





*File  
Gaucho*

*Robert E. Landreth*  
OIL AND GAS EXPLORATION

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June 29, 1998

FACSIMILE: 686-6648

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

ATTN: Mr. Don DeCarlo

RE: NMOCD #11715  
Order #R-10764  
Gaucho Unit #2-Y  
Lea County, NM

Dear Mr. DeCarlo:

As you are probably aware, a hearing has been scheduled before the New Mexico Oil Conservation Division in Santa Fe on July 9, 1998 to determine reasonable well costs for the captioned well.

A review of NMOCD policies and regulations as well as discussions with legal counsel indicates to us that the costs associated with the drilling of the abandoned Gaucho Unit #2 hole cannot be included in reasonable well costs for the Gaucho #2-Y replacement well and thereby subjected to the force pooling penalty. Our request for hearing is to simply request/demand that we be treated like any other party under the terms of a compulsory pooling order.

We believe this is an issue that is clearly defined under NMOCD regulations and would like to avoid the expense of and preparation for this hearing. If Santa Fe agrees, I would appreciate hearing from you in this regard at your earliest convenience.

Yours very truly,

*W. Kurt Finkbeiner*  
W. Kurt Finkbeiner  
Operations Engineer

EXHIBIT  
22