



*Robert E. Landreth*  
OIL AND GAS EXPLORATION

505 N. ■ G SPRING, SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

FAX# (915) 684-4783

March 28, 1997

FACSIMILE: 915/686-6714

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

Attention: Mr. Randy Arnold and  
Mr. Joe Hammond

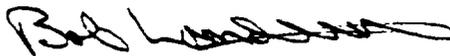
Re: Gaucho Unit No. 2 Well

Gentlemen:

In line with your letter of March 24, 1997 and our related conversations and agreement, please be advised that I elect to participate in the drilling of the captioned well to the extent of 25% of my 37.5% working interest, with the balance to be subject to the Compulsory Pooling Order in effect for this well. Enclosed herewith is a check for \$116,250.00, representing my 9.375% working interest to casing point, based on the AFE which you furnished, executed copy of which is attached.

With respect an Operating Agreement for this well, I have only the Operating Agreement dated May 1, 1996 which was prepared for the Gaucho Unit No. 1 well. I assume that I will be executing an Operating Agreement which covers only the S/2 Section 29, T22S, R34E. The prior Operating Agreement contains a provision in Article XV-A to the effect that non-consenting parties relinquish all interest in a reworking operation. While this is probably intended to apply only to working interest, I do have an overriding royalty as a result of prior trades with Amerada Hess, and I believe this paragraph needs to be modified so that it is clear that my override would not be relinquished under those circumstances. Also, Sharon Miller in your Houston office has indicated that Santa Fe is willing to market my share of the gas and to make disbursements thereon, although I have not yet received her letter.

Sincerely,



Robert E. Landreth

REL/sp

