



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 1, 1998

Santa Fe Energy Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Re: *Division Order No. R-10764, issued in Case No. 11,715 and dated February 14, 1997, which order pooled all mineral interests from the surface to the base of the Morrow formation underlying the S/2 of Section 29, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico, in order to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent. This unit is to be dedicated to Santa Fe Energy Resources, Inc.'s Gaucho Unit Well No. 2 (API No. 30-025-33682) located at a standard gas well location in the NE/4 SW/4 (Unit K) of said Section 29.*

Dear Mr. Bruce:

The Division received the attached letter dated April 24, 1998 from Mr. Robert E. Landreth of Midland, Texas. I am forwarding it to you for Santa Fe Energy Resources, Inc.'s response.

Thank you for your cooperation in this matter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael E. Stogner", with a large, sweeping flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Hobbs
Rand Carroll, Legal Counsel - OCD, Santa Fe
File: Case 11,715
Robert E. Landreth - Midland, Texas

Robert E. Landreth
OIL AND GAS EXPLORATION

505 N. BIG SPRING, SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

FAX# (915) 684-4783

April 24, 1998

The State of New Mexico
Energy, Minerals & Natural Resources Dept.
Oil Conservation Division
2040 S. Pacheco
Santa Fe, New Mexico 87505

ATTN: Mr. Michael Stogner

RE: Case No. 11715
Order No. R-10764
Compulsory Pooling
Lea Co., NM

Dear Mr. Stogner:

The captioned order required that the operator, Santa Fe Energy Resources, Inc., furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well. As a working interest owner and force pooled party in this case, I have yet to receive this information, and I understand it has not yet been received by your office. The well in question was completed in June of 1997 as a producing gas well.

I would like to review these costs in order ascertain whether or not I believe they are reasonable.

Sincerely,



Robert E. Landreth