



PHILLIPS PETROLEUM COMPANY
BARTLESVILLE, OKLAHOMA 74004 918 661-6600
410-1B HS&L Building
GAS AND GAS LIQUIDS GROUP

June 25, 1985

Proposed Casinghead
Gas Contract
Artesia Plant

Santa Fe Exploration Company
Attn: Mr. Steve Simmons
P. O. Box 1136
Roswell, New Mexico 88202

Dear Mr. Simmons:

Enclosed are two copies of a proposed Casinghead Gas Contract to cover the sale and purchase of gas from the Mountain States Federal No.1 well located on the following described acreage in Eddy County, New Mexico:

Lot 1, Section 35, Township 18 South, Range 29 East

As discussed, this proposal is contingent upon your delivering the gas to our gathering system in the NW/4 NW/4 Sec 2, T 19S, R 29E where we will provide a settlement meter. This contract provides a base price per Mcf equal to 70% of the price per MMBtu received in the specified resale market subject to other provisions of Paragraph 7. The base price is adjusted for the heating value above 1,000 Btu per cubic foot up to a maximum of 1,400. Pro rata tax reimbursement is also provided.

If this contract is acceptable, please arrange for execution in the space provided, with signature notarized, and return both copies to this office. Following execution by Phillips, a fully executed contract will be returned for your file.

Very truly yours,

Kristie C. Gibson
(918) 661-0858

KCG:dm

Enclosures