

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

Santa Fe Pacific Exploration Company  
Managing General Partner

May 30, 1990

Conoco Inc.  
10 Desta Drive West  
Midland, Texas 79705

Attn: Warren Richardson  
Land Department

Re: OD-NM-617,333  
Muskegan State Com No. 1  
Eddy County, New Mexico

Gentlemen:

Pursuant to a telephone conversation with Mike Boney in your Hobbs office wherein he advised that Southeast New Mexico properties will now be handled by Warren Richardson in the Midland office. Please find enclosed a copy of our letter to Conoco dated May 9, 1990, and an AFE, for your review and further handling.

I am aware that the files covering the above captioned properties are being forwarded to your office and that Conoco will be unable to make an election within the 30 day period set out in our letter of May 9, 1990.

Santa Fe anticipates spudding the Muskegon State Com No. 1 on or before September 1, 1990.

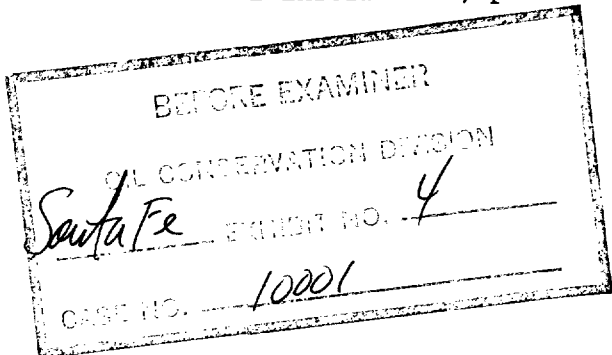
Due to the anticipated spud date and Santa Fe's obligations, Forced Pooling proceedings have been initiated and Conoco will be receiving notice of forced pooling in the next few weeks. Please be advised that we understand Conoco's delay in election and will work with you in any way possible to help expedite your election during this transition period.

Thank you for your cooperation in this matter and if you need any additional information, please contact me.

Yours very truly,

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

By: *Vernon D. Dyer*  
Vernon D. Dyer, CPL #3174  
District Landman



VDD/sgd  
Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551

pt990/Enclosures

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

May 9, 1990

Conoco, Inc.  
P. O. Box 1635  
Houston, Texas 77251

Re: OD-NM-617,333  
Muskegan State Com No. 1  
Eddy County, New Mexico

Gentlemen:

Santa Fe Energy Operating Partners, L.P. (Santa Fe), as Operator, proposes the drilling of a 10,900' Morrow test, being a 320 acre proration unit consisting of the E/2 Section 20, T-17-S, R-29-E, Eddy County, New Mexico, to be located 1980' FNL & 660' FEL, Section 20.

Our records indicate that Conoco, Inc. owns all the Working Interest, from 5000' & down, under the NE/4, SW/4 SE/4 Section 20, and that Marbob Energy Corporation owns all the Working Interest, from 5000' & down, under NE/4 SE/4 Section 20.

Santa Fe requests that you (i) join in the drilling of the test well for your proportionate share indicated below, (ii) farmout your interest down to a 100' below deepest depth drilled capable of commercial production providing for an overriding royalty interest of 25% inclusive of the existing royalty and overriding royalty, with the option to convert your overriding royalty interest to a 25% back-in after payout, proportionately reduced, or (iii) sell your interest to Santa Fe for \$150.00 per acre, being \$30,000.00.

Enclosed you will find an AFE in the amount of \$655,107.00, for the completed cost of the proposed test well. The percentage of working interest attributable to this well will be as follows:

Conoco, Inc.	62.5%
Marbob Energy Corporation	12.5%
Santa Fe Energy Operating Partners, L.P.	25.0%
	<u>100.0%</u>

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551

Conoco, Inc.  
May 9, 1990  
Page 2

Please indicate your election (i) to participate in the drilling of the test well, (ii) to farmout your respective interest, or (iii) to sell your interest by signing in the space provided below and returning one executed letter to the letterhead address below within 30 days.

Santa Fe anticipates spudding the Muskegan State Com No. 1 on or before September 1, 1990.

Your prompt attention in regard to this proposal will be greatly appreciated.

If you have any questions, please do not hesitate to contact me.

Yours very truly,

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

By:   
Vernon D. Dyer, CPL #3174  
District Landman

VDD/sgd

\_\_\_\_\_ Conoco, Inc. elects to join, as to its proportionate interest, in the drilling of the test well.

\_\_\_\_\_ Conoco, Inc. elects to farmout its proportionate interest as set forth herein.

\_\_\_\_\_ Conoco, Inc. elects to sell its interest to Santa Fe as set forth herein.

CONOCO, INC.

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

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

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

pt860

9022

## NTA FE ENERGY RESOURCES, INC.

## GENERALIZED WELL COST ESTIMATE

NAME: Muskegon 20 State Com No. 1  
 LOC: 1980' FNL & 660' FEL, Section 20-17S-29E, Eddy County, New Mexico  
 DESC: Drill and complete a 10,900' Morrow well

ACCOUNT	DESCRIPTION OF COSTS		DRY HOLE	PRODUCER
501-000	TANGIBLE WELL COSTS			
-41	CONDUCTOR CSG			
-41	SURFACE CSG	13-3/8" 48.0 ppf H-40 @ 450'	10,350	10,350
-41	PROTECTION CSG	8-5/8" 24.0 ppg K-55 ST&C @ 2600'	30,862	30,862
-41	DRILLING LINER			
-41	PROD CSG	5-1/2" 15.5 & 17.0 K-55 & N-80 @ 10,900'		90,470
-41	PROD LINER			
-42	TUBING	2-3/8" 4.7 ppf N-80 8rd		41,000
-43	WELLHEAD		3,000	18,000
-44	PMPG UNIT			
-45	PRIME MOVER			
-50	OTHER DWN HOLE EQUIP			6,000
-50	RODS			
-50	SUBSURFACE PMPs			
-55	CSG EQUIP			2,000
-55	ELECTRICAL			
-55	MISC. TANGIBLES			1,000
-55	ROD EQUIP			
-55	TUBING EQUIP			1,000
	TOTAL TANGIBLE COSTS		44,212	200,682
541-000	LEASE FACILITY COSTS			
-50	FLOW LINES			5,000
-50	LABOR			10,000
-50	OTHER PROD EQUIP			10,000
-50	TANK FACILITIES			15,000
	TOTAL LEASE FACILITY COSTS		0	40,000
511-000	INTANGIBLE WELL COSTS			
-21	LOCATION		18,000	18,000
-22	FENCING		1,000	1,000
-26	WTR & FUEL FOR RIG			
-31	CONTRACTOR MOVING EXP			
-32	CONT FOOTAGE OR TURNKEY	\$14/ft	152,600	152,600
-32	CONTRACTOR DAY WORK	3 @ \$4500/d	13,500	13,500
-33	DRLG FLUID & ADDITIVES		35,000	35,000
-34	BITS & REAMERS			
-36	CORING & CORE ANALYSES			
-37	CEMENT		25,000	45,000
-39	INSPECTION & TSTG OF TANG		3,000	5,000
-41	DIRECTIONAL DRLG SURVEYS			
-42	DRILLING EQUIP RENTAL		5,000	5,000
-43	OPEN HOLE LOGGING		16,000	16,000
-44	DRILL STEM TSTG		5,000	5,000
-45	MUD LOGGING		9,600	9,600
-51	TRANSPORTATION		3,000	8,000
-52	COMPLETION UNIT	\$1200/d		10,800
-53	COMPLETION TOOL RENTAL			9,000
-54	CASED HOLE LOGS & PERFINING			8,000
-55	STIMULATION			10,000
-56	RIG SITE SUPERVISION		11,250	15,250
-72	ADMINISTRATIVE OVERHEAD		5,000	5,000
-99	FSHG TOOLS & EXPENSES			
-99	TESTING: BHP, GOR, 4 PT. POT			5,000
	ABANDONMENT COST		8,000	
	OTHER INTANGIBLES			
0	CONTINGENCY (10%)		31,095	37,675
	TOTAL INTANGIBLES		342,045	414,425
	TOTAL COSTS		386,257	655,107

Drilling Dept: Danell RobertsDate: 4/4/90Operations Dept: James E. BentonDate: 4-4-90SFER Approval By: DB KilpatrickDate: 4-5-90

Non Operator Approval By: \_\_\_\_\_

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