

KEN REYNOLDS-PRESIDENT  
GARY W. CHAPPELL-VICE PRESIDENT

DRILLING CO., INC. - OIL WELL DRILLING CONTRACTORS

P. O. Box 1498 ROSWELL, NEW MEXICO 88202-1498  
505/623-5070 505/746-2719  
ROSWELL, NM ARTESIA, NM

January 9, 1997

Santa Fe Energy Resources, Inc.  
550 W. Texas, Suite 1330  
Midland, Texas 79701

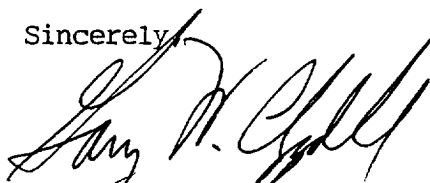
RE: Palladium "7" Federal #2

Gentlemen:

The following is a Deviation Survey on the above referenced well located in Eddy County, New Mexico.

175' - 1/2°	1890' - 1°	3728' - 2 1/4°	5523' - 1°	7493' - 1°
430' - 3/4°	2390' - 3/4°	4095' - 2°	6023' - 1°	7964' - 2°
920' - 1°	2865' - 1 1/4°	4550' - 1°	6523' - 3/4°	8200' - 2°
1420' - 3/4°	3362' - 2°	5023' - 1 1/4°	6993' - 3/4°	

Sincerely,



Gary W. Chappell  
Contracts Manager

STATE OF NEW MEXICO)  
COUNTY OF CHAVES )

The foregoing was acknowledged before me this 9th day of January 1997 by Gary W. Chappell.

MY COMMISSION EXPIRES

JUNE 20, 2000



NOTARY PUBLIC