



SANTA FE
EXPLORATION COMPANY

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88202

June 26, 1990

OXY USA, Inc.
Box 50250
Midland, Texas 79710

Re: Central Corbin Queen
Lea County, New Mexico

Attention: Mr. Charles E. Dickenson

Gentlemen:

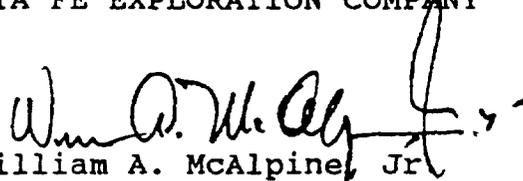
Thank you for your letter of June 22, 1990 regarding the above. I was very disappointed that you did not relate, as you said you would, Santa Fe Exploration's strong objections to being included in the unit but our willingness to make available one of our boreholes under certain conditions for your use.

We do not believe our working interest owners or royalty owners will best be served by joining the proposed unit.

Sincerely,

SANTA FE EXPLORATION COMPANY

By

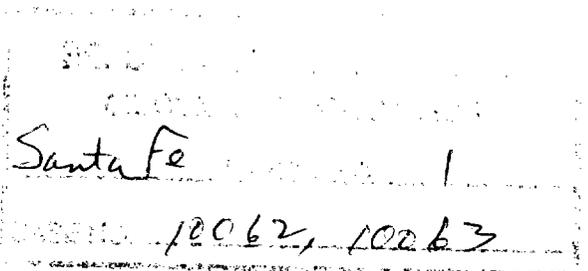

William A. McAlpine, Jr.
President

WAM/jar

cc: Working Interest Owners
Address List Attached

Mr. Armando Lopez
Bureau of Land Management
P. O. Box 1397
Roswell, New Mexico 88202-1397

Ernest L. Padilla, Esq.
P. O. Box 2523
Santa Fe, New Mexico 87501



Frances Buckler
1809 Aden Road
Ft. Worth, TX 76116

Pat Carlisle
7928 Roundrock Road
Dallas, TX 75248

Binion H. Carr
P. O. Box 877
Wichita Falls, TX 76307

Bart Colwell
3024 Park North Drive
El Paso, TX 79904

V. Randolph Delk
P. O. Box 221107
El Paso, TX 79913

Dr. Robert W. King
912 NW 39th Street
Oklahoma City, OK 73118

Jack S. Kitchen
1800 North Stanton #1007
El Paso, TX 79902

Jack S. Kitchen, Jr.
P. O. Box 110598
Anchorage, AK 99511

C. E. LaRue
Box 470
Artesia, NM 88210

B. N. Muncy, Jr.
Box 470
Artesia, NM 88210

Marbob Energy Corporation
Attn: Ray Miller
P. O. Box 304
Artesia, NM 88210

Roger Moore, M. D.
8504 Fairway Drive
Ft. Worth, TX 76179

Maurice Mordka
1800 N. Grady
Tucson, AZ 85715

Richard Olson, Esq.
P. O. Box 10
Roswell, NM 88202-0010

Chisos Operating
P. O. Box 10865
Midland, TX 79702

David Spoede
1505 Crystal Drive, #1134
Arlington, VA 22202

C. W. & Frieda Stumhoffer
Ridglea Bank Bldg., #1007
Ft. Worth, TX 76116

Conoco, Inc.
726 E. Michigan
Hobbs, NM 88240

HEYCO
P. O. Box 1933
Roswell, NM 88202-1933

Santa Fe Energy Operating
Partners, L.P.
500 West Illinois, Suite 500
Midland, TX 79701

Linda Ann Anderson &
Dennis Alsofrom, M. D.
832 Ravenstone Circle
Modesto, CA 95355

Homer Bankhead
209 Wildwood Place
Allen, TX 75002

Philip R. Bishop
Suite 1800, 500 W. 7th Street
Ft. Worth, TX 76102

Jeff Bowman
P. O. Box 569
Giddings, TX 78942



SANTA FE
EXPLORATION COMPANY

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88202

July 20, 1990

OXY USA, Inc.
P. O. Box 50250
Midland, Texas 79710

Attention: Mr. Charles E. Dickenson, Landman

Re: Proposed Central Corbin
Queen Unit, Lea County,
New Mexico
NW/4 SW/4 and SW/4 SW/4
Section 3, T-18-S, R-33-E

Dear Mr. Dickenson:

Santa Fe Exploration Company does not want to seem uncooperative in the above captioned matter, but we have no desire to have the above captioned property included in your unit. For the past year or so we have suggested that Oxy purchase these wells as you did with Mr. Dallas McCasland's. As an alternative, we have suggested that we make available one of our two boreholes as long as we can return our produced water in the remaining well to your system.

We do not believe it is in the best interest of any of the owners in the tracts above to expose themselves to further financial risk and capital investment on this property.

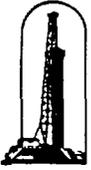
As to your request to furnish current ownership, you have already directly contacted the owners involved and Santa Fe Exploration Company does not want the liability of doing your title work for you.

Sincerely,


William A. McAlpine, Jr.

WAM/jar
cc: All Interest Owners

BEFORE EXAMINED	STOGNER
GIL CONSERVATION DIVISION	
<i>Santa Fe</i>	EXHIBIT NO. <u>2</u>
CASE NO.	<u>10062, 10063</u>



SANTA FE
EXPLORATION COMPANY

(505) 623-2733
P. O. Box 1136
ROSWELL, NEW MEXICO 88202

August 1, 1990

OXY USA, Inc.
P. O. Box 50250
Midland, Texas 79710

Attention: Mr. P. N. McGee, Land Manager

Re: Proposed Central Corbin
Queen Unit
Lea County, New Mexico
S/2 Section 3, T-18-S, R-33-E

Gentlemen:

Thank you for your cash offer of our interest in the above captioned property dated July 27, 1990.

We believe it would cost in excess of \$200,000 to drill and complete each of the subject wells even if you were going to use them as water injection wells for your flood. The equipment is not new so if we discounted this amount by \$50,000 per well (\$400,000 for the two subject wells, less \$100,000 discount for old equipment, leaves a total of \$300,000). The 100% working interest should be \$300,000. If Santa Fe Exploration has 25% W.I. in one well and 28.75% W.I. in the other, we should receive \$80,625 ($\$150,000 \times 25\% = \$37,500$, and $\$150,000 \times 28.75\% = \$43,125$, being a total of \$80,625).

Santa Fe Exploration Company is willing to sell our interest in the above captioned wells for \$80,625.00, subject to the remainder of the working interest owners receiving the same prorata offer. The interest being sold is from the top of the Queen or unitized interval to 5,050' TD in the Corbin Fee #1 and to 5,200' TD in the Corbin Fee #2 and will include the boreholes and all equipment on these two 40 acre (+ or -) proration units.

Again, our thanks for your interest in attempting to arrive at a reasonable solution to this matter.

Sincerely,

William A. McAlpine, Jr.

WAM/jar
cc: All Interest Owners

Santa Fe

3

10042, 10043



OXY USA INC.
Box 50250, Midland, TX 79710

August 14, 1990

Santa Fe Exploration Co.
P.O. Box 1136
Roswell, New Mexico 88202

Re: Central Corbin Queen Unit
Lea County, New Mexico
S/2 Section 3
T-18-S, R-33-E

Gentlemen:

Please refer to our letter of July 27, 1990, regarding the offer by OXY to purchase your interest and your letter of August 1, 1990, rejecting this offer of \$33,750.00 and advising that you would be willing to accept \$80,625.00. After careful review of the offer made, we are convinced our original offer was fair and equitable and presents an attractive alternative to participating in unitized operations.

We would urge that you review our unitization proposal and would welcome your ratification and joinder in the unit should you now be so inclined.

Yours truly,

OXY USA Inc.

Charles E. Dickenson

CED/df

Santa Fe 4
100,625, 100,63

Survey Results — 1989

Region: West Texas and Eastern New Mexico-5

Oil Wells

Responses 1989 1988	Depth in Feet		Monthly Drilling Well Rates			Monthly Producing Well Rates		
	Over	But Not Over	1989	1988	Average	1989	1988	Average
			Average	Median	or Mean	Average	Median	or Mean
147 214	0-	5,000	\$ 3,487	\$ 3,000	\$ 3,069	\$ 335	\$ 300	\$ 318
115 163	5,000-	10,000	4,541	4,000	4,066	438	400	407
42 76	10,000-	15,000	6,082	5,000	4,939	581	500	520
10 26	15,000-	20,000	6,042	6,000	5,594	649	620	634
10 16	20,000	No Depth Limit	5,679	5,737	5,554	619	620	673
32 29			5,396	5,490	4,961	541	570	561

Gas Wells

Responses 1989 1988	Depth in Feet		Monthly Drilling Well Rates			Monthly Producing Well Rates		
	Over	But Not Over	1989	1988	Average	1989	1988	Average
			Average	Median	or Mean	Average	Median	or Mean
115 151	0-	5,000	\$ 3,265	\$ 3,042	\$ 3,202	\$ 318	\$ 300	\$ 325
86 119	5,000-	10,000	4,914	4,000	4,109	469	400	419
38 64	10,000-	15,000	6,134	5,000	4,940	566	450	524
11 23	15,000-	20,000	6,049	6,000	5,434	642	620	633
10 15	20,000	No Depth Limit	5,674	5,688	5,506	620	620	676
32 28			5,320	5,490	5,035	535	562	567

Sandifer
10062, 10063
5

Chisos Operating, Inc.

Post Office Box 10865

Midland, Texas 79702

(915) 685-6200

(915) 686-9466

August 17, 1990

Santa Fe Exploration, Inc.
P. O. Box 1136
Roswell, New Mexico 88201

Re: Central Corbin Queen Unit
Lea County, New Mexico

Gentlemen:

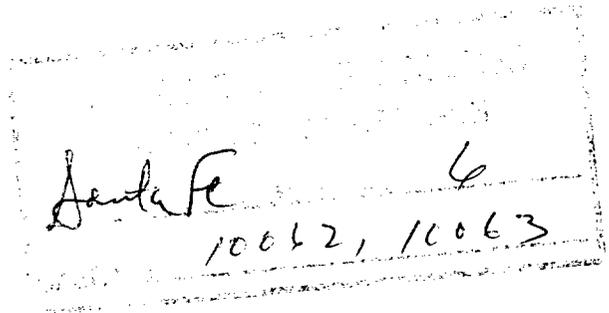
After reviewing the proposal for the subject unit I support your position in opposing the inclusion of our Corbin Fee Unit No. 1 (Tract 6). I do not believe the value to the unit has been recognized by the unitization formula. It would be better to be out of the unit than accept a tract participation of 1.20982%.

Yours truly,



L. D. Sipes, Jr.
President

/bjm



Estimated Costs to Drill and Equip a 5,000' Injector

Central Corbin Queen Field
S/2 Section 3, T-18-S, R-33-E
Lea County, New Mexico

Drilling:

Abstracts and Legal Fees	\$ 2,500.00
Surveys and Surface Damages	5,500.00
Road, Location, Pits and Liner	6,500.00
Drilling - 5000' @ \$11.00/ft	55,000.00
Daywork - 1 day @ \$3,900/day	3,900.00
Mud, Water and Chemicals	9,900.00
Surface Casing - 1500' of 8 5/8" @ \$8.93/ft	13,395.00
Surface Cement	7,500.00
Supervision and Administrative Overhead	3,000.00
Gross Receipts Tax - 5.875%	<u>6,297.71</u>

Subtotal \$113,492.71

Completion:

Production Casing - 5000' of 5 1/2" @ \$5.77/ft	\$ 28,850.00
Cement	9,200.00
Injection Wellhead	3,000.00
Injection Packer	3,000.00
Tubing - 5000' of 2 3/8", PC @ \$3.50/ft	17,500.00
Acidizing and Fracturing	24,000.00
Cement Bond and Correlation Logs	2,000.00
Consulting and Supervision	1,500.00
Contingency - 10%	2,000.00
Gross Receipts Tax - 5.875%	<u>5,349.19</u>

Subtotal \$ 96,399.19

GRAND TOTAL: \$209,891.90

