



**Santa Fe Energy Resources, Inc.**

**CERTIFIED MAIL - RETURN RECEIPT**

October 1, 1997

Doyle Hartman  
P.O. Box 10426  
Midland, Texas 79702

Larry Nermyr  
Box 4206S  
Sidney, Montana 59270

**Re: Topaz "19" Fed. Com #1 Well**  
Surface Location  
660' FSL & 2084' FWL  
Sidetracked Bottom Hole Location  
1100' FSL & 660' FWL  
Section 19: W/2, T-20-S, R-34-E  
Lea County, New Mexico  
**Topaz Prospect - #NM-0319**

Gentlemen:

Santa Fe Energy hereby proposes to re-enter and complete a 14,000' Morrow test well at the above captioned location. Please find enclosed Santa Fe's AFE reflecting dry hole costs of \$610,050 and completed well costs of \$895,025. In the event the vertical completion is unsuccessful, the AFE provides funds to sidetrack and complete at a bottom hole location of 1100' FSL and 660' FWL.

Our records indicate your ownership of a leasehold interest in the W/2 of Section 19, and in that regard, Santa Fe requests your review and election of one of the following:

- a) Participate in the drilling of the well by returning an executed copy of the enclosed AFE. A Joint Operating Agreement will be forwarded for your review and execution at a later date.
- b) Farmout your right, title and interest in the drilling and spacing unit delivering to Santa Fe an 80% NRI Lease.
- c) Sell your interest to Santa Fe in the W/2 of Section 19 for \$100.00 per net acre bonus.

Should an alternative type of trade be of interest to you, please do not hesitate to contact me at (915) 686-6736.

Yours very truly,

Joe W. Hammond

JWH/efw (EWOR2253)

1 Encl a/s

Central Division  
550 W Texas, Suite 1330  
Midland, Texas 79701  
915/687-3551

NEW MEXICO  
OIL CONSERVATION DIVISION

Santa Fe EXHIBIT 4

CASE NO. 11888



## SANTA FE ENERGY RESOURCES INC.

## GENERALIZED WELL COSTS ESTIMATE

WELL NAME  
LOCATION  
DESCRIPTIONTopaz 19 Federal Com. No.1  
660' FSL, 2083' FWL, Sec. 19, T-20-S, R-34-E, Lea Co. N. M.  
Clean out, test, plug back, side track to BHL 660' FWL, 1100' FSL

TOPAZ19.XLS

ACCOUNT	DESCRIPTION OF COSTS		DRY HOLE	PRODUCER
501- 000	TANGIBLE WELL COSTS			
501- 041	Conductor Csg			
501- 041	Surface Csg			
501- 041	Protection Csg			
501- 041	Intermediate Csg			
501- 041	Prod Csg	5-1/2" N-80 & S-95 LT&C @ 14000'		119,000
501- 041	Prod Liner			
501- 042	Tubing	2-3/8" 4.7ppf N-80 8rd EUE @ 14000'		35,000
501- 043	Wellhead			10,000
501- 044	Pmpg Unit			
501- 045	Prime Mover			
501- 050	Other Dwn Hole Equip			
501- 050	Rods			
501- 050	Subsurface Pmps			
501- 055	Csg Equip			750
501- 055	Electrical			
501- 055	Misc. Tangibles			
501- 055	Rod Equip			
501- 055	Tubing Equip			1,000
	TOTAL TANGIBLE COSTS			165,750
541- 000	LEASE FACILITY COSTS			
541- 050	Flowlines			2,000
541- 050	Labor			15,000
541- 050	Other Prod Equip	Separator, GPU, Dehydrator		30,000
541- 050	Tank Facilities			15,000
	TOTAL FACILITY COSTS			62,000
511- 000	INTANGIBLE WELL COSTS			
511- 021	Location		10,000	10,000
511- 022	Fencing		1,000	1,000
511- 026	Drilling Water		15,000	15,000
511- 031	Contractor Moving Exp		30,000	30,000
511- 032	Cont Footage or Turnkey			
511- 032	Contractor Daywork	30 days @ \$7500/day	225,000	225,000
511- 033	Drig Fluid & Additives		25,000	25,000
511- 034	Bits & Reamers		30,000	30,000
511- 036	Coring & Core Analyses			
511- 037	Cement		10,000	20,000
511- 039	Inspection & Tstg of Tang			5,000
511- 041	Directional Drig Surveys			
511- 042	Drilling Equip Rental	Directional Drilling Equipment 20@7500/day	150,000	150,000
511- 043	Open Hole Logging		30,000	30,000
511- 044	Drill Stem Tstg		10,000	10,000
511- 045	Mud Logging	20@500/day	10,000	10,000
511- 051	Transportation		5,000	10,000
511- 052	Completion Unit	\$1500/day for 8 days		12,000
511- 053	Completion Tool Rental			5,000
511- 054	Cased Hole Logs & Perfing			5,000
511- 055	Stimulation			15,000
511- 056	Rigsite Supervision	30/40@\$500/day	15,000	20,000
511- 072	Administrative Overhead		5,000	5,000
511- 099	Fishing Tools & Exp			
511- 099	Testing: BHP, GOR, 4 Pt Pot			2,500
	Abandonment Cost		10,000	
	Other Intangibles			
0.05	Contingency (5%)		29,050	31,775
	TOTAL INTANGIBLES		610,050	667,275
	TOTAL COSTS		610,050	895,025

OPERATION DEPT APPROVAL (Initials)

APPROVAL DATE *MMH* 9/12/97

SFER APPROVAL

APPROVAL DATE *DD DILL*

ENGINEERING DEPT APPROVAL (Initials)

APPROVAL DATE *MMH*

NON-OPERATOR APPROVAL

APPROVAL DATE

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:**

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

DOYLE HARTMAN  
P.O. BOX 10426  
MIDLAND TX 79702

4a. Article Number

P 268 442 214

4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

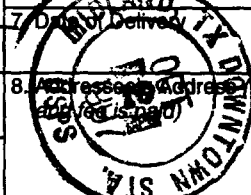
7. Date of Delivery

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)



PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

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I also wish to receive the following services (for an extra fee):

1. ☐ Addressee's Address
2. ☐ Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

LARRY NERMYR  
BOX 4206S  
SIDNEY MT 59270

4a. Article Number

P 268 442 213

4b. Service Type

- ☐ Registered ☒ Certified  
☐ Express Mail ☐ Insured  
☒ Return Receipt for Merchandise ☐ COD

7. Date of Delivery

10-10-97

5. Received By: (Print Name)

6. Signature: (Addressee or Agent)

X

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.