

Santa Fe Energy Resources, Inc.

January 29, 1996

47 6 52

CERTIFIED/RETURN RECEIPT

Robert E. Landreth
505 N. Big Spring, Suite 507
Midland, TX 79701

Re: Shamrock "29" Fed Com #1
T-22-S, R-34-E
Section 29: All
Lea County, New Mexico
Gaucho Prospect

Dear Mr. Landreth:

Santa Fe Energy Resources, Inc. (Santa Fe) would like to address statements made by you in your letter of January 25, 1996.

In early October, 1995, Duke Roush, Division Land Manager for Santa Fe, had several conversations with you concerning Santa Fe's plans to drill a Devonian well in the above referenced section. Santa Fe had a record search performed for this section and there was no evidence that you owned only rights from the surface to the base of the Morrow in the SE/4 Section 29. During your conversations with Mr. Roush, you never informed him that you owned only a portion of the rights to the base of the Morrow in the SE/4 Section 29. Further, Mr. Roush was of the opinion that Santa Fe and you would be able to come to an agreement concerning Santa Fe's planned Devonian well in Section 29.

During the week of November 27, 1995, I phoned your office at least three (3) times and left messages requesting that you return my telephone call so that we could discuss plans for a well in Section 29. You did not return any of these calls. On Thursday, November 30, 1995, I spoke with your secretary and told her we wanted to schedule a meeting with you at 10:00 a.m. the next day, Friday, December 1, 1995. She called back that same day and said that you had other plans that morning and you were leaving town the afternoon of December 1 for the weekend. She stated that you would call me on Monday, December 4, 1995 or that I could call you. I called on Monday, December 1 and left another message requesting that you return my call to which I did not receive a response.

As your letter of January 25, 1996 stated, Santa Fe did propose the referenced well on December 8, 1995 and received your response of December 26, 1995. Your letter of December 26, 1995 indicated that Santa Fe was aware of your limited ownership in the SE/4 of Section 29, but that was not true as there were no instruments of record to

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indicate this information, and this was not discussed with Mr. Roush in his conversations with you in October, 1995. Santa Fe did learn of the depth severance limitations during conversations with Amerada Hess Corporation after our Devonian well proposal of December 8, 1995. You indicated in your letter of December 26, 1995 that you would be submitting an AFE for your Morrow well in Section 29, but Santa Fe did not receive your well proposal until after we notified you of our intent to go to a forced pooling hearing. Santa Fe proceeded with an application for forced pooling in Section 29 as your letter of December 26, 1995 indicated you did not have a participatory interest in a Devonian well. The forced pooling application was pursued so that if Santa Fe is unable to complete a Devonian well, Santa Fe could complete in shallower zones that may be productive.

Santa Fe would like very much to discuss this situation with you in order to reach an amicable agreement to develop this acreage and I have scheduled a meeting with you on Friday, February 2, 1996 to which you have responded that you will attend. We look forward to meeting with you.

Santa Fe will not respond to the proposal of your Sunrise 29 Fed Com #1 well made in your letter of January 25, 1996 at this time and will wait until our meeting to discuss this well with you.

If you have any questions, please call me at 686-6712.

Yours very truly,



Danita R. Walker, CPL
Landman

/drw

cc: Michael E. Stogner,
Chief Hearing Examiner (NMOCD)
Amerada Hess Corporation
Attn: Mr. Peter Bacon