



Santa Fe Energy Resources, Inc.

VIA FAX AND U.S. MAIL

March 2, 1998

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
ATTN: Mr. Robert Bullock

Re: Proposed Working Interest Unit
Township 18 South, Range 30 East
Section 24: All
Section 25: N/2
Eddy County, New Mexico
960 acres, more or less
Benson Prospect - SFER #NM-0937

Gentlemen:

Santa Fe Energy Resources, Inc. hereby proposes the formation of the captioned working interest unit in order to drill a Morrow test in the W/2 of Section 24, T-18-S, R-30-E. The information we have indicates that the unit would be owned as follows:

Yates Petroleum	510.62 net acres or 53.18930%
Santa Fe Energy ⁽¹⁾	302.77 net acres or 31.53808%
Enron Oil & Gas	78.77 net acres or 8.20475%
Hanson Operating Co., Inc.	56.00 net acres or 5.83333%
Rio Pecos Corp.	2.96 net acres or 0.30864%
Pathfinder Exploration	2.96 net acres or 0.30864%
TARA-JON Corp.	2.96 net acres or 0.30864%
William P. Wooley	2.96 net acres or 0.30864%

(1) Roger Elliott and Todd Wilson would have a contractual right to participate for a 0.82047% interest each out of Santa Fe's interest, however, they currently own no leasehold rights.

This proposal is based upon Yates being named Operator and would require that operations be commenced prior to June 1, 1998.

If you have any interest in this proposal, please call me at (915) 686-6712. Your earliest response will be appreciated.

Sincerely,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith
Senior Staff Landman

yates001.doc

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

EXHIBIT