STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF ROBERT E. LANDRETH FOR A DETERMINATION OF REASONABLE WELL COSTS LEA COUNTY, NEW MEXICO

CASE NO. 12008

REPLY OF SANTA FE ENERGY RESOURCES, INC.

Comes now Santa Fe Energy Resources, Inc. ("Santa Fe") and replies to Robert E. Landreth's ("Landreth") response to Santa Fe's motion to dismiss his case.

THE PROBLEM

Santa Fe commenced drilling the Gaucho Unit Well No. 2 ("the original well") which was lost when the drill string separated at 3,783 feet. They continued operations by skidding the rig 75 feet and drilling the Gaucho Unit Well No. 2-Y ("the substitute well") which was completed as a very successful Morrow gas well.[1]

When an original well fails under these circumstances, the custom and practice in the oil and gas industry is to treat a substitute well as a continuation of the operations commenced on the original well.[2] The problem is that Landreth accepts this fact as to 9.375% of his working interest but argues to the contrary as to the balance of his working interest.

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[1] See **Exhibit 1**

[2] See **Exhibit 12**

He now wants the Division to declare that 28.125% of his share of production from the substitute well cannot be used to pay for his share of the costs and penalty for the original well.

THE ISSUES

These are the issues involved in this case and the sequence in which those issues should be addressed by the Division: (a) did the Joint Operating Agreement, including Revised Exhibit "A", replace the compulsory pooling order affecting Landreth's interest; (b) if not, then did the compulsory pooling order apply to Landreth's interest in the substitute well; and (c) in either case, can Landreth's share of production in the substitute well be applied to pay for his costs and penalty for the original well.

More specifically, does the Division have jurisdiction to interpret the intent of the parties in making this contract or should this matter be stayed by the Division and resolved by the courts.

If the Division asserts jurisdiction, then the Division must decide if Santa Fe's Joint Operating Agreement ("JOA"), including revised Exhibit "A", is clear and unambiguous. If so, then the Division must grant Santa Fe's Motion to Dismiss because on April 30, 1997, after the date of the compulsory pooling order, Landreth signed and accepted Santa Fe's JOA **including** the Revised Exhibit "A" dated 4/21/97 and in doing so, agreed to the redrilling of this well and agreed that he was participating for 25% of his interest (9.375% WI) and going "non-consent" as to the remaining 75% of his interest (28.125% WI) as to both the original well and the substitute well. Revised Exhibit "A"

is clear and unambiguous. When the language of a contract can be fairly and reasonably construed in only one way, the contract is not ambiguous and the court cannot rely upon parol or extrinsic evidence to determine the intent of the parties.[3] If the court decides that a writing was intended as a contract, the court is bound by the parol evidence rule from hearing collateral evidence for purposes of construing the contract in a manner that varies or contradicts the clear and unambiguous language of that contract.[4]

However, if the JOA is ambiguous, then parol or extrinsic evidence is admissible, and the Division's Examiner will have to engage in a complicated hearing involving (i) all of the documentary evidence to decide if the JOA replaced the compulsory pooling order and if so to what extent and (ii) all the testimony of the parties so that he can decide what Landreth was doing when he signed the JOA and approved Revised Exhibit "A".[5]

If the Division decides that the JOA replaced the compulsory pooling order, then this case is over. If not, then the Division must decide if the compulsory pooling order applies to the original well and the substitute well. Finally, the Division will have to decide if its compulsory pooling orders will be consistent with the custom and practice of the oil and gas industry concerning substitute wells.

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[3] See **Harper Oil Company v. Yates Petroleum Corporation**, 105 N.M. 430 (1987).

[4] See **C. R. Anthony Company v. Loretto Mall Partners**, 112 N.M. 504 (1991), which is cited in Landreth's Response at page 8 but whose holding is exactly opposite from the point upon which Landreth wants to rely.

[5] See **C. R. Anthony Company**, supra.

ARGUMENT

In his response to Santa Fe's motion to dismiss, Landreth contends for the first time that the compulsory pooling order only covered the original well; that the pooling order expired; that by skidding the rig and redrilling the well, 28.125% of his interest in the substitute well is not subject to the compulsory pooling order; and that none of his share of production from the substitute well can be applied to pay for his share of the costs or the 200% risk penalty for the original well.

In order to support his new position, Landreth has to distort the facts, abandon previous admissions and attempt to weave his way past two very simple facts---Revised Exhibit "A" to the JOA clearly includes both the original well and the substitute well and clearly provides for the recovery of a 300% penalty before Landreth is entitled to his original 37.5% working interest.

There is no question, Landreth has conceded that the costs and penalty for both wells can be paid for by production from the substitute well. Only now after Santa Fe drilled the substitute well[6] in time to save Landreth's expiring lease[7] and only after the substitute well nears payout of its cost plus 200% penalty,[8] does Landreth come forward

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[6] The original well was abandoned on March 31, 1997, the rig was skid 75 feet and the substitute well spudded on April 4, 1997. See **Exhibit 1** attached.

[7] **See Exhibit 1** (Landreth's lease would have expired on June 30, 1997)

[8] **See Exhibit 11**

with this novel notion that he should not have to reimburse Santa Fe for the enormous risk he asked them to assume for him.

LANDRETH'S DISTORTION #1:

Landreth now contends that the original pooling order does not apply to the substitute well. While it is Santa Fe's position that the JOA replaced the compulsory pooling order, if the Division concludes it did not, it must also reject Landreth's contention that it does not apply to the substitute well. Amazingly, Landreth has already rejected his own argument both before and after his attorney filed his Response. On April 24, 1998, Landreth wrote to the Division admitting that he is "a working interest owner and a forced pooled party..." and conceding that the "well in question was completed in June of 1997."[9] **See Exhibit 3.** On June 29, 1998, Landreth's engineer wrote to Santa Fe admitting that the compulsory pooling order applied to the substitute well but contending Landreth's share of the costs of the original well should be excluded. **See Exhibit 4.** On December 4, 1998, Landreth wrote to Santa Fe and admitted that all he wanted was "simply for an exclusion of the costs associated with the Gaucho #2 well..." **See Exhibit 5.** In addition, this argument is contrary to the letter his attorney filed with the Division dated June 4, 1998 admitting that the compulsory pooling order and its well cost provisions apply to both the original well and substitute well which Santa Fe "has drilled on this pooled unit." **See Exhibit 6.**

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[9] Landreth is referring to the substitute well.

It is impossible to accept Landreth's argument about the compulsory pooling order not applying to Landreth's interest in the substitute well when he admits that Revised Exhibit "A" "shows Landreth's 9.375% prepayout interest and his 37.5% working interest after Santa Fe recoups the actual costs and risk charged authorized by Order No R-10764." **See Landreth's Response at page 8.** If Landreth wants to believe that Revised Exhibit "A" is consistent with his March 28, 1997 letter, then he must also concede that Revised Exhibit "A" contains the following caption: "INITIAL WELL: GAUCHO UNIT NO. 2 & 2-Y WELLS" which clearly shows that Landreth is agreeing to go non-consent for 300% as to both the original and substitute wells.

Recognizing the fatal flaw in Landreth's position, his attorney is now attempting to retract all of Landreth's admissions that the compulsory pooling order applies to the substitute well.[10] Because if he does not, then the only logical conclusion would be that if the pooling order applies to the substitute well, then it also must still apply to the original well. When that happens, production from the substitute well can be used to pay for the original well and Landreth's claim is denied. Fortunately, the doctrine of estoppel prevents Landreth from advancing a claim which is inconsistent with his prior position. See **Rodriguez v. La Mesilla Cost. Co.** 123 N.M. 489 (N.M.App. 1997).

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[10] **See Exhibit 5.**

LANDRETH'S DISTORTION #2

Landreth argues that Revised Exhibit "A" is simply a reflection of Landreth's "agreement"[11] with Santa Fe as set forth in his March 28, 1997 letter. **See Exhibit 7** However, his argument totally ignores the consequences of his approval of a subsequent letter dated March 31, 1997 which is contrary to and replaces the prior letter. **See Exhibit 8**. Santa Fe's March 31, 1997 letter advised Landreth that the original well was lost, but more importantly states the percentages of ownership which lists Landreth with 9.375%. This means that the rest of his interest is "non-consent" and is controlled by Santa Fe and Southwestern, each with 45.3125%, until they have recovered Landreth's share of costs and penalty for the substitute well. Once he agreed in writing that his interest is 9.375% then he is estopped to later claim that 28.125% of his interest has not been committed to the substitute well. On April 1, 1997 when Landreth signed and approved the March 31, 1997 letter, if he was of the opinion that he was no longer subject to the compulsory pooling order for the substitute well, then he should not have signed this letter. By approving the March 31, 1997 letter, Landreth also agreed to the continuation of operations commenced for the original well and conceded that he should pay for both.

He is barred by the doctrine of equitable estoppel from now disavowing the consequences of having approved the March 31, 1997 letter agreement. Those consequences are that Revised Exhibit "A" is consistent with the March 31, 1997 letter

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[11] **Santa Fe denies that this letter was an agreement.**

and not the March 28, 1997 letter; that Santa Fe and Southwestern can recover from 28.125% of Landreth's interest the costs and non-consent penalty for both wells; and that the drilling of the substitute well is simply a continuation of the operations commenced for the original well. See **Brown v. Taylor**, 120 N.M. 302 (1995)

LANDRETH'S DISTORTION #3:

Landreth also contends that Revised Exhibit "A" does **not** commit all of Landreth's interest in both wells to the JOA. He does so by trying to confuse the Division into incorrectly understanding Revised Exhibit "A". To do so, he directs the Division's attention to the interest of Amerada Hess whose interest continues to be subject to the compulsory pooling order and then states "Neither Amerada Hess nor Landreth ever agreed to a 300% risk penalty provision." **Landreth's Response at page 6.** Nothing could be farther from the truth. Landreth, not Amerada Hess, signed the JOA. Amerada Hess, not Landreth, is still subject to the compulsory pooling order. By signing the JOA and approving Revised Exhibit "A" Landreth agreed to a 300% penalty.[12] **See Exhibits 8 & 9.** If he did not, then the right column of Revised Exhibit "A" should be deleted.[13] If he did not, then the heading for that column which states "WI (APO 300%)" has no purpose or meaning.

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[12] For illustration purposes, the relevant portions of Revised Exhibit "A" have been pasted together on one page.

[13] **See Exhibit 10 & 11**

Landreth now wants to avoid the clear and unambiguous meaning of Revised Exhibit "A"---language which can be fairly and reasonably construed in only one way---language in which Landreth has agreed that he was participating for 25% of his working interest (9.375%) and going "non-consent" as to the remaining 75% of his working interest (28.125%) as to both the original and substitute well.

Finally and wrongly, Landreth contends that Revised Exhibit "A" is consistent with the March 28, 1997 letter. This contention is also not true. Revised Exhibit "A" would have to be significantly different if it were to be consistent with the March 28, 1997 letter. **See Exhibit 10 (an sample of how Revised Exhibit "A" would have to be modified to be consistent with the March 28, 1997 letter).**

The fundamental problem with Landreth's argument is that it just does not matter whether the compulsory pooling order is still in effect or not. He cannot escape the simple fact that by signing the JOA and approving its Revised Exhibit "A", he has conceded that the costs and penalty for both wells can be paid for by production from the substitute well.

LANDRETH'S DISTORTION #4

In a desperate attempt to avoid the consequences of Revised Exhibit "A", Landreth incorrectly argues that the Division can use parol or extrinsic evidence to obtain a "contextual understanding" of a clear and unambiguous contract. **See Landreth Response page 8**. This is just a clever attempt to mislead the Division into allowing Landreth to

improperly introduce extrinsic evidence so he can contradict the clear and unambiguous language of Revised Exhibit "A". To fall into Landreth's legal trap is to undermine the finality of an unambiguous contract.[14] It is obvious that Landreth is desperate to have the Division look behind the contract so that he can now testify that he never intended to pay for the costs of the original well. The cases cited by Landreth are either factually or legally distinguishable or do not support his contention in this case.[15] His attempt to have the Division enter into a complex evidentiary hearing to reconstruct the events leading up to his approval of Revised Exhibit "A" only induces the Division to exceed its jurisdictional authority by "construing a contract and interpreting the intent of the parties". This is an activity far outside the Division's jurisdiction, expertise and authority.

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[14] See **C. R. Anthony Co. v. Loretto Mall Partners**, 112 N.M. 504 (1991).

[15] The **Anthony** decision, dealing with the issues of "mutual mistake" and an "unambiguous lease", support's Santa Fe and not Landreth. The **Mark V** decision, involving an ambiguous contract, held that evidence may be presented to fact finder to aid in interpretation of ambiguous agreement, but no evidence should be received when its purpose or effect is to contradict or vary the agreement's terms. The **Jaramillo** decision, dealing with the definition of "you" in an insurance agreement and relying upon the **Anthony** and **Mark V** cases, held that the court may consider the context in which a contract was made to determine whether the parties' words are ambiguous. In Landreth's case, he concedes that Revised Exhibit "A" is **not** ambiguous.

LANDRETH'S DISTORTION #5

To illustrate how convoluted such a hearing would be if the Division engages in an extrinsic evidentiary proceeding to construe the JOA, it is necessary only to examine Landreth's reference to Steve Smith's letter dated May 4, 1998 cited by Landreth to support his contention that Santa Fe's "actions following the execution of the operating agreement were consistent with the March 28, 1997 agreement..." If Mr. Smith were to testify then he would tell the Division that he was newly employed by Santa Fe, did not examine this issue, simply assumed the pooling order was still valid as to both wells because Landreth said so, and was only relying to Landreth's letter requesting the costs for the wells.[16] Afterwards, Mr. Smith has examined this issue and has reached the conclusion that by signing Santa Fe's JOA and approving its Revised Exhibit "A", Landreth has conceded that the costs and penalty for both wells can be paid for by production from the substitute well.[17]

LANDRETH'S DISTORTION #6

After the substitute well is completed and production established, Santa Fe asked the Turner & Davis law firm ("Turner") to determine what parties were entitled to share in that production and in what percentages. Turner examined all of the documents, including the compulsory pooling order and JOA. On October 6, 1997 it rendered a

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[16] **See Exhibit 11** (Steve Smith Affidavit).

[17] **See Exhibit 11** (Steve Smith Affidavit)

Division Order Title Opinion which concluded that (a) the compulsory pooling order applied to the substitute well; and (b) that 28.125% of Landreth's interest in the substitute well is subject to a 300% reimbursement by Santa Fe and Southwestern. The opinion did not address the topic of whether the costs of the original well could be paid for with production from the substitute well.

In order to advance his argument, Landreth wants the Division to accept only that part of the Turner Opinion which he argues supports his conclusion that the JOA did not "replace" the compulsory pooling order and conveniently forgets the second part of the opinion which concluded that the pooling order applies to the substitute well for which Landreth is "300% non-consent" as to 28.125% of his interest.

Landreth cannot have it both ways. He cannot selectively adopt part of the opinion and ignore that part which he does not like. Landreth cannot reject that portion of the Turner Opinion which shows that the compulsory pooling order continues to apply to the substitute well.

The Turner Opinion does not address whether the costs of the original well can be paid for with production from the substitute well. Santa Fe has obtain a supplemental opinion from Turner which answers that question in the affirmative.[18]

If the Division wants to rely upon Turner to decide this case, then the Division can conclude that (a) the compulsory pooling order applies to the substitute well; (b) 28.125% of Landreth's interest in the substitute well is subject to a 300% reimbursement to Santa

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[18] **See Exhibit 12** (Turner Affidavit).

Fe and Southwestern; and (c) Landreth's share of production from the substitute well can be applied to pay for his share of the costs and penalty for the original well.

LANDRETH'S DISTORTION #7

At this point, the only argument left to Landreth is to contend that he made a mistake when he approved Revised Exhibit "A". However, a unilateral mistake by Landreth is no excuse for avoiding the consequences of Revised Exhibit "A". See **Albuquerque Nat. Bank v. Albuquerque Ranch Estates, Inc.** 99 N.M. 95 (1982) where the New Mexico Supreme Court held that the equitable defense of mistake of fact is not available where the alleged mistake was occasioned by the party's own negligence.

CONCLUSION

It makes no sense to say that Landreth's master plan was to allow him to escape reimbursing Santa Fe for his non-consent share of the costs of the original well. If this was his plan, why did he not raise this issue with Santa Fe when he approved the redrilling of this well on April 1, 1997? Why did he not raise this issue as he received the daily drilling reports for the drilling of the substitute well which showed the costs associated with the original well"?[19] Why did he not raise this issue with Santa Fe during the period in April-May, 1997 when he was negotiating changes to the JOA? Why

[19] **See Exhibit 13** (daily drilling report summaries which Landreth received in accordance with the JOA).

did he not raise this issue when he made his casing point election on June 9, 1997? Why did he wait until he knew that the substitute well was reaching pay out to raise this issue? Why did he wait some 10 months after the substitute well was completed and with knowledge of the ongoing audit of well costs to complain?

What is the purpose for splitting his interest between the JOA and the compulsory pooling order? Was it done so he could later argue the costs of substitute well could not be used to pay for his share of the original well? No; it was simply a vehicle to allow Landreth to participate by going non-consent on both wells for costs plus the 200% penalty as to 28.125% of his interest.

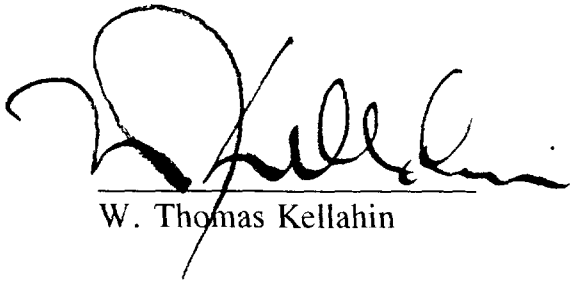
The answer is that what he originally planned to have happen did happen. What he now wants to avoid cannot be avoided. He planned to have 28.125% of his interest subject to a 300% non consent penalty for both the original well and substitute well with his production from the substitute well pay for all those costs and penalties.

Whether the JOA replaced the compulsory pooling order or whether the compulsory pooling order applies to both wells does not matter. Either way, Landreth's looses because the substitute well is simply a continuation of the operations commenced on the original well and by his own actions is equitably estopped from arguing to the contrary.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504 (505) 982-4285

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing motion was hand delivered to opposing counsel this 18 day of December, 1998.



W. Thomas Kellahin

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(July 1992)

UNI
DEPARTMEN
BUREAU OF

POOL CODE
EFF DATE 11/14/96
API NO. 30-025-33682

Form Approved
Budget Bureau No. 1004-0136
Expires: February 28, 1995

APPLICATION FOR P

1a. TYPE OF WORK: DRILL [X] DEEPEN [ ]	5. LEASE DESIGNATION AND SERIAL NO.: NM-69596
b. TYPE OF WELL: OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]	6. IF INDIAN, ALLOTTEE OR TRIBE NAME:
2. NAME OF OPERATOR: Santa Fe Energy Resources, Inc.	7. UNIT AGREEMENT NAME: Gaucho
3. ADDRESS AND TELEPHONE NO.: 550 W. Texas, Suite 1330; Midland, Texas 79701 (915)682-6373	8. FARM OR LEASE NAME, WELL NO.: Gaucho Unit #2
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*) At surface: (K) 1650' FSL & 1650' FWL; At proposed prod. zone	9. API WELL NO.:
	10. FIELD AND POOL, OR WILDCAT: ~~North Bell Lake~~ Wildcat - Morrow
	11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: Sec. 29, T-22-S, R-34-E
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: 20 miles west of Jal, New Mexico	12. COUNTY OR PARISH: Lea; 13. STATE: New Mexico
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any): 990'	16. NO. OF ACRES IN LEASE: 320; 17. NO. OF ACRES ASSIGNED TO THIS WELL: 320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.: NA	19. PROPOSED DEPTH: 13600'; 20. ROTARY OR CABLE TOOLS: Rotary
21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3426' GR	22. APPROX. DATE WORK WILL START*: October 25, 1996

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	H-40 13 3/8"	48.0	800'	850 sx to circulate WITNESS
12 1/4"	K-55 9 5/8"	40.0	5000'	1550 sx to circulate WITNESS
8 3/4"	S-95 & P-110 7"	26.0	11800'	800 sx to TOC @ 6000'
6 1/8"	S-95 4 1/2"	13.5	13600'	225 sx (circ to liner top)

We propose to drill to a depth sufficient to test the Morrow formation for gas. If productive, a 4 1/2" liner will be run to TD. If non-productive, the well will be plugged and abandoned in a manner consistent with Federal Regulations. Specific programs as per Onshore Oil and Gas Order No. 1 are outlined in the following attachments:

Drilling Program
- Exhibit A - Operations Plan
- Exhibit B - BOP and Choke Schematic 5-M
- Exhibit B(A) - BOP and Choke Schematic 10-M
- Exhibit C - Drilling Fluid Program
- Exhibit D - Auxiliary Equipment
- Exhibit E - Topo Map at Location
- Exhibit F - Map Showing Existing Wells
- Exhibit F (A) - Plat of Location
- Exhibit G - Well Site Layout
- Surface Use and Operations Plan

Santa Fe Energy Resources, Inc. accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land or portion thereof, as described above.

Bond Coverage: Blanket Bond BLM Bond File No.: MT 0750

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED James F. Phillipson TITLE Agent for Santa Fe Energy DATE 9-30-96

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereo

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY (ORIG. SGD.) TONY L. FERGUSON TITLE ADM, MINERALS DATE 11-12-96

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

EXHIBIT 1

OPERATOR'S COPY

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
APR 3 1 25 PM '97
BUREAU OF LAND MGMT
HOBBS, NM

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

5. Lease Designation and Serial No.
NM-69596

6. If Indian, Allottee or Tribe Name

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

RECEIVED
JUN 1 8 1997
LAND DEPT.
MIDLAND, TX

7. If Unit or CA, Agreement Designation
Gaucho

1. Type of Well
☐ Oil Well ☑ Gas Well ☐ Other

8. Well Name and No.
Gaucho Unit No. 2

2. Name of Operator
Santa Fe Energy

9. API Well No.

3. Address and Telephone No.
550 W. Texas, Suite 1330, Midland, Texas 79701

10. Field and Pool, or Exploratory Area
North Bell Lake Morr

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec. 29, T22S, R34E
1650' FSL, 1650' FWL

11. County or Parish, State
Lea, New Mexico

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
☐ Notice of Intent	☐ Abandonment	☑ Change of Plans
	☐ Recompletion	☐ New Construction
☑ Subsequent Report	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
☐ Final Abandonment Notice	☐ Altering Casing	☐ Conversion to Injection
	☑ Other Move location	☐ Dispose Water
		Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

The subject well spud at this location on 3/8/97. On 3/24/97 while drilling at 3783', circulation was lost and the drill string became stuck in the well. Fishing operations commenced and proceded with the recovery of part of the drillstring on 3/28/97. Attempts to recover the remainder of the drill string continued until the morning of 3/30/97 when the drill string became stuck at 850'± with the bit at 3430'±. Circulation was lost and efforts to regain circulation were not successful. Verbal approval to plug the well were obtained on 3/30/97. Permission is requested to move the rig 75 to 100' east of its present location in order to drill a well and test the Morrow in this proration unit. The original Archeological survey covers the area to be impacted by moving this well. The new well bore will be at 1650' FSL and 1750'± FWL.

14. I hereby certify that the foregoing is true and correct

Signed Michael R. Benton Title Division Operations Manager Date 3/30/97

(This space for Federal or State office use)

Approved by _____ Title _____ Date _____
Conditions of approval, if any:

ACCEPTED FOR RECORD
JUN 1 2 1997

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*See Instruction on Reverse Side

OPERATOR'S COPY

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT - " for such proposals

RECEIVED
APR 21 1997
LAND DEPT.
MIDLAND, TX

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.: NM-69596
6. If Indian, Allottee or Tribe Name:
7. If Unit or CA, Agreement Designation:
1. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other
2. Name of Operator: Santa Fe Energy Resources, Inc.
3. Address and Telephone No.: 550 W. Texas, Suite 1330, Midland, TX 79701 915/687-3551
4. Location of Well (Footage, Sec., T., R., M., or Survey Description): (K), 1650' FSL & 1650' FWL, Sec. 29, T-22S, R-34E
8. Well Name and No.: Gaucho Unit No. 2
9. API Well No.: 30-025-33682
10. Field and Pool, or Exploratory Area: Wildcat (Morrow)
11. County or Parish, State: Lea NM

12. CHECK APPROPRIATE BOX(s) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION	
[ ] Notice of Intent	[X] Abandonment	[ ] Change of Plans
[X] Subsequent Report	[ ] Recompletion	[ ] New Construction
[ ] Final Abandonment Notice	[ ] Plugging Back	[ ] Non-Routine Fracturing
	[ ] Casing Repair	[ ] Water Shut-Off
	[ ] Altering Casing	[ ] Conversion to Injection
	[X] Other Plugged & skid rig	[ ] Dispose Water (Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

3/30/97: Received verbal approval from the BLM to plug the current hole and skid the rig 75' east of the new location. Pump plug #1 (3125'-2286') using 300 sx Cl "H" containing 12% A-11 and 2% CaCl. Pump plug #2 (1900'-1780') w/ 100 sx Cl "C" + 2% CaCl2.

3/31/97: Back off drill pipe at 875'. Pump plug #3 (875'-635') w/ 150 sx Cl "C" + 2% CaCl2. POH & WOC. TIH and tag plug at 825'. Pump plug #4 (825'-625') w/ 125 sx Cl "C" + 2% CaCl2. POH & WOC. TIH and tag plug at 800'. LD DP, TIH w/ 4 stds. Pump plug #5 (400'-240') with 100 sx Cl "C" + 2% CaCl2. POH & WOC. Pump plug #6 (30'-surface) w/ 20 sx Cl "C" + 2% CaCl2. ND BOP's, rig down floor. Prep to rig down and move 75' east to spud Gaucho Unit #2-Y.

14. I hereby certify that the foregoing is true and correct
Signed: Terry McCullough Title: Sr. Production Clerk Date: April 10, 1997

(This space for Federal or State office use)
Approved by: Chuck O. Lose Title: PETROLEUM ENGINEER Date: 4/18/97
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

* See Instruction on Reverse Side

2

2

93210	A Rudolph	4-18-95

NMNM 61360
3107 (93210-ann)

SEP 1 2 1995

DECISION

Robert F. Landreth 505 N. Big Springs, Ste. 507 Midland, TX 79701	:	Oil and Gas

Lease Extended

Diligent drilling operations were being conducted within the captioned oil and gas lease at the end of the primary term.

Accordingly, the lease which was due to expire on June 30, 1995, is entitled to a 2-year extension ending June 30, 1997, and so long thereafter as oil or gas is produced in paying quantities as provided under 43 CFR 3107.1.

Anna Rudolph
Land Law Assistant
Fluids Adjudication Team

cc:
NM (060) Attn: David Glass

93210-ar:ARudolph:amr:ext.506:9/12/95:61360

EXHIBIT
2

4. (a) Undersigned certifies that (1) offeror is a citizen of the U[illegible]; an association of such citizens; a municipality; or a corp[illegible] organized under the laws of the United States or of any State or Territory thereof; (2) all parties holding an interest in [illegible] are in compliance with 43 CFR 3100 and the leasing authoriti[illegible]; offeror's chargeable interests, direct and indirect, in either public domain, or acquired lands do not exceed 200,000 acres in oil and gas options or 246,080 acres in options and leases in the same State, or 300,000 acres in leases and 200,000 acres in options in either leasing District in Alaska; and (4) offeror is not considered a minor under the laws of the State in which the lands covered by this offer are located.

(b) Undersigned agrees that signature to this offer constitutes acceptance of this lease, including all terms, conditions, and stipulations of which offeror has been given notice, and any amendment or separate lease that may include any land described in this offer open to leasing at the time this offer was filed but omitted for any reason from this lease. The offeror further agrees that this offer cannot be withdrawn, either in whole or part, unless the withdrawal is received by the BLM State Office before this lease, an amendment to this lease, or a separate lease, whichever covers the land described in the withdrawal, has been signed on behalf of the United States.

This offer will be rejected and will afford offeror no priority if it is not properly completed and executed in accordance with the regulations, or if it is not accompanied by the required payments. 18 U.S.C. Sec. 1001 makes it a crime for any person knowingly and willfully to make to any Department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Duly executed this 16th day of April, 1985

(Signature of Lessee or Attorney-in-fact)

LEASE TERMS

Sec. 1. Rentals—Rentals shall be paid to proper office of lessor in advance of each lease year. Annual rental rates per acre or fraction thereof are:

(a) Simultaneous noncompetitive lease, $1.00 for the first 5 years, thereafter, $3.00;
(b) Regular noncompetitive lease, $1.00;
(c) Competitive lease, $2.00; or
(d) Other, see attachment.

If all or part of a noncompetitive leasehold is determined to be within a known geological structure of a favorable petroleum geological province, annual rental shall become $2.00, beginning with the lease year following notice of such determination. However, a lease that would otherwise be subject to rental of more than $2.00 shall continue to be subject to the higher rental.

If this lease or a portion thereof is committed to an approved cooperative or unit plan which includes a well capable of producing leased resources, and the plan contains a provision for allocation of production, royalties shall be paid on the production allocated to this lease. However, annual rentals shall continue to be due at the rate specified in (a), (b), (c), or (d) for those lands not within a participating area.

Failure to pay annual rental, if due, on or before the anniversary date of this lease (or next official working day if office is closed) shall automatically terminate this lease by operation of law. Rentals may be waived, reduced, or suspended by the Secretary upon a sufficient showing by lessee.

Sec. 2. Royalties—Royalties shall be paid to proper office of lessor. Royalties shall be computed in accordance with regulations on production removed or sold. Royalty rates are:

(a) Simultaneous noncompetitive lease, 12½%;
(b) Regular noncompetitive lease, 12½%;
(c) Competitive lease, see attachment; or
(d) Other, see attachment.

Lessor reserves the right to specify whether royalty is to be paid in value or in kind, and the right to establish reasonable minimum values on products after giving lessee notice and an opportunity to be heard. When paid in value, royalties shall be due and payable on the last day of the month following the month in which production occurred. When paid in kind, production shall be delivered, unless otherwise agreed to by lessor, in merchantable condition on the premises where produced without cost to lessor. Lessee shall not be required to hold such production in storage beyond the last day of the month following the month in which production occurred, nor shall lessee be held liable for loss or destruction of royalty oil or other products in storage from causes beyond the reasonable control of lessee.

Minimum royalty shall be due for any lease year after discovery in which royalty payments aggregate less than $1.00 per acre. Lessee shall pay such difference at end of lease year. This minimum royalty may be waived, suspended, or reduced, and the above royalty rates may be reduced, for all or portions of this lease if the Secretary determines that such action is necessary to encourage the greatest ultimate recovery of the leased resources, or is otherwise justified.

An interest charge shall be assessed on late royalty payments or underpayments in accordance with the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (96 Stat. 2447). Lessee shall be liable for royalty payments on oil and gas lost or wasted from a lease site when such loss or waste is due to negligence on the part of the operator, or due to the failure to comply with any rule, regulation, order, or citation issued under FOGRMA or the leasing authority.

Sec. 3. Bonds—Lessee shall file and maintain any bond required under regulations.

Sec. 4. Diligence, rate of development, unitization, and drainage—Lessee shall exercise reasonable diligence in developing and producing, and shall prevent unnecessary damage to, loss of, or waste of leased resources. Lessor reserves right to specify rates of development and production in the public interest and to require lessee to subscribe to a cooperative or unit plan, within 30 days of notice, if deemed necessary for proper development and operation of area, field, or pool embracing these leased lands. Lessee shall drill and produce wells necessary to protect leased lands from drainage or pay compensatory royalty for drainage in amount determined by lessor.

Sec. 5. Documents, evidence, and inspection—Lessee shall file with proper office of lessor, within 30 days after effective date thereof, any contract or evidence of other arrangement for sale or disposal of production. At such times and in such form as lessor may prescribe, lessee shall furnish detailed statements showing amounts and quality of all products removed and sold, proceeds therefrom, and amount used for production purposes or unavoidably lost. Lessee may be required to provide plats and schematic diagrams showing development wells and improvements, and reports with respect to parties in interest, expenditures, and depreciation costs. In the form prescribed by lessor, lessee shall keep a daily drilling record, a log, information on well surveys and tests, and a record of subsurface investigations and furnish copies to lessor when required. Lessee shall keep open at all reasonable times for inspection by any authorized officer of lessor, the leased premises and all wells, improvements, machinery, and fixtures thereon, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or in the leased lands. Lessee shall maintain copies of all contracts, sales agreements, accounting records, and documentation such as billings, invoices, or similar documentation that supports costs claimed as manufacturing, preparation, and/or transportation costs. All such records shall be maintained in lessee's accounting offices for future audit by lessor. Lessee shall maintain required records for 6 years after they are generated or, if an audit or investigation is underway, until released of the obligation to maintain such records by lessor.

During existence of this lease, information obtained under this section shall be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552).

Sec. 6. Conduct of operations—Lessee shall conduct operations in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, and other resources, and to other land uses or users. Lessee shall take reasonable measures deemed necessary by lessor to accomplish the intent of this section. To the extent consistent with lease rights granted, such measures may include, but are not limited to, modification to siting or design of facilities, timing of operations, and specification of interim and final reclamation measures. Lessor reserves the right to continue existing uses and to authorize future uses upon or in the leased lands, including the approval of easements or rights-of-ways. Such uses shall be conditioned so as to prevent unnecessary or unreasonable interference with rights of lessee.

Prior to disturbing the surface of the leased lands, lessee shall contact lessor to be apprised of procedures to be followed and modifications or reclamation measures that may be necessary. Areas to be disturbed may require inventories or special studies to determine the extent of impacts to other resources. Lessee may be required to complete minor inventories or short term special studies under guidelines provided by lessor. If in the conduct of operations, threatened or endangered species, objects of historic or scientific interest, or substantial unanticipated environmental effects are observed, lessee shall immediately contact lessor. Lessee shall cease any operations that would result in the destruction of such species or objects.

Sec. 7. Mining operations—To the extent that impacts from mining operations would be substantially different or greater than those associated with normal drilling operations, lessor reserves the right to deny approval of such operations.

Sec. 8. Extraction of helium—Lessor reserves the option of extracting or having extracted helium from gas production in a manner specified and by means provided by lessor at no expense or cost to lessee or owner of the gas. Lessee shall include in any contract of sale of gas the provisions of this section.

Sec. 9. Damages to property—Lessee shall pay lessor for damage to lessor's improvements, and shall save and hold lessor harmless from all claims for damage or harm to persons or property as a result of lease operations.

Sec. 10. Protection of diverse interests and equal opportunity—Lessee shall: pay when due all taxes legally assessed and levied under laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least once each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; and take measures necessary to protect the health and safety of the public.

Lessor reserves the right to ensure that production is sold at reasonable prices and to prevent monopoly. If lessee operates a pipeline, or owns controlling interest in a pipeline or a company operating a pipeline, which may be operated accessible to oil derived from these leased lands, lessee shall comply with section 28 of the Mineral Leasing Act of 1920.

Lessee shall comply with Executive Order No. 11246 of September 24, 1965, as amended, and regulations and relevant orders of the Secretary of Labor issued pursuant thereto. Neither lessee nor lessee's subcontractors shall maintain segregated facilities.

Sec. 11. Transfer of lease interests and relinquishment of lease—As required by regulations, lessee shall file with lessor any assignment or other transfer of an interest in this lease. Lessee may relinquish this lease or any legal subdivision by filing in the proper office a written relinquishment, which shall be effective as of the date of filing, subject to the continued obligation of the lessee and surety to pay all accrued rentals and royalties.

Sec. 12. Delivery of premises—At such time as all or portions of this lease are returned to lessor, lessee shall place affected wells in condition for suspension or abandonment, remove the land as specified by lessor and, within a reasonable period of time, remove equipment and improvements not deemed necessary by lessor for preservation of producible wells.

Sec. 13. Proceedings in case of default—If lessee fails to comply with any provisions of this lease, and the noncompliance continues for 30 days after written notice thereof, this lease shall be subject to cancellation. Lessee shall also be subject to applicable provisions and penalties of FOGRMA (96 Stat. 2447). However, if this lease includes and known to contain valuable deposits of leased resources, it may be cancelled only by judicial proceedings. This provision shall not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default. Any such remedy or waiver shall not prevent later cancellation for the same default occurring at any other time.

Sec. 14. Heirs and successors-in-interest—Each obligation of this lease shall extend to and be binding upon, and every benefit hereof shall inure to the heirs, executors, administrators, successors, beneficiaries, or assignees of the respective parties hereto.

In order to protect important seasonal antelope habitat, exploration, drilling, and other activity will be allowed during the period from June 16 through April 14. This limitation does not apply to maintenance and operation of producing wells.

Drill sites will be located outside forb producing depressions within swale bottoms.

This stipulation may be modified when specifically approved in writing by the Bureau of Land Management. Lands within leased area to which this stipulation applies are described as follows:

T.22S.,R.33E.,NMPM
Sec.25: W2
26: NENE,S2NE,SW,SWSE
T.22S.,R.34E.,NMPM
Sec.20: NW
29: SE

Lessee's Signature

Bureau of Land Management
Roswell District Office
Telephone: (505) 622-7670

May 1983

ROSWELL 3

3

Notes

3

Robert E. Landreth
OIL AND GAS EXPLORATION

505 N. BIG SPRING, SUITE 307 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

Robert E. Landreth

EXHIBIT
3

4

File Gaucho

Robert E. Landreth
OIL AND GAS EXPLORATION

505 N. BIG SPRING, SUITE 507 MIDLAND, TEXAS 79701 (915) 684-4781 FAX# (915) 684-4783

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
4

5

Robert E. Landreth
OIL AND GAS EXPLORATION

303 N. BIG SPRING, SUITE 507 MIDLAND, TEXAS 79701 (915) 684-4781 FAX# (915) 684-4783

December 4, 1998

FACSIMILE: 915/686-6714

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

ATTN: Mr. Gregory Wilhelm

RE: Gaucho Unit Well Nos. 2 and 2-Y
NMOCD Case No. 12008

Dear Mr. Wilhelm:

The purpose of this letter is to set out our position in the captioned matter, dealing with the determination of reasonable well costs in conjunction with the drilling of the captioned wells. Everything in this letter is submitted by way of compromise and settlement.

By letter to Santa Fe dated June 29, 1998, we made it clear that what we were seeking in this matter was a determination by the NMOCD that the costs associated with the drilling of the original Gaucho Unit #2 well could not be included in "reasonable well costs" and thereby made a part of the sums permitted to be recovered under the Compulsory Pooling Order for this well. That letter attempted to obtain Santa Fe's agreement to that principle without having to go to hearing on the matter. Since Santa Fe was not agreeable to our proposal, we have pushed ahead with our request to have this matter determined through hearing and ruling from the NMOCD. By mutual consent the hearing date had been postponed on two or three occasions, primarily to allow the audit of drilling expenses to be completed. This was done, and we received our copy of the audit report on October 26, 1998.

In the course of preparing our case, our counsel, Bill Carr, advised us that we could not argue simply for an exclusion of the costs associated with the Gaucho #2 well, but rather our argument had to be that the compulsory pooling order applies only to well #2 but does not apply to well #2-Y. Therefore, we cannot be subjected to a penalty on any of the costs associated with the drilling and/or completion of either well since the Gaucho #2 was abandoned and the #2-Y was not subject to the compulsory pooling order.

EXHIBIT
5

If I were to accept the conclusion that both wells can be made subject to the force pooling penalty, Santa Fe would wind up realizing 300% of 28.125% of $2,529,000, or $2,134,000 out of my share of income from this well. When you include the fraction for which I joined, I would wind up paying for 93.75% of the total cost of both wells, despite the fact that I made every effort to negotiate a trade with Santa Fe under which any working interest for which I did not join would be farmed out, rather than force pooled. To the best of my ability, I am not going to allow that to happen. I think it is more than enough that Santa Fe recover $1,519,000 out of my interest under the proposal which we put forth in our June 29, 1998 letter.

Santa Fe filed a last minute Motion to Dismiss the hearing that was scheduled for yesterday, based on the transparently false contention that my execution of the Operating Agreement constituted a voluntary waiver of the force pooling order. The examiner's continuation of the case to January 21, 1999 requires that lawyers for both sides file additional materials within 10 days. If Santa Fe wants to continue to delay the inevitable hearing date and force the expenditure of several thousand dollars in additional attorneys fees, fine. We are certainly prepared to do so. But that will be a "winner take all" situation and if we happen to prevail, there will be no negotiation at that point.

On the other hand, I am renewing my prior proposal of June 29, 1998 to exclude the costs associated with the Gaucho #2 from reasonable well costs. I will be traveling to Honduras on Friday, December 11 and will be inaccessible for the following ten to twelve days. This proposal is therefore valid until Thursday, December 10, at 5:00 P.M.

Yours very truly,

Robert E. Landreth

cc: Southwestern Energy Production Company
2350 N. Sam Houston Parkway East
Houston, Texas 77032
ATTN: Mr. Sam Thompson

6

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN
KATHERINE M. MOSS

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043
E-MAIL ccbspa@ix.netcom.com

June 4, 1998

JUN 4 1998
OIL CONSERVATION DIVISION

HAND DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Case No. 11715 (Order No. R-10764) Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Lea County, New Mexico.

Dear Ms. Wrotenbery:

By Order No. R-10764, the Division granted the application of Santa Fe Energy Resources, Inc. in Case 11715 thereby compulsory pooling the interest of Robert E. Landreth in the S/2 of Section 29, Township 22 South, Range 34 East, NMPM, Lea County, New Mexico.

By letter dated May 4, 1998, Santa Fe Energy Resources, Inc. provided to Mr. Landreth an itemized schedule of actual well costs for the drilling of the Gaucho Federal Unit Well Nos. 2 and 2Y which it has drilled on this pooled unit.

EXHIBIT
6

Robert E. Landreth hereby objects to the actual well costs for these wells and requests that the Division determine the actual well costs after public notice and hearing as provided in order paragraph 5 of Order No. R-10764.

Very truly yours,

WILLIAM F. CARR
Attorney for Robert E. Landreth

cc: James Bruce Esq.

7

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Robert E. Landreth
OIL AND GAS EXPLORATION

505 N. BIG 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 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

EXHIBIT
7

8

Santa Fe Energy Resources, Inc.

APR 1 1997

VIA FACSIMILE & U.S. MAIL

Fax #684-4783

March 31, 1997

Mr. Robert E. Landreth
505 North Big Spring
Suite 507
Midland, Texas 79701

Re: **Gaucho Unit No. 2-Y Well**
S/2 Sec. 29, T-22-S, R-34-E
Lea County, New Mexico

Dear Mr. Landreth:

Pursuant to our telephone conversation concerning the Gaucho No. 2 Well, please be advised that while fishing for stuck drill pipe substantial circulation was lost in the hole. Efforts to restore circulation for further fishing operations were deemed inadvisable due to the hole condition. Santa Fe has therefore proceeded to abandon the initial hole and skid the rig 75 feet to the east in order to re-drill this well. The new well name will be the Gaucho Unit No. 2-Y Well and it will spud immediately.

Please indicate your concurrence to this abandonment and redrill by signing and returning one copy of this letter by **Fax #(915) 686-6714** within 48 hours. This redrill is proposed under the existing JOA and AFE.

For your information, current well ownership is as follows:

Santa Fe	45.3125%	(35.640625% NRI)
Southwestern	45.3125%	(35.640625% NRI)
Robert E. Landreth	9.375%	(7.21875% NRI)

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

EXHIBIT
8

Should you have any further questions, please do not hesitate to call.

Yours very truly,

Joe W. Hammond, CPL
Senior Landman

JWH/efw

This abandonment and redrill is
AGREED TO AND ACCEPTED
this 1st day of April, 1997.

By: _____
Robert E. Landreth

EWOR1753

9

Notes

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated May 1st, 1996 by and between Santa Fe Energy Resources, Inc., as Operator, and Southwestern Energy Production Company, as non-operator.

Revised 4/21/97

I. CONTRACT AREA "A" - INITIAL WELL:

T22S-R34E
Section 29: N/2 Limited to depths from the surface to the base of the Morrow Formation
Lea County, New Mexico

Oklahoma City, Oklahoma 73112-3979

100.0%

II. CONTRACT AREA "B" - FIRST SUBSEQUENT WELL:

T22S-R34E:
Section 29: S/2 Limited to depths from the surface to the base of the Morrow Formation
Lea County, New Mexico

Gaucho Unit No. 2 Well located 1650' FSL & 1650' FWL,
Section 29, T-22-S, R-34-E, Lea County, New Mexico

INTEREST OF PARTIES IN CONTRACT AREA "B":

INITIAL WELL:	GAUCHO UNIT NO. 2 & 2-Y WELLS	
Company	WI (BPO 300%)	WI (APO 300%)
Santa Fe Energy Resources, Inc. 550 West Texas, Suite 1330 Midland, Texas 79701	45.3125%	25.00%

INITIAL WELL:	GAUCHO UNIT NO. 2 & 2-Y WELLS	
Company	WI (BPO 300%)	WI (APO 300%)
Southwestern Energy Prod. Co. 5600 North May Ave. Suite 200 Oklahoma City, Oklahoma 73112-3979	45.3125%	25.00%
Amerada Hess Corporation P.O. Box 2040 Houston, Texas 77252-2040	-0-%	12.50%
Robert E. Landreth 505 N. Big Spring Suite 507 Midland, TX 79701	9.3750%	37.50%
	100.00%	100.00%

III. CONTRACT AREA "C":

T-22-S, R-34-E
Section 29: N/2 [illegible]

EXHIBIT
9

1

Sample

EXHIBIT "A"

Attached to and made a part of that certain Operating Agreement dated May 1st, 1996 by and between Santa Fe Energy Resources, Inc., as Operator, and Southwestern Energy Production Company, as non-operator.

Revised 4/21/97

I. CONTRACT AREA "A" - INITIAL WELL:

T22S-R34E
Section 29: N/2 Limited to depths from the surface to the base of the Morrow Formation
Lea County, New Mexico

Oklahoma City, Oklahoma 73112-3979

100.0%

II. CONTRACT AREA "B" - FIRST SUBSEQUENT WELL:

T22S-R34E:
Section 29: S/2 Limited to depths from the surface to the base of the Morrow Formation
Lea County, New Mexico

Gaucho Unit No. 2 Well located 1650' FSL & 1650' FWL,
Section 29, T-22-S, R-34-E, Lea County, New Mexico

INTEREST OF PARTIES IN CONTRACT AREA "B":

INITIAL WELL:	GAUCHO UNIT NO. 2 & 2-Y WELLS	
Company	WI (BPO 300%)	WI (APO 300%)
Santa Fe Energy Resources, Inc. 550 West Texas, Suite 1330 Midland, Texas 79701	45.3125%	25.00%

INITIAL WELL:	GAUCHO UNIT NO. 2 & 2-Y WELLS	
Company	WI (BPO 300%)	WI (APO 300%)
Southwestern Energy Prod. Co. 5600 North May Ave. Suite 200 Oklahoma City, Oklahoma 73112-3979	45.3125%	25.00%
Amerada Hess Corporation P.O. Box 2040 Houston, Texas 77252-2040	-0-%	12.50%
Robert E. Landreth 505 N. Big Spring Suite 507 Midland, TX 79701	9.3750%	37.50%
	100.00%	100.00%

EXHIBIT 10

III. CONTRACT AREA "C":

T-22-S, R-34-E
Section 29: N/2 [illegible]

1

Notes

1

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF ROBERT E. LANDRETH FOR A DETERMINATION OF REASONABLE WELL COSTS, LEA COUNTY, NEW MEXICO

CASE No. 12008

AFFIDAVIT OF STEVEN J. SMITH

STATE OF TEXAS)
) SS
COUNTY OF MIDLAND)

Before me, the undersigned authority, personally appeared Steven J. Smith, who being first duly sworn, stated:

A. My name is Steven J. Smith. I am over the age of majority and am competent to make this Affidavit.

B. I am a petroleum landman currently employed by Santa Fe Energy Resources, Inc. ("Santa Fe")

C. On prior occasions, I have qualified before the Division in other compulsory pooling cases as an expert witness in matters of petroleum land management and transactions

D. I have reviewed the facts of this case.

B. Based upon my knowledged, experience and education, I am of the opinion that:

EXHIBIT
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(1) If called to testify, I would state that:

(a) On January 28, 1998, I commenced my employment with Santa Fe in their Midland Texas office and replaced Joe Hammond as the landman responsible for correspondence concerning the Gaucho Unit Well No. 2 and 2-Y.

(b) On May 3, 1998, I received from Jim Bruce a copy of Mr. Robert E. Landreth's April 24, 1998 letter to the Division asserting that Santa Fe had not provided him with the well costs information required by Order R-10764.

(c) In accordance with Mr. Landreth's request, on May 4, 1998, I forwarded him the well costs for the Gaucho Unit Wells No. 2 and 2-Y. (See Attachments A and B).

(d) This was my first involvement with this matter and I simply assumed Mr. Landreth was correct when he asserted that the pooling order was still valid as to both wells and that Santa Fe had failed to provide him with well cost information.

(e) At that time I did not review the pooling order, the JOA, the Revised Exhibit "A", nor the file in this case.

(2) Since then I have reviewed the file, including the order, JOA and Revised Exhibit "A" and now have the following opinions:

(a) The Gaucho Unit Well No. 2-Y is nearing payout of all costs and penalties incurred for both the Gaucho Unit Well No. 2 and 2-Y.

(b) In accordance with the JOA, Landreth was provided on a daily basis with the daily drilling report for both the Gaucho Unit Well No. 2 and No. 2-Y attached as Exhibit 13 to Santa Fe's Reply.

(c) The JOA and its Revised Exhibit "A" have replaced compulsory pooling Order R-10764;

(d) Revised Exhibit "A" is clear and unambiguous.

(e) Revised Exhibit "A" is consistent with Landreth's approval of Santa Fe's letter agreement dated March 31, 1997 which replaced Landreth's letter dated March 28, 1997.

(f) Revised Exhibit "A" is clearly contrary to Landreth's March 28, 1997 letter.

(g) In order for Revised Exhibit "A" to be consistent with Landreth's March 28, 1997 letter, then it will have to be revised as set forth in Exhibit 8 to Santa Fe's Reply.

(h) In accordance with the March 31, 1997 letter agreement, Landreth's 37.5% interest in this spacing unit is subject to a JOA and is committed to both the Gaucho Unit Well No. 2 and Gaucho Unit Well No. 2-Y so that 25% of this interest (9.375% WI) voluntarily participates in the costs of both wells but as to the remaining 75% of his interest (28.125% WI) he has elected to be carried as a non-consenting working interest owner who is subject to having his share of production from the Gaucho Unit Well No. 2-Y to pay for his share of the costs of both wells.

FURTHER AFFIANT SAYETH NOT:

Steven J. Smith

SUBSCRIBED AND SWORN to before me this 14th day of December, 1998 by Steven J. Smith.

Notary Public

My Commission Expires:

3/9/2000

(SEAL)

RITA RAMIREZ
Notary Public
STATE OF TEXAS
My Comm. Exp. 03/09/2000

Santa Fe Energy Resources, Inc.

May 4, 1998

Mr. Robert E. Landreth
505 N. Big Spring
Suite 507Texas 77252-2040
Midland, Texas 79701

Re: Compulsory Pooling Order No. R-10764
Gaucho Federal Unit Wells No. 2 & 2-Y
S/2 Section 29, T-22-S, R-34-E
Lea County, New Mexico
SFE Contract No NM-30,107-02Y

Gentlemen:

Pursuant to the provisions of NMOCD Compulsory Pooling Order #R-10764 issued in connection with the drilling of the Gaucho Federal Unit No. 2 & 2-Y wells, enclosed is an itemized schedule of actual well costs through March 31, 1998 which include all costs associated with drilling the No. 2 Well to 3,783' where the wellbore was lost (see attached Sundry Notice) and moving the rig in order to drill and complete the No. 2-Y Well.

If you have any questions, my direct number is (915) 686-6712.

Sincerely,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith
Senior Staff Landman

Enclosure

cc: New Mexico Oil Conservation Division - Santa Fe

rland002.doc

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

Santa Fe Energy Resources, Inc.

Statement of Gross Costs

As of October, 1997

Gaucho Unit #2 and #2Y
Lea County, New Mexico
SFER Property Number: 30107-002 and 30107-02Y

		Gross Amounts
Capital Expenditures		
Tangible		
Casing	$242,561.26	
Tubing	58,332.47	
Wellhead	16,196.84	
Non-Controllable Material	25,934.53	
Facilities	25,444.58	
Total Tangible		$368,489.78
Intangible		
Company Labor	55,526.05	
Location & Roads	34,394.63	
Fencing & Soundproofing	598.39	
Fuel, Water, Power	64,909.39	
Drill Contractor's Moving Exp.	20,272.97	
Drilling Contractor's Services	690,080.25	
Drilling & Completion Fluids	160,199.96	
Bits & Reamers	70,289.33	
Cementing & Service Equipment	147,496.85	
Casing Testing & Inspection	44,852.21	
Direction Drill Serv & Surveys	9,504.32	
Drilling Tool/Equip. Rent & Serv.	444,259.67	
Open Hole Logging	63,917.55	
Transportation & Hauling	40,663.01	
Completion Contractor's Serv.	114,868.55	
Completion Tool/Equip. Rent 7 Serv.	46,859.04	
Cased Hole Wireline Service	29,440.39	
Stimulation	14,260.99	
Contract Supervision	48,483.27	
Communications	8,669.03	
Legal Title Curative Costs	4,166.03	
JIB-PMTA (Co. owned vehicle use)	1,141.30	
JIB-Drilling Overhead	22,546.75	
Miscellaneous IDC	34,011.87	
Total IDC		$2,156,022.10
Total Capital Expenditures		$2,524,511.88
Total Expenditures		**$2,524,511.88**

INQUIRIES: Santa Fe Energy, Central Division, 1616 S. Voss, Ste. 300, Houston, TX 77057

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STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF ROBERT E. LANDRETH FOR A DETERMINATION OF REASONABLE WELL COSTS, LEA COUNTY, NEW MEXICO

CASE NO. 12008

AFFIDAVIT OF FRANK N. CREMER

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

Before me, the undersigned authority, personally appeared Frank N. Cremer, who being first duly sworn, stated:

A. My name is Frank N. Cremer. I am over the age of majority and am competent to make this Affidavit.

B. I am an attorney and obtained my law degree from Baylor University in 1985, that I am licensed to practice law in the states of New Mexico, Texas and Colorado, that I am a shareholder in the law firm of Turner & Davis, a professional corporation, located in Midland, Texas. I devote a substantial portion of my time preparing Division Order Title Opinions.

C. On October 6, 1997 I signed a Division Order Title Opinion (the "Turner Opinion") which I had prepared for Santa Fe Energy Resources, Inc. for its Gaucho Unit Well No. 2-Y.

D. Based upon my knowledge, experience and education, I am of the opinion that:

(1) the Turner Opinion does not address whether the costs for the Gaucho Unit Well No. 2 ("the original well") can be paid for with production from the Gaucho Unit Well No. 2-Y (the "substitute well").

(2) Landreth's share of the costs, including the 200% penalty, for the Gaucho Unit Well No. 2 ("the original well") should be paid for out of Landreth's share of production from the Gaucho Unit Well No. 2-Y ("the substitute well").

EXHIBIT
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(3) the Turner Opinion does correctly conclude that 28.125% of Landreth's interest in the substitute well is subject to a 300% reimbursement to Santa Fe and Southwestern.

(4) Regardless of whether the Joint Operating Agreement executed by Landreth replaced the compulsory pooling order or not, 28.125% of Landreth's interest in both the original and substitute wells is subject to a 300% reimbursement to Santa Fe and Southwestern.

E. My opinions expressed above are based upon and supported by the following reasons and facts:

(1) The Gaucho Unit Well No. 2-Y should be considered a "substitute well" because it was drilled solely due to the fact that circulation was lost in the Gaucho Unit Well No. 2, which necessitated the abandonment of the initial location and the recommencement of operations at the new location, approximately seventy-five (75) feet to the east of the initial location.

(2) The Division decision in this case should be consistent with the custom and practice of the oil & gas industry in dealing with substitute wells.

(3) Voluntary agreements pertaining to oil and gas operations often include language providing for a substitute well. For example, farmout agreements usually contain language similar to the following:

> Substitute Well. If during the drilling of the Test Well, Farmee shall encounter granite or any other practically impenetrable substance or encounter mechanical difficulties, or if the hole is lost for any reason not reasonably within the control of Farmee, Farmee shall have, and is hereby granted, the right to abandon said well, and Farmee may within thirty (30) days after such abandonment commence the actual drilling of a Substitute Well at a location which would, under the terms of the agreement, have been permissible for the location of the well abandoned. If such Substitute Well is commenced, it shall thereafter be drilled to the Contract Depth, and thereupon Farmee's duties and obligations herein and the provisions hereof respecting the Test Well shall apply to such Substitute Well, and such Substitute Well shall be deemed to be the Test Well for all purposes of this agreement.

(4) It is the custom and practice of the oil and gas industry to treat a substitute well as a continuation of the operations commenced for the original well, even though such a provision is not specifically included in an agreement. From my experience in dealing with clients which have been confronted with the necessity of drilling a substitute well, the decision to do so is usually made

because the cost of commencing operations for a substitute well at a new location is less than the cost of drilling around the debris in the original wellbore and continuing to drill the well in the original wellbore. Had Santa Fe and Southwestern elected to attempt to drill around the debris in the wellbore for the original well, Landreth's share of such costs clearly would have been subject to the compulsory pooling order, including the penalty provided for therein. Santa Fe and Southwestern should not now be punished for selecting a course of action which, in all likelihood, was more economically feasible than continuing operations in the original wellbore.

(5) If the Division decides that this substitute well is not subject to this compulsory pooling order, it will be establishing a precedent which is contrary to the custom and practice of the oil and gas industry.

FURTHER AFFIANT SAYETH NOT:

Frank N. Cremer

FRANK N. CREMER

SUBSCRIBED AND SWORN to before me this 15th day of December, 1998, by Frank N. Cremer.

LORI FUSON
Notary Public, State of Texas
My Commission Expires 07-23-2002

Lori Fuson

Notary Public, State of Texas

NOTES

13

"TIGHT HOLE"	SFE WI	:	% BPO	Drilling	
SFER, INC.	SFE WI	:	% APO	Rig:	Norton #14
Gaucho Unit No. 2 (D)	SFE NRI	:	% BPO	Spud:	3/04/97
1650' FSL & 1650' FWL	SFE NRI	:	% APO	13-3/8"	@
Sec 29, T-22S, R-34E	SFE ORRI	:	% BPO	9-5/8"	@
Lea Co., NM	SFE ORRI	:	% APO	7"	@
Prospect: Shamrock	SFE WI	:	% BCP	4-1/2"	@
PTD: 13,600'	SFE WI	:	% ACP		
	SFE ACT	: 30107-002			
	SFE AFE	: 297112			
	AFE COMP	:			
	DHC COST	:			

3/04/97
DAY 1 SPUD 6:00pm, 3/04/97. 260' (260'). Drlg. Red Bed. MW 8.4, Vis 38, pH 10. Svys: 90' @ 3/4°; 180' @ ½°. Fin RU. Drlg. Svy. Drlg. Svy. Drlg.
CTD: $74,536

3/05/97
Day 2 825' (565'). ND cond, weld on hd. Red Bed/Anhydrite. MW 10.4, Vis 36, pH 7, Chl 26K. Svys: 277' @ ¼°; 577' @ ½°; 657' @ 3/4°; 802' @ ½°. Drlg. Svy. Drlg. Svy. Drlg. Svy. Drlg. Svy. Drlg. Circ. Trip. Run 18 jts 13-3/8" 48# STC csg. Cmt w/600 sx Class-C w/6% gel. Tail w/250 sx Class-C w/2% CaCl. PD @ 4:45. Circ 125 sx to pit. WOC. ND conductor, cut off csg.
CTD: $200,138

3/06/97
Day 3 825' (0'). PU BHA. Red Bed. NU, work on rig. PU BHA.
CTD: $203,273

3/07/97
Day 4 1317' (495'). Rig Repair. Salt/Anhydrite. MW 9.9, Vis 28, pH 10. Svys: 1034' @ 2°; 1190' @ 2½°. Trip. Test BOPs to 600#. Drlg cmt, tag @ 767'. Drlg. Svy. Drlg. Svy & repair stand pipe. Drlg.
CTD: $217,435

3/08/97
Day 5 1577' (260'). Svy. Salt/Anhydrite. MW 10, Vis 28, pH 10. Svy 1320' @ 2¼°; 1500' @ 3¼°; 1562' @ 3¼°. RR, work on blower on drawworks. Drlg. Svy. Drlg. Svy. Trip to change drlg assembly. Wash 1345-1547'. Drlg.
CTD: $226,872

3/09/97
Day 6 1750' (173') Drlg. Salt/Anhydrite. MW 10, Vis 28, pH 10. Svys: 1593' @ 3°; 1654' @ 2-3/4°; 1716' @ 3°. Drlg. Svy. Drlg. Svy. Drlg. Svy.
CTD: $236,232

3/10/97
Day 7 1844' (94'). Drlg. Salt/Anhydrite. MW 10, Vis 28, pH 8.5. Svys: 1748' @ 2½°; 1779' @ 3°; 1808' @ 3¼°. Drlg. Svy. Drlg. Svy, rig svc. Drlg. Svy. Drlg. POH. LD BHC, exch shock subs. TIH. LD DP.
CTD: $239,990

3/11/97
Day 8 2100' (256'). Drlg. Salt/Anhydrite. MW 9.7, Vis 29, pH 9, Chl 138K. Svys: 1868' @ 3¼°; 1900' @ 3°; 1933' @ 3°; 1993' @ 2-3/4°; 2041' @ 2-3/4°. Drlg. Svy. Drlg. Svy. Drlg. Svy. Drlg. Svy. Drlg. Svy. Drlg.
CTD: $250,727

3/12/97
Day 9 2510' (410'). Drlg. Salt/Anhydrite. MW 9.8, Vis 29, pH 9. Svys:
2117' @ 2-3/4° 2304' @ 2° 2394' @ 3/4°
2179' @ 2½° 2335' @ 1½°
2240' @ 2¼° 2365' @ 1¼°
Drlg. Svys. Drlg.
CTD: $262,153

3/13/97
Day 10 3000' (490'). Drlg. MW 9.8, Vis 29, pH 8.5. Drlg. Svys
2522' @ 2° 2739' @ 1½° 2895' @ 1°
2614' @ 1° 2800' @ 1½°
PR - elec repairs. Drlg
CTD: $278,383

EXHIBIT 13

SFER, INC.	SFE WI	:	% APO	Rig:	Norton #14
Gaucho Unit No. 2 (D)	SFE NRI	:	% BPO	Spud:	3-04-97
1650' FSL & 1650' FWL	SFE NRI	:	% APO	13-3/8" @	
Sec 29, T-22S, R-34E	SFE ORRI	:	% BPO	9-5/8" @	
Lea Co., NM	SFE ORRI	:	% APO	7" @	
Prospect: Shamrock	SFE WI	.	% BCP	4-1/2" @	
PTD: 13,600'	SFE WI		% ACP		
	SFE ACT	. 30107-002			
	SFE AFE	. 297112			
	AFE COMP	:			
	DHC COST	:			

3-14-97
Day 11 3170' (170'). Drlg. Salt/Anhydrite. MW 9.8, Vis 29, pH 10. Svy 3082' @ 1½°. Drlg. Rep gas line. Drlg. Svy. Drlg to 3137'. TFB. Wash to btm. Drlg.
CTD: $284,076

3-15-97
Day 12 3535' (365'). Drlg. Salt/Anhydrite. MW 9.8, Vis 29, pH 10. Svy 3392' @ 1¾°. Drlg. RS. Drlg. Svy. Drlg.
CTD: $294,741

3-16-97
Day 13 3570' (13'). Work stuck pipe. Salt/Anhydrite. MW 9.8, Vis 29, pH 10. Svy 3551' @ 1¾°. Drlg. POH. TIH to 2900'. CDL. RS, TIH, hit bridge @ 3301'. W&R 3300-3562', pmp out of hole to 3407'. Work stuck pipe @ 3407'. Pmp 2 high vis sweeps. Work pipe w/oil over BHA.
CTD: $298,639

3-17-97
Day 14 3570' (0'). TIH fish tools. Salt/Anhydrite. MW 9.8, Vis 30, pH 8.5, Chl 128K. Work stuck pipe @ 3436'. RU WL, ran FPI. PU kelly, circ oil out. Work pipe & mix mud. Backoff @ 3295', left in hole 8" DC, IB, (3) 9" DCs, shock sub & bit. Work pipe free. POH. PU jars & bumper sub.
CTD: $301,114

3-18-97
Day 15 3570' (0'). C&C mud. Anhydrite/Salt. MW 9.8, Vis 30, pH 10, Chl 128K. TI, wash 10', screw into fish. jar up & dwn on fish, did not move either way. RU WL, run spud bar, couldn't get past fish. TI w/shot, knock trash out. Run FPI, back off IBS 3228'. TOH, LD tools. PU bit, trip, on top of fish @ 3228'. C&C mud.
CTD: $301,939

3-19-97
Day 16 3570' (0'). Wash over 9" DCs. Anhydrite. MW 9.7, Vis 54, pH 9, Chl 128K. C&C mud. TOH, PU wash pipe. TI. Circ over top of fish @ 3328 - 3388'.
CTD: $307,054

3-20-97
Day 17 3570' (0'). Trip. Anhydrite. MW 10.1, Vis 49, pH 9.5, Chl 115K. Wash over 9" DCs 3328-3428'. Circ. Trip out w/wash pipe.
CTD: $309,419

3-21-97
Day 18 3570' (0'). TO to PU fish tools. Anhydrite. MW 9.8, Vis 48, pH 9, Chl 115K. Fin TO, LD jars. TI w/bumper sub, jars & screw-in sub. Screw into fish. Jar on fish dwn & up, couldn't move it. RU rot WL, back collars off @ 3400' ±. TO w/fish, rec (2) 9" DCs. TI w DC, cut drlg line, fin TI. Wash 30' over fish @ 3400'. Wash over fish 3400-3442'.
CTD: $310,244

3-22-97
Day 19 3588' (18'). Trip to check RMR. Anhydrite. MW 9.6, Vis 42, pH 9, Chl 100K. TO, LD wash pipe, bumper sub & jars. PU new jars, bumper sub & screw-in sub. TI, screw into fish @ 3400'. Jar on fish. TO, LD fishing tools. PU new BHA, TI. W&R 3360-3570'. Drlg - drlg very rough. Circ
CTD: $312,661

3-23-97
Day 20 3779' (93'). Drlg. Anhydrite. MW 9.8, Vis 53, pH 9, Chl 100K. TOH, LD stabilizer. PU reamer, TIH. Drlg 3588-3706'. Lost circ after 5' drlg break. Mix 350 bbl LCM sweep, no rets. TOH, LD reamer. Mix mud, hole standing full. TIH. Wash 120' to btm, good rets. Drlg
CTD: $323,794

"TIGHT HOLE"	SFE WI	:	% BPO	Drilling	
SFER, INC.	SFE WI	:	% APO	Rig:	Norton #14

Gaucho Unit No. 2 (D)	SFE NRI	:	% BPO	Spud:		3-04-97
1650' FSL & 1650' FWL	SFE NRI	:	% APO	13-3/8"	@	
Sec 29, T-22S, R-34E	SFE ORRI	:	% BPO	9-5/8"	@	
Lea Co., NM	SFE ORRI	:	% APO	7"	@	
Prospect: Shamrock	SFE WI	:	% BCP	4-1/2"	@	
PTD: 13,600'	SFE WI	:	% ACP			
	SFE ACT	: 30107-002				
	SFE AFE	: 297112				
	AFE COMP	:				
	DHC COST	:				

3-24-97
Day 21 3783' (4'). Mix mud. MW 8.5, Vis 42, pH 10.5, Chl 2600. Drlg. Work out 4 jts, pmp sweeps, use all mud & water. Ran FPI, showed movement 1800-2100', can torque at top of DCs @ 3003'. Jet steel pits, pmp 2 sweeps. Pmp sweep w/press. Clean pits & mix mud.
CTD: $340,443

3/25/97
Day 22 3783' (0'). Mix mud. Anhydrite/Dolomite/Salt. MW 8.6, Vis 42 pH 10, Chl 3000. Mix mud in steel pits. Attempt to torque pipe slips, would not hold, wait on slips. Backoff DP @ XO to DCs. Work DP free after shot. POH w/all DP, left BHA in hole. PU bit, DCs & TIH to hit bridge 850-950', POH to csg. Mix mud @ 825, 150 bbl to circ, 340 to circ mud to surf. Mix mud for vol.
CTD: $367,430

3-26-97
Day 23 3783' (0') Cond mud. Anhydrite/Salt/Dolomite. MW 9.0, Vis 44, pH 10, Chl 12K. Bld vol in pits. W&R 940-1650'. LD 8 jts, run 3 stds. Wash 1650-2396', 250 bbl loss. Circ. Pull 17 stds ok. Circ @ 825, no loss. TIH to 2396' ok. Wash 2396-3003' TOF. Circ to cond mud & disp hole w/new mud, circ out 12.4 PPG, 10,000 Chl, drop wt to 90#.
CTD: $391,203

3-27-97
Day 24 3783' (0'). Backoff fish. Anhydrite/Salt/Dolomite. MW 8.9, Vis 68, pH 9, Chl 10K. Circ to cond mud @ 3003'. POH 24 stds, drag 1-4-100K. Circ @ 825. TIH 24 stds, drl 7' fill. Circ mud to raise vis. POH, LD BHC. PU jars, TIH. Jar fish dwn 5' & stop. RU WL, ran spud bar 3616'. Ran FPI, DCs free 3350' w/rest movement to 3380' & stuck @ 3414'.
CTD: $406,519

3-28-97
Day 25 3783' (0'). Jar on fish. Salt/Anhydrite/Dolomite. MW 8.9, Vis 60, pH 8.5, Chl 9K. Run FPI & backoff @ 3350'. RD WL. POH to rec (12) 8" DCs, LD jars & PU BHC. TIH to 2850'. Wash to 3003', no problems. Wash to TOF @ 3350' w/hole prob @ 3290'. Circ TOF, mud wt 8.9. POH, LD BHC. PU jars, TIH, BHA. CDL. TIH, screw into fish. Jar on fish.
CTD: $417,529

3-29-97
Day 26 3783' (0'). Mix mud. Salt/Anhydrite/Dolomite. MW 9.0, Vis 40, pH 8.5, Chl 12K. Jar on fish. Work fish up 7½ jts. Jar on fish, stuck @ 3425'. Attempt circ & jar. Jar w/kelly jars, stop. Run FPI, stuck 1100. Wait on tbg & mix mud. RU to run tbg w/crane. TIH 26 jts, tag bridge 820'. Pmp 50 bbl pill, re-rig crane. Pmp 200 bbl w/LCM, mix 160 bbl new mud.
CTD: $438,674

3-30-97
Day 27 3783' (0') Plug to Abandon. Salt/Anhydrite/Dolomite. Pmp 640 bbl mud 30# LCM. POH, LD 2-7/8" tbg. Ran FPI stuck 852-870'. WO BJ, jet pits. RU BJ, run gyro 65', disp N 49° W. Pmp plug #1: 3125-2286', 300 sx CL-H, 12% A-11, 2% CaCl. WOC. Perf drill pipe @ 1900'. Pmp plug #2: 1900-1780', 100 sx Cl-C, 2% CaCl.
CTD: $546,457

3-31-97
Day 28 3783' (0') Back off DP @ 875'. WO BJ.
Pmp plug #3: 875-635', 150 sx Cl-C, 2% CaCl. POH, WOC. TIH, tag plug @ 825'.
Pmp plug #4: 825-625', 125 sx Cl-C, 2% CaCl. POH, WOC. TIH, tag plug @ 800'. LD DP, TIH 4 stds.
Pmp plug #5: 400-240', 100 sx Cl-C, 2% CaCl. POH, WOC.
Pmp plug #6: 30'- surf, 20 sx Cl-C, 2% CaCl.
ND BOPs, rig dwn floor. Prep to rig dwn & move 75' east to Gaucho 2Y.
Final Cost Gaucho #2: $698,476

"TIGHT HOLE"	SFE WI	:	50	% BPO (300%)	Drilling	
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:	Norton - 14
Gaucho Unit .No. 2Y (D)	SFE NRI	:	39.25	% BPO (300%)	Spud:	
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	9-5/8"	@
Lea Co., NM	SFE ORRI	:	N/A	% APO	7"	@
Prospect: Gaucho	SFE WI	:	N/A	% BCP	4-1/2"	@
PTD 13,600'	SFE WI	:	N/A	% ACP		
	SFE ACT	:	30107-002			
	SFE AFE	:	297112			
	AFE COMP	:	$800,000			
	DHC COST	:	$620,000			

4/01/97
Rig dwn drlg rig, set 40' cond (20"). Drl rat & mouse holes. Ext loc 75' east, build reserve pit. Rig up.
Gaucho Unit #2Y CTD: $ 31,028
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $729,504

4/02/97
MI RU
Gaucho Unit #2Y CTD: $ 50,227
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $748,703

4/03/97
DAY 1 SPUD 12:00am , 4/04/97. RU & prep to spud. Spud.
Gaucho Unit #2Y CTD: $ 63,058
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $761,534

4/04/97
DAY 1 1080' (1080'). SPUD 12:00AM, 4/04/97. Drlg. Sand. MW 9.8, Vis 42. Svys: 267' @ 3/4°; 717' @ 1/2°; 960' @ 3/4°. Drlg & unplug bit. Drlg. WL svy. Drlg. WL svy. Drlg. Circ. WL svy. Drlg.
Gaucho Unit #2Y CTD: $ 78,738
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $777,214

4/05/97
Day 2 1535' (455') Drlg. Sand. MW 9.5, Vis 42. Svy 1187' @ 1°. Drlg. Circ. WL svy. Drlg. Lost all press, check surf. Trip for bit, blown jet. Drlg.
Gaucho Unit #2Y CTD: $ 87,125
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $785,601

4/06/97
Day 3 1759' (224'). Circ for csg. Sand/Red Bed/Anhydrite. MW 9.4, Vis 37, pH 9, Chl 10K. 1511' @ 2 1/4°; 1587' @ 3°; 1650' @ 4°. Drlg. Circ. WL svy. Drlg. Circ. WL svy. Drlg. Bit trip, plugged jets, 1669 svy. Drlg. Circ.
Gaucho Unit #2Y CTD: $ 96,401
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $794,877

4/07/97
Day 4 1759' (0'). RU BJ. Anhydrite. Svy 1759' @ 4°. Circ for csg. POH, LD reamers. RU csg crew & LD mach, weld btm jts & shoe. Ran 19 jts 13-3/8", 61#, J-55, ST&C csg (830.03') & 22 jts 13-3/8", 54.5#, J-55 ST&C csg (971.74'), total 41 jts. Guide shoe set @ 1759'. RU BJ, circ, install cmt hd. 1st stage cmt: 1500 sx Class-C, 6% gel, 2% CaCl + 1/4 PPS Cflx + 1/4 PPS Cello. Stage 2 cmt: 200 sx Class-C, 2% CaCl. WO cmt. Good circ, 350 sx to surf. PD @ 3:30pm MST, 4/07/97. WOC, clean cellar & FL. Cut cond pipe & csg, weld on 12"x3000 BH.
CTD: $169,131
Gaucho Unit #2Y CTD: $169,131
Gaucho Unit #2 Final CTD: $698,476
100% AFE CTD: $867,607

"TIGHT HOLE"	SFE WI	:	50	% BPO (300%)	Drilling	
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:	Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	39.25	% BPO (300%)	Spud:	
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	9-5/8"	@
Lea Co., NM	SFE ORRI	:	N/A	% APO	7"	@
Prospect: Gaucho	SFE WI	:	N/A	% BCP	4-1/2"	@
PTD: 13,600'	SFE WI	:	N/A	% ACP		
	SFE ACT	:	30107-002			
	SFE AFE	:	297112			
	AFE COMP	:	$800,000			
	DHC COST	:	$620,000			

4/08/97
Day 5 1780' (21'). Drlg. Anhydrite. MW 8.4. Weld on hd, test. NU BOP, clean flowline. Test BOP & csg to 500 PSI. PU BHA, TIH. Drlg plug & cmt. Drl new 12¼" hole.
CTD: $190,769

Gaucho Unit #2Y CTD:	$190,769
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$889,245

4/09/97
Day 6 2135' (355'). Drlg. Anhydrite/Sand. MW 8.7, Vis 41, pH 10, Chl 5400. Svys: 1800' @ 4°; 1893' @ 4°; 2030' @ 3°. Drlg. WL. Drlg. WL. Drlg 1941-2067', losing circ. Circ & WL @ 2020'. POH to 1737', fluid loss 100 BPH. Mix 400 bbl LCM & mud to regain circ, add 400 bbl premix mud. TIH, wash 70' to btm. Drlg.
CTD: $199,742

Gaucho Unit #2Y CTD:	$199,742
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$898,218

4/10/97
Day 7 2446' (311'). Work stuck pipe. Anhydrite/Red Bed. MW 8.5, Vis 38, pH 9. Svys: 2205' @ 3/4°, 2112' @ 1½°, 2300' @ 1¾°. Drlg. WLS. Drlg. Trip to move IBS & PU KSW. Ream 45' to btm. Rep wt ind. Drlg. Run WLS, WL mach would not pull (elec prob), pull out w cat. Work stuck string.
CTD: $209,046

Gaucho Unit #2Y CTD:	$209,046
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$907,522

4/11/97
Day 8 2760' (314'). Drlg. Red Bed/Shale. MW 8.8, Vis 37, pH 9. Chl 2200. Work stuck string. Work string w/oil on BHA. Spot pipe free. Drlg. Pull 9 stds, pack swivel, run 9 stds. Drlg.
CTD: $224,979

Gaucho Unit #2Y CTD:	$224,979
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$923,455

4/12/97
Day 9 3220' (460'). Drlg. Salt 2539' (Stringer); Dolomite 3000'. MW 9.2, Vis 42, pH 8, Chl 45K. Svy 2890' @ 1-3/4°. Drlg. WL @ 2890'. Drlg. Pull 18 stds, install reamer, run 18 stds. Drlg. RS. Drlg.
CTD: $233,666

Gaucho Unit #2Y CTD:	$233,666
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$932,142

4/13/97
Day 10 3520' (300'). Drlg. Dolomite. MW 9.4, Vis 46, pH 9, Chl 45K. Svy 3336' @ 1¼°. Drlg. RS. Drlg. POH, LD IBS & KSW. TIH w/string reamer on top of DCs, change jets in bit. Drlg w/form brk @ 3415'.
CTD: $242,485

Gaucho Unit #2Y CTD:	$242,485
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$940,961

"TIGHT HOLE"	SFE WI	:	50	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	39.25	% BPO (300%)	Spud:		
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	9-5/8"	@	
Lea Co., NM	SFE ORRI	:	N/A	% APO	7"	@	
Prospect: Gaucho	SFE WI	:	N/A	% BCP	4-1/2"	@	
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

4/14/97
Day 11 3684' (164'). TIH. Dolomite. MW 8.5, Vis 50. Drlg. Lost circ & PUH 19 stds w/100K drag. Jet pits, mix mud. RU R&M, ran FPI & backoff DCs @ 1733'. POH, LD string rmr. PU tools. TIH.
CTD: $254,256

Gaucho Unit #2Y CTD:	$254,256
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$952,732

4/15/97
Day 12 3684' (0'). Mix LCM. Dolomite. MW 8.5, Vis 50, pH 9. TIH. Tag fish & workover fish. Washover fish. Circ. POH. LD 2 jts wiper, PU jars & BS. TIH BHA. Cut drlg line. TIH w/DP. PU kelly, screw in fish. POH. LD fish tools. TIH, tag fill @ 1860'. Wash 1860-1984', lost circ, pull up ok.
CTD: $280,833

Gaucho Unit #2Y CTD:	$280,833
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$979,309

4/16/97
Day 13 3684' (0'). Work stuck pipe. Dolomite. MW 9, Vis 64, pH 9, Chl 6000. Mix & pmp 300 bbl LCM mud. Regain circ & work pipe. TIH, tag 1877', drill bridge, loss circ, regain, wash 1984'. Wash 1984-2171'. Circ & mix 400 bbl mud losing 50 BPH, lg vol sand. Wash to 2294' & stuck @ 2309'. Spot diesel & work stuck string.
CTD: $294,316

Gaucho Unit #2Y CTD:	$294,316
Gaucho Unit #2 Final CTD:	$698,476
100% AFE CTD:	$997,792

4/17/97
Day 14 3684' (0'). Work stuck pipe. Dolomite. MW 8.7, Vis 76, pH 9, Chl 5000. Work stuck pipe. Spot 60 bbl diesel w/pipe free & work string. Run FPI, stuck 1830-62'. Work stuck pipe & PU 1st driving tool & twist pin. Work stuck string. Work stuck string w/driving tool & oil on spot.
CTD: $316,597

Gaucho Unit #2Y CTD:	$ 316,597
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,015,073

4/18/97
Day 15 3684' (0'). Washover. Dolomite. Work stuck pipe w/oil on spot & driving tool. LD driving tool. Circ. Run FPI & backoff DCs @ 1825'. POH to DCs. Insp 4 DCs & X/O. PU 6 jts, wiper, jars & 2 DCs. TIH. Tag top & fish & WO with metal cuttings in mud. POH. Wait on shoe. CO shoe & TIH.
DC: $330,488

Gaucho Unit #2Y CTD:	$ 330,488
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,028,964

4/19/97
Day 16 3684' (0'). TIH w/bit. Dolomite. MW 8.6, Vis 148, pH 8, Chl 10K. Washover fish to 2017'. Circ. Spot oil. POH. PU overshot & BS. TIH. Jar fish free. POH to fish. LD tools & top DC. POH fish. LD 2 DCs, jars, BS & run up in hole. LD wiper, load out tools. PU bit & TIH DP.
CTD: $352,859

Gaucho Unit #2Y CTD:	$ 352,859
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,051,335

"TIGHT HOLE"	SFE WI	: 45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	: 25	% APO (300%)	Rig:		Nor[illegible] #14
Gaucho Unit No. 2Y (D)	SFE NRI	: 35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	: 20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	: N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	: N/A	% APO	8-5/8"	@	
Prospect: Gaucho	SFE WI	: N/A	% BCP	5-1/2"	@	
PTD: 13,600'	SFE WI	: N/A	% ACP			
	SFE ACT	: 30107-002				
	SFE AFE	: 297112				
	AFE COMP	: $800,000				
	DHC COST	: $620,000				

4-20-97
Day 17 3684' (0'). Cementing. Dolomite. TIH, tag fill @ 2321'. Wash 2321-73'. Circ. LD 9 jts, run 3 stds. Wash 2373-3100'. Circ. POH DP & bit. RU LD mach & csg crew. Ran 57 jts 10-3/4" csg ok & started hanging @ 2520'. Work csg in to 3077', total 69 jts.
CTD: $420,271

Gaucho Unit #2Y CTD:	$ 420,271
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,118,747

4-21-97
Day 18 3684' (0'). LD DP. Dolomite. MW 8.9, Vis 40, pH 9. Cement 10-3/4" csg. WOC, prep to ND BOP. ND BOP. Cut 10-3/4", cut off 13-3/8" SOW BH, weld 10-3/4" SOW. NU BOPs. Test blind rams & csg to 1000#. PU bit & RU floor. TIH DCs & 1 jt DP. Test pipe rams to 1000 PSI. TIH 26 stds DP to 3072'.
Casing Report: Ran 1 jt 10-3/4" 45.5 K-55 STC (42.45'), 1 jt 10-3/4" 45.5# K-55 STCxbutt (43.10'), 67 jts 10-3/4" 45.5 K-55 Butt (2994.72'), set @ 3077'. Float shoe @ 3077'. Float collar @ 3032'.
Cement Report: 380 sx Class-C 50/50 w/10% gel, 5% salt & 1/4# Celloseal followed by 150 sx Class-C. Circ 200 sx. PD @ 12:45 MST, job complete 1:45am, 4/21/97..
CTD: $441,933

Gaucho Unit #2Y CTD:	$ 441,993
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,140,469

4-22-97
Day 19 4310' (626'). Drlg. Dolomite. LD 27 jts, RIH 8 stds. PU 2 jts & kelly, break circ. Tag @ 3032'. Drl cmt plug, float & shoe to 3077'. Wash sand 3077-3565', lost complete rets. Circ w/no rets. Wash 3565-3686' w/no rets. Dry drill @ 200 GPM, pmp 15 bbl high vis & paper every 90', pmp 100 bbl FW dwn ann every 2 hrs, est 3900 bbl loss.
CTD: $450,235

Gaucho Unit #2Y CTD:	$ 450,235
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,148,711

4-23-97
Day 20 5120' (810'). POH for liner. Dolomite. Drlg. RS. Drlg. Pmp sweep, drop totco. POH to run liner.
CTD: $460,083

Gaucho Unit #2Y CTD:	$ 460,083
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,158,559

4-24-97
Day 21 5120' (0'). Run temp log. Lime. Svy 5120' @ 1°. POH w DP. RU LD mach. LD (20) 8" DCs. RU csg crew. Run 50 jts 32#, K-55, 8-5/8" liner, set @ 5109'. Shoe set @ 5109'. FC set @ 5062'. RD csg crew & LD mach. Brk circ & TIH w DP. Set liner on btm & cmt. BJ Svc cmt'd w/200 sx Class-C w/.3% FL-52 followed by 255 sx Class-C 50/50 Poz + 10% gel + 5% salt + 1/4 PPS Flocele, followed by 200 sx Class-C cmt. POH w/DP. WOC. CDL. Run temp log.
CTD: $527,357

Gaucho Unit #2Y CTD:	$ 527,357
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,225,833

"TIGHT HOLE"	SFE WI	: 45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	: 25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	: 35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	: 20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	: N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	: N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	: N/A	% BCP	5-1/2"	@	
PTD: 13,600'	SFE WI	N/A	% ACP			
	SFE ACT	30107-002				
	SFE AFE	: 297112				
	AFE COMP	: $800,000				
	DHC COST	: $620,000				

4-25-97
Day 22 5120' (0'). Drl retainer. Lime. Attempt to load hole w/300 BFW. WO Baker. TIH 10-3/4" cmt ret. RU BJ, set ret, load hole. Pmp 200 sx Thiso & 400 sx Neat. Rev out 10 bbl cmt. POH DP & mech set tool. WOC, PU BHA. TIH 20 stds, tag @ 2740'. LD 6 jts, RIH 2 stds. Drl on ret.
CTD: $556,917

Gaucho Unit #2Y CTD:	$ 556,917
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,255,393

4-26-97
Day 23 5120' (0') TIH w/stinger. Lime. Drl ret & 100' cmt. Circ w/30% los. Drl cmt 70'. POH. WO WL. RU WL w/repairs & set 10-3/4" ret @ 2743'. TIH w/stinger on DP, unable to sting into ret. POH w/DP & stinger, WO cent for stinger.
CTD: $567,050

Gaucho Unit #2Y CTD:	$ 567,050
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,265,526

4-27-97
Day 24 5120' (0'). POH, WOC. Dolomite/Lime. WO tool. RIH cent & stinger. Attempt to pmp below ret. POH w/stinger. TIH w/bit, DCs & DP. Drl ret @ 2743'. TIH to liner & POH. TIH, ret on DP, unable to pmp in. RD BJ, POH. RIH w/bit & DCs, drl ret. POH. TIH w/DP. Spot 100 sx Class-C cmt 2920-2680'. POH, inc 5 bbl to load hole after 5 stds.
CTD: $590,489

Gaucho Unit #2Y CTD:	$ 590,489
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,288,965

4-28-97
Day 25 5120' (0'). Drl cmt. Lime/Dolomite. POH. WOC. TIH w/bit & CDs, tag @ 2760'. LD 9 jts, RIH 3 stds. Drl cmt 2760-2930'. Test liner top 250 PSI, ok. Trip for 7-7/8" bit. Drl on ret junk @ 2930', push to 2992'. RIH to 4995'. LD 9 jts, RIH 3 stds. Drl cmt & junk to landing collar 5060'.
CTD: $609,636

Gaucho Unit #2Y CTD:	$ 609,636
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,308,112

4-29-97
Day 26 5610' (490'). Drlg. Lime/Sand. Svy 5480' @ 1°. Drl cmt junk & flts. Clean out 5110-5120'. Drl 5120-5130'. Pmp sweep & POH. PU BHA & TIH w/DCs. TIH w/bit #8 TOL 22 stds. W&R 10'. Drlg. RS. Drlg. Svy. Drlg.
CTD: $622,673

4-29-97 *Cost Summary Correction:*

Gaucho Unit #2Y CTD:	$ *622,673*
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	*$1,321,149*

4-30-97
Day 27 6730' (1120') Drlg. Sand/Shale/Lime. Svys: 5947' @ 1°; 6417' @ 1/2°. Drlg. Svy. Drlg. Svy. Drlg.
CTD: $633,736

Gaucho Unit #2Y CTD:	$ 633,736
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,332,212

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@	11,840'
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

5/01/97
Day 28 7500' (770'). Drlg. Sand. Svy 7044' @ 3/4°. Drlg. WL - misrun Drlg RS. Drlg. WL. Drlg.
CTD: $641,829
Gaucho Unit #2Y CTD: $ 641,829
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,340,305

5/02/97
Day 29 8060' (560'). Drlg 20% Limestone, 20% Shale, 60% Sandstone. Svy 7545' @ 3/4°. Drlg. Svy Drlg RS. Drlg. Svy 8017' - misrun.
CTD: $649,922
Gaucho Unit #2Y CTD: $ 649,922
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,348,398

5/03/97
Day 30 8281' (221'). RR. Sand/Lime. Svy 8234' @ ½°. Drlg. RS Drlg. Svy. POH for bit. TIH w/DCs. CDL. RR. dynomatic
CTD: $663,894
Gaucho Unit #2Y CTD: $ 663,894
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,362,370

5/04/97
Day 31 8281' (0'). TIH. Sand. RR. TIH w/no aux brakes.
CTD: $671,987
Gaucho Unit #2Y CTD: $ 671,987
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,370,463

5/05/97
Day 32 8830' (549'). Drlg. Bone Spring @ 8470' Limestone/Sand MW 8.4, Vis 29, pH 12, Chl 3000. Svy 8730' @ ¼°. TIH W&R 60' to btm. Drlg. RS. Drlg. WLS. Drlg.
CTD: $680,953
Gaucho Unit #2Y CTD: $ 680,953
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,379,429

5/06/97
Day 33 9470' (640'). Drlg. 70% Lime, 30% Shale. MW 9.1, add brine wtr. Svy 9200' @ ½°. Drlg RS Drlg. WLS Drlg
CTD: $697,230
Gaucho Unit #2Y CTD: $ 690,230
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,388,706

5/07/97
Day 34 10,080' (610'). Drlg. Lime/Shale. MW 9. Svy 9700' @ 1¼°. Drlg Svy & RS. Drlg.
CTD: $709,105
Gaucho Unit #2Y CTD: $ 709,105
Gaucho Unit #2 Final CTD: $ 698,476
100% AFE CTD: $1,407,581

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@	
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

5/08/97
Day 35 10,630' (550'). Drlg Lime/Shale. MW 9, Vis 29, pH 9, Chl 44K. Svy 10,177' @ ¼°. Drlg. Svy. Drlg. RS. Drlg
CTD: $723,606

Gaucho Unit #2Y CTD:	$ 723,606
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,422,082

5/09/97
Day 36 11,170' (540'). Drlg. 60% Sand, 40% Limestone. Svys: 10,675' @ ½°; 10,894' @ ½°. Drlg. WLS. Drlg. WLS. Drlg
CTD: $733,768

Gaucho Unit #2Y CTD:	$ 733,768
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,432,244

5/10/97
Day 37 11,680' (510'). Drlg. 20% Sand, 20% Shale, 60% Lime. MW 9, Vis 29, pH 10, Chl 55K. Svy 11,385' @ ¾°. Drlg
WLS, RS. Drlg
CTD: $748,598

Gaucho Unit #2Y CTD:	$ 748,598
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,447,074

5/11/97
Day 38 11,840' (160'). TIH. Lime/Shale. MW 9, Vis 29. Svy 11,840' @ ¾°. Drlg TD 7am. Circ for logs (sweep). Drop Totco
POH for logs. RU Schlumberger & log (11,835'). RR (dyno). TIH inc.
CTD: $777,573

Gaucho Unit #2Y CTD:	$ 777,573
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,476,049

5/12/97
Day 39 11,840' (0'). Run 5½" csg. TIH. Wash to btm 60', 7' fill. Circ for csg. RS. LD DP & DC, RU csg crew. Start running
5½" csg.
CTD: $902,770

Gaucho Unit #2Y CTD:	$ 902,770
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,601,246

5/13/97
Day 40 11,840' (0'). Test BOPs. Fin run'g 289 jts 5½" csg. RU BJ, circ thru csg @ 11,840'. Cmt w/1100 sx 50:50 Poz-H. RD
BJ. ND 13-3/8" BOP, set slips, install tbg hd, NU 7-1/16", 10K BOPs. Ran Temp Log, TOC 6800'. NU, test BOPs
CTD: $938,782

Gaucho Unit #2Y CTD:	$ 938,782
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,637,258

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:		4/04/97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	9-5/8"	@	3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@	11,840'
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

5/14/97
Day 41 11,840' (0'). PU 2-7/8" DP. MW 10, Vis 29. Install 7-1/16" BOPs. Test BOPs & choke manif to 10,000 PSI, ann to 5000 PSI, test btm kelly valves to 5000 PSI. Will replace 2nd leaking top kelly valve. RU LD mach, install tbg board. PU BHA & DP.
CTD: $979,320

Gaucho Unit #2Y CTD:	$ 979,320
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,677,796

Casing/Cement Report:
Ran 289 jts 5½", 17#, P-110, LT&C, float shoe set @ 11,840', FC @ 11,754'. Cmt w/50:50 Poz-H w 2% gel + 1% FL-62. Floats held ok, 2100 PSI press diff. Did not bump plug. Disp w/273 bbl brine, good circ. PD @ 5:[illegible] am, 5/13/97

5/15/97
Day 42 11,930' (90'). Drlg. Shale/Lime. MW 10, pH 10. PU 2-7/8" DP. Change KB & RD PU mach. Drl plug, float, cmt & shoe. Test csg shoe to 13.5 PPG MWE, ok. Press test csg 2500 PSI, ok. Drl 10' new 4-3/4" hole. Drlg.
CTD: $998,705

Gaucho Unit #2Y CTD:	$ 998,705
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,697,181

5/16/97
Day 43 12,070' (140'). Drlg. 30% Chert, 60% Limestone, 10% Shale. MW 10, pH 10. Drlg. RS. Drlg.
CTD: $1,008,998

Gaucho Unit #2Y CTD:	$1,008,998
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,707,474

5/17/97
Day 44 12,130' (60'). Drlg. Sand Lime. MW 10, pH 9.5. Drlg. POH for bit #11. Make up bit, TIH w/BHA. CDL, CO kelly valve, pack swivel. TIH. Repair high clutch. Fin TIH. W&R 50' to btm. Drlg.
CTD: $1,027,885

Gaucho Unit #2Y CTD:	$1,027,885
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,726,361

5/18/97
Day 45 12,370' (240'). Drlg. Lime Shale. MW 10, Vis 29, pH 9, Cl 150K. Drlg. Check flow. Drlg. RS. Drlg. Check flow. Drlg. BG 32; Conn 39.
CTD: $1,039,042

Gaucho Unit #2Y CTD:	$1,039,042
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,737,518

5/19/97
Day 46 12,470' (100'). Drlg. Limestone. MW 10, pH 9.5. RR - pumps. Drlg. RR - pmps. Drlg to 12,398'. TFB #11. Drl bridge @ 12,081', RIH, wash to btm w/6' hard fill. Drlg. Install rot hd.
CTD: $1,059,406

Gaucho Unit #2Y CTD:	$1,059,406
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,757,882

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling	
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:	Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:	4-04-97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@ 1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	10-3/4"	@ 3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@ 5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@ 11,840'
PTD: 13,600'	SFE WI	:	N/A	% ACP		
	SFE ACT	:	30107-002			
	SFE AFE	:	297112			
	AFE COMP	:	$800,000			
	DHC COST	:	$620,000			

5-20-97
Day 47 12,550' (80'). Drlg. Limestone/Shale. MW 10, pH 9. Drlg. Trip for bit #13. Wash & ream thru tight hole @ 12,081' & 12,140'. Drilling w/ fluid loss of est. 25 bbl/hr. Pump sweep & stop loss. 20' flare on btms up.
CTD: $1,059,406

Gaucho Unit #2Y CTD:	$1,076,745
Gaucho Unit #2 Final CTD:	$ 698,476
100% AFE CTD:	$1,757,882

5-20-97 Corrected CTD: $1,076,745

Gaucho Unit #2Y CTD	*$1,076,745*
Gaucho Unit #2 Final CTD.	*$ 698,476*
100% AFE CTD.	*$1,775,221*

5-21-97
Day 48 12,623' (73'). TIH. Lime/Shale. MW 10, pH 9. Drlg 12,512-623'. Circ out sweep. Drop totco. POH for bit. TIH.
CTD: $1,106,684

Gaucho Unit #2Y CTD:	*$1,106,684*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$1,805,160*

5/22/97
Day 49 12,707' (84'). Drlg. Shale/Lime. MW 9.8, pH 9. TIH to 12,580. Wash & ream 50' to btm. Drlg. Modify flowline & flometer. Drlg.
CTD: $1,119,265

Gaucho Unit #2Y CTD:	*$1,119,265*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$1,817,741*

5-23-97
Day 50 12,820' (113'). Drlg. 70% Shale, 20% Sand, 10% Limestone. MW 9.8, pH 9. Drlg to 12,757'. RS. Drlg.
CTD: $1,132,308

Gaucho Unit #2Y CTD.	*$1,132,308*
Gaucho Unit #2 Final CTD.	*$ 698,476*
100% AFE CTD	*$1,830,784*

5-24-97
Day 51 12,883' (63'). Raise mud wt. 10% Sand, 60% Lime, 30% Shale. MW 10.2. Drlg. Circ out sweep & btms up. POH for bit, check flow. TIH. W&R 50' to btm. Drl, start mud-up @ 12,864', pmp press dec, drlg brk 12,878-82', 2" flow, 100 PSI, SIDP. Circ on choke while raising mud wt w/20' flare, dec to 2'.
CTD: $1,149,647

Gaucho Unit #2Y CTD.	*$1,149,647*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$1,848,123*

5-25-97
Day 52 12,906' (23'). Drlg. 60% Sand, 20% Shale, 20% Lime. MW 12.8, Vis 46, pH 10, Chl 140K. Circ. drlg break & raise MW to 11.5 PPG, kill flare. Drlg w/good break 12,895-98'. Check flow, strong flow 500" CIDP & 650# CICP. Circ out gas, 50' flare. SI well, raise MW to 12.8. Displ hole w/12.8 mud, kill well. Raise MW in pits to 12.8. Drlg.
CTD: $1,175,120

Gaucho Unit #2Y CTD	*$1,175,120*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD	*$1,873,596*

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling		
SFER, INC	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@	11,840'
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

5/26/97
Day 53 12,968' (62'). Drlg. MW 12.8, Vis 46, pH 10, Chl 141K. Drlg. RS, change out rotating head body, rotating head locked up, change out for original body.
CTD: $1,200,813

Gaucho Unit #2Y CTD:	*$1,200,814*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$1,899,290*

5/27/97
Day 54 13,009' (41'). TIH. 50% Shale, 20% Sand, 30% Lime. MW 12.9, Vis 46, pH 10, Chl 140K. Drlg. Pmp slug, pull 14 stds, check flow at shoe. POH, change out bit & reamer. TIH.
CTD: $1,226,700

Gaucho Unit #2Y CTD	*$1,226,700*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$1,925,176*

5/28/97
Day 55 13,049' (40'). Drlg. Shale MW 12.9, Vis 43, pH 10, Chl 139K. Trip for bit #16. Wash 30' to btm, no fill. Drlg. Change rot hd drive. Drlg.
CTD: $1,242,027

Gaucho Unit #2Y CTD:	*$1,242,027*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$1,940,503*

5/29/97
Day 56 13,104' (55'). Drlg. 40% Shale, 50% Sand, 10% Limestone. MW 40, Vis 40, pH 10, Chl 136K. Drlg. RS. Drlg.
CTD: $1,257,621

Gaucho Unit #2Y CTD:	*$1,257,621*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$1,956,097*

5/30/97
Day 57 13,127' (23'). Drlg. 60% Shale, 40% Lime. MW 12.8, Vis 40, pH 10, Chl 136K. Drlg. POOH to shoe. CDL. POOH TIH to 13,073'. Wash 13,073-118', no fill. Drlg.
CTD: $1,274,858

Gaucho Unit #2Y CTD:	*$1,274,858*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD.	*$1,973,334*

5/31/97
Day 58 13,172' (45'). Drlg. 10% Limestone, 10% Sand, 80% Shale. MW 12.8, Vis 39, pH 10, Chl 130K. Drlg 13,124-172'.
CTD: $1,287,654

Gaucho Unit #2Y CTD:	*$1,287,654*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD.	*$1,986,130*

6/01/97
Day 59 13,224' (52'). Drlg. 90% shale, 10% Limestone. MW 12.8, Vis 39, pH 10, Chl 131K. Drlg. RS. Drlg
CTD: $1,301,412

Gaucho Unit #2Y CTD	*$1,301,412*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD	*$1,999,888*

"TIGHT HOLE"	SFE WI	:	45.3125	% BPO (300%)	Drilling		
SFER, INC.	SFE WI	:	25	% APO (300%)	Rig:		Norton #14
Gaucho Unit No. 2Y (D)	SFE NRI	:	35.6406	% BPO (300%)	Spud:		4-04-97
1650' FSL & 1725' FWL	SFE NRI	:	20	% APO (300%)	13-3/8"	@	1,759'
Sec 29, T-22S, R-34E	SFE ORRI	:	N/A	% BPO	10-3/4"	@	3,077'
Lea Co., NM	SFE ORRI	:	N/A	% APO	8-5/8"	@	5,109'
Prospect: Gaucho	SFE WI	:	N/A	% BCP	5-1/2"	@	11,840'
PTD: 13,600'	SFE WI	:	N/A	% ACP			
	SFE ACT	:	30107-002				
	SFE AFE	:	297112				
	AFE COMP	:	$800,000				
	DHC COST	:	$620,000				

6/02/97
Dy 60 13,256' (32'). Drlg 10% Limestone, 30% Sand, 60% Shale. MW 12.8, Vis 39, pH 10, Chl 130K. Drlg to 13,241'. Circ samples & pmp slug. POH. TIH w/bit #18. Drlg.
CTD: $1,319,279

Gaucho Unit #2Y CTD:	*$1,319,279*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,017,755*

6/03/97
Day 61 13,312' (56'). Drlg. 70% Shale, 30% Lime. MW 2.8, Vis 39, pH 10, Chl 131K. Drlg.

CTD: $1,332,872

Gaucho Unit #2Y CTD:	*$1,332,872*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD.	*$2,031,348*

6/04/97
Day 62 13,340' (28'). Logging. 90% Shale, 10% Lime. MW 12.8, Vis 39, pH 10, Chl 130K. Drlg TD 13,340' @ 1:30pm. Circ for logs & slug. POH, LD reamers. RU Schlumberger, ran DLL f/13,335' (log TD) to 11,840'.
CTD: $1,345,937

Gaucho Unit #2Y CTD:	*$1,345,937*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,044,413*

6/05/97
Day 63 13,340' (0'). Run 3½" liner. Shale. MW 12.8, Vis 39. Ran DLL. Ran Neutron & Density logs. Ran FMS & RD Schlumberger. TIH w/bit #18. Wash to btm ok. Circ & pmp slug. POH, LD 26 jts DP & 18 DCs. RU csg crew, run 3½" liner.
$1,379,247

Gaucho Unit #2Y CTD:	*$1,379,247*
Gaucho Unit #2 Final CTD.	*$ 698,476*
100% AFE CTD	*$2,077,723*

6/06/97
Day 64 13,340' (0'). WOC. MW 12.8, Vis 39. Run 3½" csg for liner. RD csg crew & LD mach. TIH w/DP, SLM & rabbit. Circ thru liner on btm. Cmt liner w/110 sx Class-H. POH w/DP. TIH w/bit & DCs to 6000'. WOC.
CTD: $1,442,596

Gaucho Unit #2Y CTD:	*$1,4[illegible] 596*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,141,072*

6/07/97
Day 65 13,340' (0'). Disp out mud. MW 12.8, Vis 39. WOC. TIH w/DCs & bit. Wash to TOL @ 11,573' w/10' cmt. POH. PU 5½" RTTS pkr. TIH w/DP & pkr to 11,364'. Set pkr & disp DP w/FW. Bled off DP & test liner. Disp mud.
CTD: $1,454,484

Gaucho Unit #2Y CTD:	*$1,454,484*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD	*$2,152,960*

6/08/97
Day 66 13,340' (0'). Drl cmt. Disp mud w/FW. POH w/2-7/8" DP & pkr. TIH w/3½" DCs. RU LD mach & LD DCs. RU power tongs & PU 60 jts 1.82' DP w/2-7/8" mill. Jet all mud & clean suction. TIH w/2-7/8" DP to 11,573'. Repair kelly hose union. Wash thru liner top ok. TIH, tag cmt @ 13,068'. LD 7 jts, run 2 stds. Drl cmt.
CTD: $1,473,695

Gaucho Unit #2Y CTD:	*$1,473,695*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD	*$2,172,171*

6/09/97

Day 67 13,340' (0'). TIH w/mill. Drl cmt to 13,220', lost 400 PSI, twisted off XO. POH w/2-7/8" DP. WO tools, CDL, RS. TIH 120 stds plus 2 singles. Engage fish & pull free @ 40K. POH w/2-7/8" DP, OS & fish. TIH w/2-7/8" mill, 60 jts MT & 2-7/8" DP.
CTD: $1,489,983

Gaucho Unit #2Y CTD:	*$1,489,983*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,188,459*

6/10/97
Day 68 13,340' (0'). LD DP. TIH w/mill. Drl cmt 13,220-309'. Circ. Disp w/2% KCL. LD DP.
CTD: $1,508,383

Gaucho Unit #2Y CTD:	*$1,508,383*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,206,859*

6/11/97
Day 69 13,340' (0'). Rel rig. Complete LD 2-7/8" DP. RU power tongs. LD 60 jts MT DP. RD tongs & LD mach. RD BOPs, RU x-mas tree. Clean & jet pits. Rel rig @ noon, 6/11/97. WO completion. **TEMPORARILY DROP F/REPORT.**
CTD: $1,520,106

Gaucho Unit #2Y CTD:	*$1,520,106*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,218,582*

6/11/97
Day 69 13,340' (0'). Rel rig. Complete LD 2-7/8" DP. RU power tongs. LD 60 jts MT DP. RD tongs & LD mach. RD BOPs, RU x-mas tree. Clean & jet pits. Rel rig @ noon, 6/11/97. WO completion. **TEMPORARILY DROP F/REPORT.**
CTD: $1,520,106

Gaucho Unit #2Y CTD	*$1,520,106*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,218,582*

6/13/97
WO drlg rig to move out. Dressed up location w/backhoe, set anchor, RU PU.
CTD: $1,522,618

Gaucho Unit #2Y CTD:	*$1,522,618*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD	*$2,221,094*

6/14/97
RU Computalog w/GR-CBL-CCL tools. TIH, correl on depth, load csg w/KCl wtr, press up to 1000 PSI, pulled Bond Log from TD @ 13,305' to TOL @ 11,574', log 5½" to 11,300'. POOH, RD Computalog. Removed tree, installed BOP, RU Monk Pipe Testing PU WL re-entry guide, 1.781 F-nipple, (1) 10'x2-7/8" tbg sub, Guib UNI VI Lok 5.5# pkr, XL O/O tool w/1.781 F-nipple, 1 jt 2-3/8" tbg, 1.81 bored SN. TIH w/150 jts tbg, testing to 10,000# above slips. Had trouble w/test tools. SDFN. Unload 388 jts of 4.7#, P-110, EUE, Mod tbg.
CTD: $1,542,195

Gaucho Unit #2Y CTD:	*$1,542,195*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,240,671*

6/15/97
TIH w/216 jts 2-3/8", P-110 tbg, test to 10,000# above slips, set pkr @ 11,524', rel O/O tool. RU BJ, pmp 500 gal 15% HCl acid to EOT 1-2-3.4 BPM. Rev acid back out tbg, circ 230 bbl 2% KCl pkr fluid. Latch onto pkr, test csg to 2000# for 10 mins, ok. Test tbg hanger to 10,000#, removed BOP, install tree, had Cameron Services man test tree to 10,000#, SDFN.
CTD: $1,553,895

Gaucho Unit #2Y CTD:	*$1,553,895*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,252,371*

6/16/97
RU swab, IFL surface, swab tbg to10,000', rec 37 bbl. RIH w/CCL & 1-11/16" strip gun, correl to Bond Log & OH log, perf the Morrow form, 2 SPF, 12 holes, 13,288.2 - 13,293.7. 2 mins PSI to surf, slight blow, drop guns below perfs, wait 30 mins. FTP slight blow. POOH w/tools. RIH w/swab, IFL 6200'. Run #2, FL @ 5600'. Made total of 10 runs, last run well flowing on full-open choke, FTP 30. Swab back 25 BW, flow well 2 hrs, FTP 30. 8:00pm SWI for 3 hrs. 11:00pm SITP 1160, open choke, flow well to TT. 6:00am FTP 40 PSI, choke full open, flowback 4 BW. Swab & flowback total 66 bbl.
CTD: $1,565,628

Gaucho Unit #2Y CTD	*$1,565,628*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD	*$2,264,104*

6/17/97
Well flowing, FTP 180, MCF 348. RU coil tbg, test lines, load coil tbg. RIH, tag TD. PU to 13,295'. Spot 12 bbl 7½% Morrow acid. PUH, close choke, pmp 12.6 bbl 3% KCl flush, SD 15 mins. Max TP 4990; Min TP 3560; Avg TP 4560. Avg Rate 0.1 BPM

ISIP 3900, 5 min SI 3160, 10 min SI 2780, 15 min SI 2560. POOH w/coil tbg, pmp total 91,000 CF nitrogen. Total fluid pmpd 119.6, total fluid rec 126.0 bbl = 124 water + 2 oil. 5:00pm flowing TP 115, switch to test unit. Flow well 13 hrs, Avg TP 530; Choke 40/64"; Avg MCF 1361; rec 2 BO + 3 BW.
CTD: $1,586,166

Gaucho Unit #2Y CTD:	*$1,586,166*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD	*$2,284,642*

6/18/97
SWI 6/17/97 @ 7:08am: FT 640, choke 40/64", MCF 1245.
6/18/97, 6:30am: TP 5200. SWI 23 hrs. RD PU, clean loc. SDFD.
CTD: $1,587,452

Gaucho Unit #2Y CTD	*$1,587,452*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,285,928*

6/19/97
SI tbg psi 5400.
Ran 4-Pt test dated 6/18/97: AOF = 1.670 MMCF. No liquids. FTP 5250-3490 PSI. This is a gas well.
SWI @ 11:10am. WO pipeline. **DROP FROM REPORT.**
CTD: $1,589,027

Gaucho Unit #2Y CTD:	*$1,589,027*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,287,503*

7/11/97
MIRU PU. Blow well dwn, ND WH, NU BOP. Load tbg & csg w/3% KCl w/pkr fluid. Rel pkr & POOH w/tbg. SWI
CTD: $1,593,941

Gaucho Unit #2Y CTD.	*$1,593,941*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,292,417*

7/12/97
MIRU Computalog, RIH w/GR; unable to enter 3½", POOH w/tool. RIH w/CIBP, worked tool thru 200' of tight spot, set CIBP @ 13,200'. Dmped 40' cmt on top. RIH, test to 10,000# above slips, 59 stds of tbg, no leaks. SWI.
CTD: $1,605,258

Gaucho Unit #2Y CTD	*$1,605,258*
Gaucho Unit #2 Final CTD.	*$ 698,476*
100% AFE CTD	*$2,303,734*

7/13/97
Fin testing tbg in hole, set pkr, ND BOP, NU WH. Test tree & seal assembly to 10,000#, load csg w/5 bbl 3%, test to 1500# for 10 mins, ok. Swab well dwn to 10,000'. SDFD.
CTD: $1,611,246

Gaucho Unit #2Y CTD:	*$1,611,246*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,309,722*

7/14/97 Well shut in.

7/15/97
RU WL & 10,000# lub, TIH w/1-11/16" strip gun w/GR CCL, correl on depth, perf Morrow as follows @ 1 JSPF: 12,874-876' & 12,886-906'. Drop below perfs & wait 5 mins, no press. POOH w/guns & stuck @ 11,500' btm of tbg. 10 min tbg press 5000#. Worked to free guns for 1 hr, then parted WL 6' above lub, spliced line & pulled tnesion. SI BOP on WL lub & SI packoff.
CTD: $1,613,131

Gaucho Unit #2Y CTD:	*$1,613,131*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,311,607*

7/16/97
Open pack-off & lub, pull tension on WL - parted again above lub. Spliced line, pulled tension, lifted lub, dropped WL cutter. Wait 30 mins, drop bar. Cut WL 160' below surf. RD Computalog. Put well on line @ 4pm @ 1Mil. 6am TP 5700#, csg 430#, choke 8/64", rate 1.1 Mil, 1 water, 0 oil. Wed - OW to 3 MIL.
CTD: $1,622,366

Gaucho Unit #2Y CTD:	*$1,622,366*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,320,842*

7/16/97 Production: 3.0 MMCF/D. FTP 5000#.

Gaucho Unit #2Y CTD	*$1,622,366*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,320,842*

7/18/97
24 hr prod: 17 BO, 3 BW. 4400 MCF (est). FTP 4100#. Csg press 250#. Choke 21/64". Note: rate - 4580 due to roll-over of time clock; @ 8am gas was est. Equip left in hole:

Kinley drop bar 1.625x26" w/1-3/8" FN	1-11/16"x2' CCL
Kinley sand line cutter 1.750x26.5" w/1" FN	1-11/16"x2' dencentralizer
11,365' of 7/16" elec wireline	1-7/16"x3' teardrop
Rope socket	1-11/16"x1.5' firing head
1" FN	1-11/16"x1-1/16"x36' strip
11-7/16"x2' cablehead	1-11/16" bull plug
(3) 1-11/16"x5' tungsten wt bars, 59# each	

CTD: $1,632,947

Gaucho Unit #2Y CTD:	*$1,632,947*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,331,423*

7/19/97 12 BO, 0 BW. 4343 MCF, Csg 280#, FTP 4100#, Choke 21/64"

7/20/97 10 BO, 0 BW, 4338 MCF, Csg 375#, FTP 3700#, Choke 22/64"

7/21/97 24 BO, 0 BW, 4630 MCF, Csg 390#, FTP 3500#, Choke 21/64".
WO 4-Pt test. **TEMPORARILY DROP FROM REPORT.**

Gaucho Unit #2Y CTD:	*$1,632,947*
Gaucho Unit #2 Final CTD:	*$ 698,476*
100% AFE CTD:	*$2,331,423*

8/04/97
4-Point Test taken on 7/29/97.

	FTP	MCFD
1	6015	1015
2	5450	2106
3	4900	3027
4	4810	3482

SITP 6160#. AOF 6,129. Last report. **DROP FROM REPORT.**

8/27/97
To add cost for wireline & cutting tool. **DROP FROM REPORT.**
CTD: $1,644,861

Gaucho Unit #2Y CTD:	*$1,644,861*
Gaucho Unit #2 Final CTD	*$ 698,476*
100% AFE CTD:	*$2,343,337*

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
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December 1, 1998

HAND DELIVERED

Mr. Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: ***Oil Conservation Division Case No. 12008:***
Application of Robert E. Landreth for Determination of Reasonable Well Costs, Lea County, New Mexico

Dear Mr. Stogner:

Enclosed please find Robert E. Landreth's Response to Santa Fe Energy Resources, Inc.'s Motion to Dismiss in the above-captioned case.

If you need any additional information from Robert E. Landreth, please advise.

Very truly yours,

WILLIAM F. CARR
Attorney for Robert E. Landreth

Enc.
cc: Rand Carroll, Esq. (w/enclosure)
W. Thomas Kellahin, Esq. (w/enclosure)
Robert E. Landreth (w/enclosure)