



**Santa Fe Energy Operating Partners, L.P.**

Santa Fe Pacific Exploration Company  
Managing General Partner

April 23, 1992

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Attention: Ms. Kathy Porter

Re: E. Indian Hills Prospect  
Proposed Federal Unit  
Sections 22, 23, 26, 27, 34 & 35,  
T-21-S, R-24-E  
Eddy County, New Mexico

Gentlemen:

Santa Fe proposes the formation of a Working Interest Unit covering the captioned land on the following terms:

Acreage Committed: Santa Fe will commit its 2,800 acres, more or less and Yates agrees to commit its 760 acres, more or less and the working interest ownership would be:

SFEOP, L.P., et al	78.65%
Yates	<u>21.35%</u>
	100.00%

Initial Test Well: On or before July 1, 1992 Santa Fe, as operator shall commence a 10,205' Morrow Test in the NW/4 of Section 34, T-21-S, R-24-E. Yates agrees to participate with its 21.35% working interest under the terms of a mutually acceptable Unit Operating Agreement.

Title: Both parties agree that this proposal is subject to a 15 day title review of the captioned acreage.

Santa Fe will provide Yates a geological review upon Yates election to participate as a working interest owner as set out above or to farmout its acreage to the Working Interest Unit delivering a 75% net revenue interest with the option to cover the retained overriding royalty interest to a 25% working interest with a one time election to participate with its back-in interest on subsequent wells or retain its overriding royalty interest.

Permian Basin District  
550 W. Texas, Suite 1330  
Midland, Texas 79701  
915/687-3581

*Santa Fe* 5  
10628/10629

Yates Petroleum Corporation  
April 23, 1992  
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Should you have any questions, please give me a call.

Yours very truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By: Santa Fe Pacific Exploration Company,  
Managing General Partner

By: *Gary Green*  
Gary Green, Senior Landman

GG:pr

AGREED TO AND ACCEPTED this \_\_\_\_\_ day of \_\_\_\_\_ 1992.  
YATES PETROLEUM CORPORATION  
By: \_\_\_\_\_

Title: \_\_\_\_\_

### TRANSMISSION REPORT

(FRI) 05.22.1992 09:09

SANTA FE ENERGY

NO.	TIME SENT	DURATION	RECIPIENT	MODE	PAGES	RESULT
01	FRI, 05.22 09:07	01'55"	505 746 6480	G3	3	O.K.

*FAXED TO ROBERT BULLOCK  
5-22-92*

*ORIGINAL TO KATHY PORTER  
4-23-92*



## Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

June 19, 1992

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Attention: Mr. Robert Bullock

Re: S/2 Section 27,  
T-21-S, R-24-E,  
Eddy County, New Mexico  
East Indian Hills Prospect

Gentlemen: \*

In reference to our telephone conversation concerning the captioned prospect, Santa Fe Energy Operating Partners, L.P., (Santa Fe) respectfully requests a farmout of your acreage in the S/2 of Section 27, T-21-S, R-24-E, Eddy County, New Mexico, less and except the SW/4 SW/4 of Section 27, under the following general terms:

1. On or before 180 days from the date of a formal agreement Santa Fe will commence the drilling of an initial test well to be at a location of its choice in the S/2 of Section 27, and drill to a depth of 9,850' or sufficient to test the Morrow Formation.
2. Upon completion of a well capable of commercial production, Yates will assign 100% of its operating rights from the surface to 100' below total depth drilled in the spacing unit for the well.
3. Yates will retain an overriding royalty sufficient to deliver Santa Fe a 75% net revenue interest. At payout of the initial test well Yates shall have the option to convert the retained overriding royalty interest to a 25% working interest.
4. Santa Fe shall have the right to drill subsequent wells on the farmout acreage by commencing a subsequent well within 120 days from completion of one well and spud of a subsequent well.

Permian Basin District  
550 W. Texas, Suite 1330  
Midland, Texas 79701  
915/687-3551

Yates Petroleum Corporation  
June 19, 1992  
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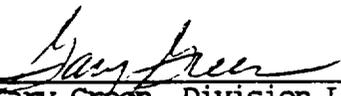
5. Yates shall have a one time election on subsequent wells to either retain the overriding royalty interest or participate with its 25% back-in interest.
6. Formal agreements are subject to our respective Management's approval.

If the above proposal is acceptable, please sign in the space provided below.

Should you have any questions, please give me a call at (915) 686-6630.

Yours very truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By: Santa Fe Pacific Exploration Company,  
Managing General Partner

By:   
\_\_\_\_\_  
Gary Green, Division Landman

GG:pr

AGREED and ACCEPTED this \_\_\_\_\_ day of \_\_\_\_\_, 1992

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

bxc: Neste Oil, Inc.  
North Central Oil Corporation

pr2291



# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

September 11, 1992

Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210

Attention: Mr. Robert Bullock

RE: E. Indian Hills Prospect  
Eddy County, New Mexico

Gentlemen:

In reference to our telephone conversation of September 9, 1992, Santa Fe requests Yates commit its leasehold interest in Section 27, T-21-S, R-24-E, Eddy County, New Mexico to a one section Working Interest Unit consisting of all of Section 27, T-21-S, R-24-E, to drill a 10,200' Cisco Canyon/Morrow test to be located at a legal location in the S/2 of Section 27, with Santa Fe designated as operator.

Santa Fe is currently preparing a Well Cost Estimate for your review. The estimated DHC is \$680,000 with a completed well cost of \$900,000.

If Yates does not wish to participate in this proposal, Santa Fe requests Yates farmout under the terms and conditions requested in Santa Fe's letter dated June 19, 1992.

Should you have any questions, please feel free to contact me.

Yours very truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By: Santa Fe Pacific Exploration Company,  
Managing General Partner

By: Gary Green  
Gary Green, Division Landman

GG:pr

pr2375

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Midland, Texas 79701  
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