

Santa Fe Snyder Corporation

October 11, 1999

Nearburg Exploration Company, L.L.C.
3300 North "A" Street
Building 2, Suite 120
Midland, Texas 79705
ATTN: Mr. Bob Shelton

Southwestern Energy Production Company
2350 N. Sam Houston Parkway East
Suite 300
Houston, Texas 77032
ATTN.: Mr. Sam Thompson

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
ATTN.: Mr. Randy Lewicki

Re: Proposed Outland State Unit
Proposed Morrow Test
Outland State Unit #1 Well
660' FSL & 660' FWL
Section 12, T-21-S, R-34-E
Lea County, New Mexico
Outland Prospect - NM-0919

Gentlemen:

Santa Fe Snyder Corporation (Santa Fe) hereby proposes the formation of a New Mexico State Exploratory Unit to be named the Outland State Unit. The Unit will cover 1,600 acres composed of the following lands:

Township 21 South, Range 34 East, N.M.P.M.
Section 1: S/2 (aka south 320 acres)
Section 2: S/2 (aka south 320 acres)
Section 11: All
Section 12: E/2
Lea County, New Mexico

If all parties join the Unit, the working interest ownership throughout the Unit would be as follows:

| | |
|---|---------|
| Santa Fe Snyder Corporation | 55.575% |
| Nearburg Exploration Co., L.L.C. | 41.925% |
| Phillips Petroleum Company and/or Southwestern Energy Production Company | 2.500% |

Enclosed are copies of the Unit Agreement and Unit Operating Agreement for the proposed Outland State Unit that have been executed on behalf of Santa Fe. The New Mexico State Land Office has granted preliminary approval of the Unit boundary and Unit Agreement and the NMOCD Hearing for the Unit is scheduled for October 21st.

Proposed Outland State Unit
Outland State Unit Well #1
Lea County, New Mexico
October 4, 1999

In connection with formation of the Outland State Unit, Santa Fe hereby proposes the Outland State Unit #1 well to be drilled as a 13,600 foot Morrow test well at a location 660' FSL & 660' FWL of Section 12, T-21-S, R-34-E, Lea County, New Mexico. Enclosed are duplicate original AFE well cost estimates for the proposed well.

Based upon our most current title information, Phillips Petroleum Company (Phillips) appears to own 100% of the working interest in the SW/4 NE/4 of said Section 11. However, based upon recent telephone conversations with Mr. Randy Lewicki and Mr. Sam Thompson, Phillips has entered into an agreement with Southwestern Energy Production Company (Southwestern) covering this acreage. Pursuant to the terms of this agreement, Southwestern can earn an assignment covering all or a portion of Phillips' working interest in the SW/4 NE/4 of said Section 11 by drilling or participating in a well which includes this acreage in its proration unit. Because Phillips is the owner of record, this well proposal is being made to both Phillips and Southwestern. At your earliest possible convenience, please provide evidence of any agreement(s) that affect the ownership of this tract.

Should you desire to join the Outland State Unit and participate in drilling the proposed well, please so indicate by signing and returning one copy of the AFE well cost estimate, one copy each of the Unit Agreement and Unit Operating Agreement and one copy of the enclosed Ratification and Joinder of Unit Agreement and Unit Operating Agreement.

Thank you for your consideration of this proposal. If you have any questions, my direct number is (915) 686-6712.

Sincerely,

SANTA FE SNYDER CORPORATION



Steven J. Smith
Senior Staff Landman

Santa Fe Snyder Corporation

October 11, 1999

Scott E. Wilson and
Richard K Barr
500 North Loraine, Suite 1070
Midland, Texas 79701

Re: Proposed Outland State Unit
Lea County, New Mexico
Outland Prospect - NM-0919

Gentlemen:

Santa Fe Snyder Corporation (Santa Fe) is in the process of forming a New Mexico State Exploratory Unit to be named the Outland State Unit. The Unit will cover 1,600 acres composed of the following lands:

Township 21 South, Range 34 East, N.M.P.M.
Section 1: S/2 (aka south 320 acres)
Section 2: S/2 (aka south 320 acres)
Section 11: All
Section 12: W/2
Lea County, New Mexico

Santa Fe and Nearburg Exploration Company, L.L.C. both support of the formation of this unit and collectively control 95% of the working interest within the Unit. The New Mexico State Land Office has granted preliminary approval of the Unit Agreement and the NMOCD Hearing for the Unit is scheduled for October 21st. The initial Unit well will be a Morrow test in the SW/4 of Section 12 and we hope to commence drilling operations by mid November.

You each own an overriding royalty interest in the E/2 SW/4 and SE/4 of Section 1, T-21-S, R-34-E, being that portion of State of New Mexico Lease B-1484 to be included in the Unit. Santa Fe invites you to join the Outland State Unit. Should you desire to join the Unit, please so indicate by signing and returning one copy of the enclosed Ratification and Joinder of Unit Agreement.

Thank you for your consideration of this proposal. If you have any questions, my direct number is (915) 686-6712.

Sincerely,

SANTA FE SNYDER CORPORATION



Steven J. Smith
Senior Staff Landman

Enclosures

OutlandStateUnit001d.doc

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

Santa Fe Snyder Corporation

October 11, 1999

OXY USA Inc.
P. O. Box 50250
Midland, Texas 79710-0250
ATTN.: Mr. T. Kent Wooley

Re: Proposed Outland State Unit
Lea County, New Mexico
Outland Prospect - NM-0919

Gentlemen:

Santa Fe Snyder Corporation (Santa Fe) is in the process of forming a New Mexico State Exploratory Unit to be named the Outland State Unit. The Unit will cover 1,600 acres composed of the following lands:

Township 21 South, Range 34 East, N.M.P.M.
Section 1: S/2 (aka south 320 acres)
Section 2: S/2 (aka south 320 acres)
Section 11: All
Section 12: W/2
Lea County, New Mexico

The initial Unit well will be a Morrow test in the SW/4 of Section 12. We hope to commence drilling operations by mid November.

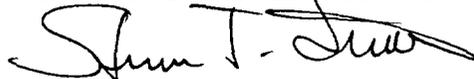
Santa Fe and Nearburg Exploration Company, L.L.C. collectively control 95% of the working interest within the Unit and both support of the formation of this unit. The New Mexico State Land Office has granted preliminary approval of the Unit Agreement and the NMOCD Hearing for the Unit is scheduled for October 21st.

OXY USA Inc. owns an overriding royalty interest in the E/2 SW/4 and SE/4 of Section 1, T-21-S, R-34-E, being that portion of State of New Mexico Lease B-1484 to be included in the Unit. Santa Fe invites you to join the Outland State Unit. Should you desire to join the Unit, please so indicate by signing and returning one copy of the enclosed Ratification and Joinder of Unit Agreement.

Thank you for your consideration of this proposal. If you have any questions, my direct number is (915) 686-6712.

Sincerely,

SANTA FE SNYDER CORPORATION



Steven J. Smith
Senior Staff Landman

Enclosures

OutlandStateUnit001d2.doc