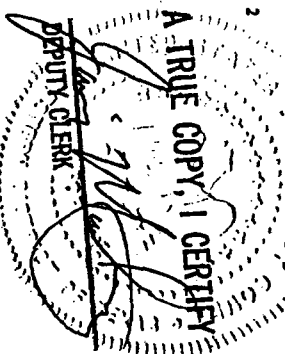
YOU ARE HEREBY NOTIFIED THAT, PURSUANT TO §102 OF THE BANKRUPTCY CODE, YOU ARE GIVEN UNTIL JULY 8, 1997, TO FILE YOUR WRITTEN OBJECTION TO THIS MOTION WITH THE BANKRUPTCY CLERK, U.S. COURTHOUSE, 8515 LOCKHEED, EL PASO, TEXAS 79925. IF NO WRITTEN OBJECTION IS FILED BY THAT DATE, THE COURT MAY ACT UPON THE MATTER WITHOUT FURTHER NOTICE. IF WRITTEN OBJECTIONS ARE FILED, THE MATTER WILL BE SET FOR HEARING BEFORE THE BANKRUPTCY JUDGE WITH NOTICE GIVEN ONLY TO THE OBJECTING PARTIES.

Respectfully submitted,

SIMS, KIDD, HUBBERT & WILSON
P.O. Box 10236
Lubbock, Texas 79408
(806) 763-9555
Attorneys for Trustee
Richard Hubbert
Richard Hubbert
Texas Bar No. 10144500

THE STATUTORY 20 DAYS IS NOT REFLECTED ABOVE BECAUSE A MOTION FOR EXPEDITED HEARING ON OR ABOUT JULY 10, 1997 IS BEING FILED CONTEMPORANEOUSLY WITH THIS MOTION.

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been mailed to Mr. Henry Hobbs, United States Trustee, 903 San Jacinto #230, Austin, Texas 78701, Mr. Gerald P. Keith, Villa de Keith, 210 Campbell, El Paso, Texas 79901, and all parties shown on the attached matrix this 27th day of June, 1997.


Richard Hubbert

THE OFFICE OF
CIMARRON EXPLORATION COMPANY
P.O. BOX 12220
EL PASO, TEXAS 79913-0220

4401 North Mesa - Ste. 201 - El Paso 79902
(915) 533-1122
FAX (915) 533-1172

June 25, 1997

Mr. Robert B. Wilson
SMA5, KIDD, HUBBERT & WILSON, L.L.P.
1205 Broadway
Lubbock, Texas 79401

Re: Santa Fe Exploration Company (Texas and New Mexico) Bankruptcies

Dear Mr. Wilson:

This letter expresses the offer of Cimarron Exploration Company ("Cimarron") to purchase all of the assets of the above-captioned Debtors, except those specific properties excluded below. If this proposal is acceptable to you, the resulting transaction will require Bankruptcy Court approval and the drafting of documents of closing, which will be prepared by Cimarron's oil and gas counsel Philip Brewer and be subject to your review and approval as to form. Unless we agree otherwise, the closing is to take place in Mr. Brewer's office in Roswell, New Mexico. The conveyances and instruments of transfer shall be, as to real property, special warranty deeds; as to personally, bills of sale; and as to any other forms of assets not usually transferred by deeds or bills of sale, according to general industry custom. The transfers shall be transfers of the entire interests of the estates of both of the Debtors, if they are separate entities, and all covenants made and exchanged in the purchase shall run to both Debtors. If they are separate entities. The operating rights to be transferred in the purchase, shall be subject to voting procedures within the appropriate groups of working interests; except, however, the purchase includes a relinquishment by the Debtor(s) of all better agreements the Debtor(s) have with Cimarron and/or W.L. Hunt respecting elections and/or removals of the operator, within the respective groups of holders of working interests in the properties purchased. The proposed terms and conditions also include the following:

1. Purchase Price: The purchase price will be \$962,500.00, payable as follows:
 - a) \$612,500.00 for all property above and except the Buckshot Unit, payable upon final order of the Bankruptcy Court.

- b) \$50,000.00 for immediate transfer of the operating rights to all properties including the Buckshot.
- c) \$300,000.00 upon full and final resolution of that certain adversary proceeding styled *Prost et al v. Santa Fe Exploration et al.*, in such fashion that the Buckshot Unit remains intact with leases that were in place as of January 1, 1995. The estate's working interest in the Buckshot unit shall be transferred to Cimarron upon the payment of the \$300,000.00.

There is an attachment hereto, showing how the price is allocated to specific assets. This offer is for the entirety of the assets, however, and is not an offer for piecemeal sales.

Additional but unquantified components of this offer are that Cimarron will (i) assume and hold the estate harmless from all environmental claims on file in this case upon the properties purchased; and (ii) assume and hold the estate harmless from all ad valorem taxes upon the properties purchased. Cimarron will also withdraw its proofs of claim in these proceedings, provided that the Trustee recognizes that the Debtor(s)' interests in the "Holmstrom" and "Langlie Maritz" properties were either already assigned to Cimarron absolutely or, if any interest remains in the Debtor(s), such remaining interest will pass to Cimarron as part of this sale. Copies of our documentation for those assignments will be forthcoming shortly. The foregoing purchase price will be reduced by the amounts shown below (or by the actual sales prices obtained by the estate) if prior to closing the Trustee has received and accepted offers to purchase the following properties substantially as here set out:

B.K. Queen Unit	\$131,000.00
Lacraft (Dean) Field (salvage)	\$ 6,000.00
Atlantic University (salvage)	\$ 5,400.00

2. Certain properties of the estate(s) that are not operated by Santa Fe Exploration Co. are subject to "joint interest billings" and/or operator's liens. These are:

- a. Hanson Operating Co., \$75,060.74 claimed on the "Riggs" and other leases in Prio County, Texas.
- b. Conoco, Inc. \$4,664.34 "joint interest billing" on the Danciger and Conoco leases, Lea County, New Mexico (filed unsecured).
- c. Wind River Energy, Inc., \$10,882.15, operator's lien for charges on the McFarland 4567 Queen Unit, Andrews County, Texas.

- d. The "Santa Fe Exploration No. 2" in Lea County, New Mexico, is the subject of a general unsecured claim by Harvey B. Yates Co. for \$59,019.28. (Mr. Gilliland has informed Cimarron that there are valid reasons to object to the "HBYCO" claim.)

Of these properties, Cimarron does not wish to purchase any except the Danciger lease. Please note that Cimarron is not buying the Conoco lease; also that Cimarron does not want the Santa Fe Exploration No. 2 but does want the Santa Fe Exploration No. 1. Cimarron misidentified the Santa Fe Exploration No. 1 as No. 2, in previous discussions with you.

3. **Extent of Assets Purchased:** The assets to be purchased by Cimarron shall consist of those items of real and personal property and intangible rights (including rights to operate the properties and any insurance in place for the operation of the assets purchased) owned by the estates legally or beneficially, and whether or not described in the schedules of assets on file in their respective bankruptcies. The Trustee and Cimarron shall cooperate in assembling any more detailed descriptive list of the assets, deemed necessary for purposes of Court approval and/or closing of this sale.

4. **Status of Assets:** Cimarron acknowledges that it is purchasing the assets "as-is-where-is," and no warranty shall be given by you as to condition of the properties or status of oil and gas leases. Notwithstanding the foregoing, the assignments or other instruments of conveyance shall be free and clear of liens, interests, and encumbrances, including operator's liens for joint billing interests, if any, pursuant to 11 U.S.C. § 363.

5. **Affirmative Covenants:** Prior to payment of the initial purchase price, you will in good faith and with reasonable diligence operate the real properties owned by the Debtor(s) in such a manner that the same will not suffer a material adverse change.

After payment of the initial purchase price, you will also in good faith and with reasonable diligence proceed to accomplish the following:

- a. Prosecute (along with Cimarron) the defense of the Prost litigation identified in Paragraph 1(c) above, so that the resolution thereof will benefit the estate as well as Cimarron. Cimarron and the estate shall each bear their own expenses, attorney's fees, and costs in said litigation, but Cimarron is willing to bear those

The Trustee is not to transfer to Cimarron any claims or rights of action he has, arising under Title 11 or other applicable law, except claims and rights of action he may have against Cimarron, if any.

litigation costs such as fees of expert witnesses, court reporters' charges for depositions, and costs of procuring documentary evidence and necessary technical reports. The estate is to bear the fees of the Trustee's attorney, travel costs for the Trustee and his counsel, reproduction costs for the Trustee's copies, and the like. Legal research, like other attorney's services, would be paid for by the client whose attorney did the research. Cimarron will, however, advance the lesser of \$15,000.00 or one-half of the Court-approved attorney's fees of the Trustee incurred in efforts to defend against breakup of the Buckshot Unit as an expense of administration for which Cimarron may request Court approved reimbursement."

b. Cooperate with Cimarron in effecting a smooth transition of the operations associated with the assets purchased by Cimarron.

6. Closing: Unless Cimarron and the Trustee so agree in writing, the purchase agreement will provide that closing will occur at a mutually agreeable time and place, but in no event later than July 18, 1997.

7. Limited Conditions for Withdrawal of Offer: Cimarron and the Trustee agree to work diligently to draft and approve a mutually-satisfactory set of closing documents in good faith and conforming with high substantially to this purchase agreement. Cimarron may not withdraw its offer after this purchase agreement is signed, except in the event that either (i) the Court will not approve the agreement as submitted, or (ii) there occurs new and major damages to the subject assets, substantially affecting their value. Cimarron shall have a right of prior approval as to the form of the Motion and proposed Order to be submitted to the Bankruptcy Court. Cimarron and the Trustee agree to correct and/or to supply any mutually-overlooked details and to seek promptly any Court approval that may be necessitated thereby.

8. You should assume based on this latest offer that Cimarron has decided to become an operating company in the active sense. In order to maintain best economies of scale for operations, Cimarron no longer wants to sell its working interest in the West Knowles leases. Cimarron does wish you to sell the B-K Queen, however, as Cimarron does not have the same incentives to operate that property, as the other offeror has.

9. The decision to become an active operating company is prompted by Mr. Gilliland's recent advice to us, that he received an offer to go to work at \$60,000.00 per year from another operating company in Roswell. Without Gilliland, Cimarron believes it would have a very difficult time trying to hold and operate the acquired properties for re-sale. In order to keep him available to Cimarron, we have, after much thought, decided to assure him (if the Court approves this sale) a similar long-term prospect of continuing employment, to that which he has received from the other company. Cimarron therefore intends to be an active operating company. To keep operations in scale, Cimarron will want to operate all those properties it is here purchasing, including the Buckshot Unit.

10. Easement: No easement will be required in view of Cimarron's advancement of administrative expenses.

11. The Trustee and Cimarron will release all claims against each other at closing, with the exception that (a) the Trustee shall recognize and specially claim, if necessary, Cimarron's post-petition administrative expense claims for monies advanced to continue debtor's operations; (b) the Trustee shall return to Cimarron at the closing any funds on hand which were advanced by Cimarron for administrative expenses; and (c) Cimarron shall defray the Trustee's litigation expenses in the Proct suit, as set forth above.

12. The Trustee shall seek Court approval of the purchase and sale on an expedited basis.

13. General: Headings and captions in this letter are used for locating operative provisions and shall not be read restrictively. The parties agree to use best faith efforts to correct any mutual mistakes or mutual omissions herein, and to do what is necessary and proper to effect the closing.


By your signature below, please indicate your assent to these terms of purchase and sale.

Sincerely,

CIMARRON EXPLORATION COMPANY


Ronald C. Glover
President

ACCEPTED AND AGREED TO:


ROBERT B. WILSON, Trustee
Beneficiary of Santa Fe Exploration Company,
a New Mexico corporation, and Santa Fe
Exploration Company, a Texas corporation
SF-DA-06097

CIMARRON EXPLORATION'S PURCHASE OFFER

Dated: June 24, 1987

IMMEDIATE LIQUIDATION

Current
Value

Buckshot Unit
Carrin Area (including acreage and unit)
E-K Queen Unit
Golden Lane Federal
Lancet (Queen) Field
Sierra Fe Exploration No. 1 (including royalties & minerals)
Superior State - Adit acreage ONLY
Anchor Deep Unit
Langehals Area
Turkey Track Area

IMMEDIATE LIQUIDATION TOTAL

300,000
12,000
134,000
1,000
6,000
1,000
20,000
10,000
5,500
5,500
1,000
484,000

2-YR. LIQUIDATION

Adams University
Dundee "A" Lease
Federal "2P" Lease
Macdonald Ridge (EX Deep)
Mobil Federal Lease
New Mexico Federal
Anderson Comm No. 1
Gulf Federal
Huber Federal
Santa Fe Exploration
State OE (Ranger Lake)
Hightower State "1P" #1
Hightower, Lane B, #1
Orphan Stream Unit
Superior State #1
West Knowles Area

2-YR. LIQUIDATION TOTAL

5,400
4,700
1,000
14,200
1,000
5,400
500
500
3,500
3,100
14,400
64,000
13,300
62,800
23,200
101,100
322,000

OTHER ASSET LIQUIDATION

Vehicle (3 pick-ups)
CD's for Plugging Bonds
Office Furniture & Equipment
Post-Petition Contracts of Insurance, Employment and Office Functions
OTHER ASSET LIQUIDATION TOTAL

OPERATING RIGHTS TO ALL PROPERTIES
TOTAL LIQUIDATION VALUE

3,500
75,000
5,000
10,000
93,800
50,000
\$42,800

Gerald P. Keith
Villa & Keith
210 Campbell
El Paso, Texas 79901

Sierra Well Service, Inc.
P.O. Box 10460
Midland, Texas 79702

Texas Comptroller of Public
Accounts
P.O. Box 13528
Austin, Texas 78711-9939

William A. McAlpine, Jr.
c/o Christopher Mott
Attorney at Law
P.O. Box 1322
El Paso, Texas 79947-1322

I & W Transportation, Inc.
P.O. Box 98
Lobo Hills, New Mexico 88255

Williamson Petroleum Consultants
310 West Wall, Suite 1200
Midland, Texas 79701

Hanson Operating Company, Inc.
P.O. Box 1515
Roswell, New Mexico 88202-1515

B&P Roustabouting, Inc.
P.O. Box 396
Lovington, New Mexico 88260

Dixie Electric
218 S. Williams
Odessa, Texas 79763

John S. Nelson
Atwood, Malone, Turner & Sablin
P.O. Drawer 700
Roswell, New Mexico 88202

HEVCO
P.O. Box 1933
Roswell, New Mexico 88202-1933

Ritter, Barr & Company
P.O. Box 1836
Roswell, New Mexico 88202-1836

Bank of the Southwest
P.O. Box 1638
Roswell, New Mexico 88202-1638

Gandy Corporation
P.O. Box 827
Tatum, New Mexico 88267

Pogo Producing Company
P.O. Box 840498
Joint Interest Remittances
Dallas, Texas 75284-5159

La Salle Partners Limited
200 East Randolph Drive
Chicago, Illinois 60601

Steve Carter, Inc.
P.O. Box 26
Lobo Hills, New Mexico 88255

Reda Company
P.O. Box 1181
Bartlesville, Oklahoma 74005

DA&S Oil Well Servicing, Inc.
P.O. Box 2545
Hobbs, New Mexico 88241-2525

Andrew J. Cloutier
Hinkle, Cox, Eaton, Coffield
& Hensley, L.L.P.
P.O. Box 10
Roswell, New Mexico 88202

Well-Co. Oil Service, Inc.
P.O. Box 631
Brownfield, Texas 79316

Wind River Energy, Inc.
P.O. Box 50455
Midland, Texas 79710-0455

Santa Fe Exploration Company, a
Texas Corporation
201 W. Third Street
Roswell, New Mexico 88201

Cimarron Exploration Company
P.O. Box 12220
El Paso, Texas 79913-0220

Union Supply Company
P.O. Box 85
Midland, Texas 79702-0085

Santa Fe Exploration Company,
a New Mexico Corporation
201 W. Third Street
Roswell, New Mexico 88201

Betty McAlpine
216 Golf Crest Lane
Austin, Texas 78734-4632

Mounce & Galatzan
P.O. Drawer 1977
El Paso, Texas 79950-1977

Norwest Bank NMA, N.A.
Roswell Office
400 North Penny/Vanua Avenue
Roswell, New Mexico 88202-1977

H. Christopher Mott
Krahn, Gordon, Mott, Sanders &
Miranda, P.C.
7400 Vicecount, Suite 103
El Paso, Texas 79925