



# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

October 29, 1986

CERTIFIED MAIL

TO: (See Attached List)

Re: OD-NM-617,086 (O/A)  
Sprinkle Federal No. 4  
2310' FNL & 1650' FWL  
Sec. 26, T-18-S, R-32-E,  
Lea County, New Mexico

Gentlemen:

Santa Fe Energy Operating Partners, L.P. is proposing the subject well as a 9,700' Bone Spring test at the location specified above. Santa Fe respectively requests that you participate in this test or farmout to support the drilling of same.

Attached in duplicate you will find two (2) Cost Estimates (AFE) for your approval and execution. Should you desire to participate with Santa Fe in this well, please return one (1) executed copy of this AFE to the undersigned. Should you desire to farmout, we propose an agreement under the following general terms:

1. Santa Fe will commence the Sprinkle #4 on or before December 15, 1986.
2. Upon completion of the test well as a commercial producer, Santa Fe will earn an assignment of your leasehold interest in the applicable proration unit from the surface of the earth to 100' below total depth drilled.
3. You will reserve an ORRI equal to the difference between the existing lease burdens and 75% before payout of the test well. At payout of the test well you will have the option of converting said ORRI to a 25% WI. Both the ORRI and WI will be proportionately reduced to your interest in the proration unit and leasehold committed thereto.
4. The formal agreement covering the farmout would be subject to our mutual approval.

As you are aware, until recently, TXO had committed to the drilling of this well. In light of TXO's plans not to drill the test, it is Santa Fe's desire to proceed. Considering all the W.I. parties original intent (including Santa Fe's) to see this test drilled in 1986, Santa Fe would like to drill

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

*Santa Fe*  
*Santa Fe 9046*  
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the well before the end of the year. In order to accomplish this, Santa Fe intends to file a compulsory pooling application (The hearing will be set for the next available docket, which will be December 3, 1986) with the New Mexico Oil Conservation Commission. Since your company (you) had previously made an election with regard to this well, it is hoped that a voluntary agreement can be reached in short order to avoid the necessity of the hearing.

If you elect to join in the drilling of this well or alternatively, farmout under the aforementioned terms, please advise and the respective agreements will be prepared and forwarded for your execution.

Your earliest response to the above proposal will be most appreciated. Should you have any questions concerning this matter, feel free to call.

Sincerely yours,



Patrick J. Tower  
Senior Landman

PJT/efw  
Encls a/s

bcc: H. L. Boyt  
W. A. Schaefer  
V. D. Dyer

EFW2181

WORKING INTEREST OWNERS LIST  
Sprinkle #4 Well

TXO Production Company  
900 Wilco Bldg.  
Midland, Texas 79701  
ATTN: David Hundley - Dist. Landman  
Phone (915) 682-6992

Mr. Jack Huff  
P. O. Box 471  
Midland, TX 79702

Mr. O. H. Berry  
#1 Marienfeld  
Midland, TX 79701

Petro Atlas Corporation  
999 - 18th Street  
Suite 2908  
Denver, CO 80202  
Attn: James L. Harden

Mr. Frank Shogrin  
P.O. Box 229  
Hygiene, Colorado 80533

Mr. C. Daniel Walker  
6729 Brants Lane  
P.O. Box 12508  
Fort Worth, Texas 76116

Mr. Lewis Burleson  
Petroleum Building  
P. O. Box 2479  
Midland, TX 79702

Mr. J. Cecil Rhodes  
388 #1 Marienfeld  
Midland, Texas 79701

WELL COST ESTIMATE

NAME: Sprinkle No. 4  
 LOC: 2310' FNL, 1650' FWL, Sec.26-18S-32E, Lea County, New Mexico  
 DESC: Drill and complete 9,700' Upper Bone Springs Test

ACCOUNT	DESCRIPTION OF COSTS		DRY HOLE	PRODUCER
511-000	TANGIBLE WELL COSTS			
-001	CONDUCTOR CSG			
-002	SURFACE CSG	13-3/8" 48.0 ppf H-40 @ 350' @ \$18.55/ft	6,500	6,500
-003	PROTECTION CSG	8-5/8" 24.0 ppf K-55 @ 2600' @ \$9.86/ft	25,650	25,650
	DRILLING LINER			
-004	PROD CSG	5-1/2" 15.5&17.0ppf K-55,N-80,LT&C 9700'		66,350
-005	PROD LINER			
-012	CSG EQUIP		1,100	1,860
-015	TUBING	2-3/8" 4.7 ppf N-80 @ \$3.19/ft		30,950
-021	TUBING EQUIP			2,500
-024	RODS			12,125
-026	ROD EQUIP			
-029	SUBSURFACE PMPS			1,200
-031	OTHER DWN HOLE EQUIP			
-038	WELLHEAD		500	4,000
-042	PMPG UNIT			40,000
-046	PRIME MOVER			2,000
-054	ELECTRICAL			4,000
-064	MISC. TANGIBLES			
	TOTAL TANGIBLE COSTS		33,750	197,135
54X-000	LEASE FACILITY COSTS			
-075	FLOW LINES			5,000
-079	TANK FACILITIES			8,770
	OTHER PROD EQUIP			7,050
	LABOR			7,600
	TOTAL LEASE FACILITY COSTS		0	28,420
521-000	INTANGIBLE WELL COSTS			
-127	LOCATION		15,000	15,000
-200	CONTRACTOR MOVING EXP			
-201	CONT FOOTAGE OR TURNKEY	\$14/ft	135,800	135,800
-202	CONTRACTOR DAY WORK	2 @ \$3900/d	7,800	7,800
-205	COMPLETION UNIT	4 @ \$1500/d		6,000
-208	DRLG FLUID & ADDITIVES		10,000	10,000
-212	WTR & FUEL FOR RIG			
-215	BITS & REAMERS			
-217	CORING & CORE ANALYSES			
-219	CEMENT		11,000	23,000
-221	OPEN HOLE LOGGING		8,000	8,000
-223	DRILL STEM TSTG			
-225	MUD LOGGING	10 @ \$333/d	3,330	3,330
-227	DIRECTIONAL DRLG SURVEYS			
-229	COMPLETION TOOL RENTAL			6,400
-230	DRILLING EQUIP RENTAL		2,000	2,000
-231	TRANSPORTATION		2,400	8,000
-236	TESTING: BHP,COR,4 PT.POT			
-238	CASED HOLE LOGS & PERFING			10,000
-241	STIMULATION			20,000
-244	INSPECTION & TSTG OF TANG		2,000	5,000
-246	RIG SITE SUPERVISION	20 @ \$260/d	5,200	7,800
-251	FENCING		600	600
-256	FSHC TOOLS & EXPENSES			
-664	ADMINISTRATIVE OVERHEAD		1,500	1,500
	ABANDONMENT COST		7,000	
	OTHER INTANGIBLES			
0	CONTINGENCY (5%)		10,582	13,512
	TOTAL INTANGIBLES		222,212	283,742
	TOTAL COSTS		255,962	509,297

Estimated By: Michael L. Austin Date: 10/22/86  
 SFEC Approved By: Hugh L. Boyd Date: 10/22/86  
 Non Operator Approval By: \_\_\_\_\_