

Santa Fe Energy Resources, Inc.

January 18, 1996

Ms. Leslyn Swierc
Meridian Oil Company
P. O. Box 51810
Midland, TX 79710-1810

NEW MEXICO
OIL CONSERVATION DIVISION

Santa Fe EXHIBIT 2
CASE NO. 111/91

Re: Foal Federal #1 well
T-22-S, R-28-E
Section 20: All
Eddy County, New Mexico

Dear Ms. Swierc:

Santa Fe Energy Resources, Inc. proposes to drill a 12,600' Morrow test at a location of 660' FNL and 1,980' FWL of Section 20, T-22-S, R-28-E, Eddy County, New Mexico.

Our records indicate Meridian owns a leasehold interest in the captioned section, and in this regard, Santa Fe requests your review and election of one of the following:

- a) Participate in the drilling of the well by returning an executed copy of the enclosed AFE. A Joint Operating Agreement will then be forwarded for your review and execution.
- b) Farmout your right, title and interest in the drilling and spacing unit, delivering to Santa Fe a 77.5% net revenue interest lease. The Farmout would contain a 120 day continuous development provision.
- c) Sell your interest to Santa Fe in Section 20 for \$100.00 per net acre delivering an 80% net revenue lease.

With a June 1, 1996 expiration date your early review and response is appreciated. Should Meridian agree to elect one of the above options in a very timely manner, Santa Fe would consider showing the prospect to Meridian. Please advise accordingly.

Please call should you have any other questions.

Very truly yours,

Joe Hammond
Joe Hammond
Land Consultant

JH/srh

MERIDIAN3.DOC

Central Division
550 W. Texas, Suite 1330
Midland, Texas 79701
(806) 687-3551

P 219 764 600



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

PS Form 3800, June 1991

Sent by <i>Meridian Oil</i>	
Street and No.	
P.O., State and ZIP Code	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date <i>Local Federal #1</i> <i>will 2/1/96</i>	

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Print your name and address on the reverse of this form so that we can return it to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. ☐ Addressee's Address 2. ☐ Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Ms. Leslyn Swierc Meridian Oil Company P.O. Box 51810 Midland, TX 79710-1810		4a. Article Number P219 764 600	
		4b. Service Type ☐ Registered ☐ Insured ☒ Certified ☐ COD ☐ Express Mail ☐ Return Receipt for Merchandise	
		7. Date of Delivery <i>2-5-96</i>	
5. Signature (Addressee)		8. Addressee's Address (Only if requested and fee is paid)	
6. Signature (Agent) <i>Mary Bell</i>			

Thank you for using Return Receipt Service.



SANTA FE ENERGY RESOURCES, INC.
GENERALIZED WELL COSTS ESTIMATE

WELL NAME	Foal "20" Fed. No.1 (Appaloosa Prospect)		FOAL#1.XLS	
LOCATION	660' FNL & 1980' FWE, Sec. 20-22S-28E, Eddy Co., N.M.			
DESCRIPTION	Drill and Complete A 12,600' Morrow Gas Well			
ACCOUNT	DESCRIPTION OF COSTS		DRY HOLE	PRODUCER
501- 000	TANGIBLE WELL COSTS			
501- 041	Conductor Csg		4,000	4,000
501- 041	Surface Csg	13-3/8" 48.0 ppf H-40 ST&C @ 450'	8,100	8,100
501- 041	Protection Csg	9-5/8" 36.0 ppf K-55 ST&C @ 2,500'	27,500	27,500
501- 041	Intermediate Csg	7" 26.0 ppf S-95 LT&C @ 10,000'	110,000	110,000
501- 041	Prod Csg			
501- 041	Prod Liner	4-1/2" 13.50 ppf S-95 LT&C 9,700'-12,600'		26,100
501- 042	Tubing	2-3/8" 4.7 ppf N-80 AB-Mod EUE @ 12,600'		40,950
501- 043	Wellhead		5,000	40,000
501- 044	Pmpg Unit			
501- 045	Prime Mover			
501- 050	Other Dwn Hole Equip	Liner Top Packer & Hanger		15,000
501- 050	Rods			
501- 050	Subsurface Pmps		4,000	6,000
501- 055	Csg Equip			
501- 055	Electrical			
501- 055	Misc. Tangibles			
501- 055	Rod Equip			
501- 055	Tubing Equip			5,000
	TOTAL TANGIBLE COSTS		158,600	282,650
541- 000	LEASE FACILITY COSTS			
541- 050	Flowlines			4,000
541- 050	Labor			8,000
541- 050	Other Prod Equip	Separator, GPU & Dehyd Unit		30,000
541- 050	Tank Facilities			19,000
	TOTAL LEASE FACILITY COSTS		-	61,000
511- 000	INTANGIBLE WELL COSTS			
511- 021	Location	Dirt Work & Damages Payment	25,000	25,000
511- 022	Fencing			
511- 026	Drilling Water		30,000	30,000
511- 031	Contractor Moving Exp		30,000	30,000
511- 032	Cont Footage or Turnkey			
511- 032	Contractor Daywork	25 + 30 days @ \$5400/5800 /day	309,000	309,000
511- 033	Drig Fluid & Additives		60,000	60,000
511- 034	Bits & Reamers		50,000	50,000
511- 036	Coring & Core Analyses	Rotary Sidewall Cores (25)	15,000	15,000
511- 037	Cement		60,000	80,000
511- 039	Inspection & Tstg of Tang		8,000	18,000
511- 041	Directional Drig Surveys			
511- 042	Drilling Equip Rental		35,000	35,000
511- 043	Open Hole Logging	CNL/LDT/DLL/or ARRAY INDUCTION (3 Runs)	50,000	50,000
511- 044	Drill Stem Tstg			
511- 045	Mud Logging	\$400/d X 50 days	20,000	20,000
511- 051	Transportation		15,000	25,000
511- 052	Completion Unit	10 days X \$1500/day		15,000
511- 053	Completion Tool Rental			15,000
511- 054	Cased Hole Logs & Perfing			12,000
511- 055	Stimulation			30,000
511- 056	Rigsite Supervision	55 + 10 X \$400/day	22,000	26,000
511- 072	Administrative Overhead		6,000	10,000
511- 099	Fishing Tools & Exp			
511- 099	Testing: BHP, GOR, 4 Pt Pot			9,143
	Abandonment Cost		8,238	
	Other Intangibles			
0.05	Contingency (5%)		37,162	43,207
	TOTAL INTANGIBLES		780,400	907,350
	TOTAL COSTS		939,000	1,251,000

OPERATION DEPT APPROVAL (Initials)

APPROVAL DATE 002 11/27/96

SFER APPROVAL

APPROVAL DATE

ENGINEERING DEPT APPROVAL (Initials)

APPROVAL DATE 004 11/27/96

NON-OPERATOR APPROVAL

APPROVAL DATE