



Santa Fe Energy Resources, Inc.

January 12, 1999

Altura Energy, Ltd.
P. O. Box 4294
Houston, Texas 77010-4294

ATTN: Mr. Jerry D. West



Re: Well Proposal
Rio Blanco "4" Fed COM #2 - NM-30,256-002
660' FSL & 660' FWL
Section 4, T-23-S, R-34-E
Lea County, New Mexico
RIO BLANCO PROSPECT - NM-0965

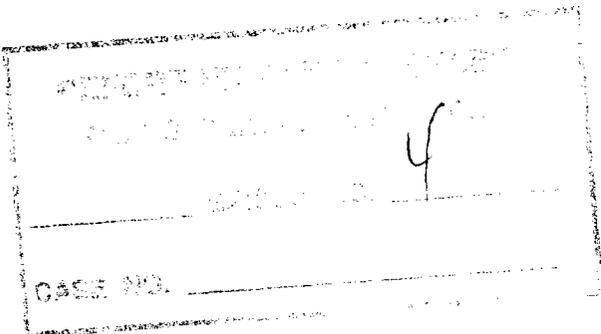
Gentlemen:

Pursuant to that certain Amoco/Santa Fe Exploration and Drilling Agreement dated November 18, 1988, Santa Fe Energy Resources, Inc. (Santa Fe) hereby proposes the drilling of a 13,450 foot Morrow test at a location 660' FSL & 660' FWL of Section 4, T-23-S, R-34-E, Lea County, New Mexico. The anticipated proration unit will encompass the S/2 of said Section 4. Enclosed are duplicate original AFEs that reflects the estimated costs of drilling and completing this well. I will forward a copy of the drilling title opinion when available.

This will be the initial well involving Altura acreage in the Rio Blanco Prospect. Therefore, you will have 45 days from your receipt of this letter to make your election. Should Altura elect to participate, it would have a 25% working interest in the well. The supporting geological data sent to you with the Rio Blanco "4" Fed COM #1 well proposal and prospect designation letter dated July 10, 1998, along with the logs and drilling information you should have received in connection with the drilling of the #1 well, should be sufficient for your review and election.

To indicate your election, please execute and return to the undersigned one duplicate original of this letter. Should you elect to participate, please also execute and return one of the AFE Well Cost Estimates along with your well information requirements.

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



Sincerely,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith
Senior Staff Landman

_____ Altura Energy, Ltd. hereby elects to **PARTICIPATE** in drilling the proposed Rio Blanco "4" Fed COM "2" well.

X Altura Energy, Ltd. hereby elects **NOT TO PARTICIPATE** in drilling the proposed Rio Blanco "4" Fed COM "2" well.

ALTURA ENERGY, LTD.

By: Jeffrey L. Thompson
Title: Geophysicist
Date: 3-4-99