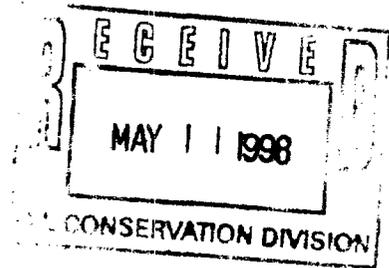


Santa Fe Energy Resources, Inc.



May 4, 1998

New Mexico Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
ATTN: Mr. Michael E. Stogner

11715

Re: Compulsory Pooling Order No. R-10764
Gaucho Federal Unit Wells No. 2 & 2-Y
S/2 Section 29, T-22-S, R-34-E
Lea County, New Mexico
SFE Contract No. NM-30.107-02Y

MES

Gentlemen:

Pursuant to the provisions of NMOCD Compulsory Pooling Order #R-10764 issued in connection with the drilling of the Gaucho Federal Unit No. 2 & 2-Y wells, enclosed is an itemized schedule of actual well costs through March 31, 1998 which include all costs associated with drilling the No. 2 Well to 3,783' where the wellbore was lost (see attached Sundry Notice) and moving the rig in order to drill and complete the No. 2-Y Well. Also enclosed are copies of the transmittal letters to all known Working Interest owners.

If you have any questions, my direct number is (915) 686-6712.

Sincerely,

SANTA FE ENERGY RESOURCES, INC.

A handwritten signature in black ink, appearing to read "Steven J. Smith".

Steven J. Smith
Senior Staff Landman

Enclosure

nmocd001.doc

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

RECEIVED

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

Eig To: TM

APR 3 1 25 PM '97

5 Lease Designation and Serial No.

NM-69596

6 If Indian, Allottee or Tribe Name

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

SUBMIT IN TRIPLICATE

RECEIVED
JUN 16 1997
LAND DEPT.
MIDLAND, TX

7 If Unit or CA, Agreement Designation

Gaucha

Well Name and No.

Gaucha Unit No. 2

API Well No.

8 Field and Pool, or Exploratory Area

NORTH Bell Lake - M0220

9 Country or Parish, State

LEA, New Mexico

Type of Well
 Oil Well Gas Well Other

1 Name of Operator
Santa Fe Energy

2 Address and Telephone No.
550 W. Texas, Suite 1330, Midland, Texas 79701

3 Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec. 29, T22S, R34E
1650' FSL, 1650' FWL

CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

- Abandonment
- Recumpletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other MOVE LOCATION

- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water

Note: Report results of multiple completion on Well Completion or Recumpletion Report and Log form.

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)

The subject well spud AT this location on 3/4/97 ON 3/24/97 while drilling AT 3783' circulation was lost AND the drill string became stuck in the well. Fishing operations commenced AND proceeded with the recovery of PART of the drill string on 3/28/97. Attempts to recover the remainder of the drill string continued until the morning of 3/30/97 when the drill string became stuck AT 850' ± with the bit AT 3430' ±. Circulation was lost AND efforts to regain circulation were not successful. Verbal approval to plug the well were obtained on 3/30/97. Permission is requested to move the rig 75 to 100' EAST of its present location. In order to drill A well AND test the Marrow in this production unit. The original Archeological survey covers the area to be impacted by moving this well. The new well bore will be AT 1650' FSL AND 1750' ± FWL.

14 I hereby certify that the foregoing is true and correct

Signed Michael R. Buntam Title Division Operations Manager Date 3/30/97

(This space for Federal or State office use)

Approved by _____
Conditions of approval, if any:

Title _____

ACCEPTED FOR RECORD

Date _____

JUN 12 1997

Santa Fe Energy Resources, Inc.
Statement of Gross Costs
As of October, 1997

Gaucha Unit #2 and #2Y
Lea County, New Mexico
 SFER Property Number: 30107-002 and 30107-02Y

	<u>Gross Amounts</u>
Capital Expenditures	
Tangible	
Casing	\$242,561.36
Tubing	58,352.47
Wellhead	16,196.84
Non-Controllable Material	25,934.53
Facilities	25,444.58
Total Tangible	\$368,489.78
Intangible	
Company Labor	\$5,526.05
Location & Roads	84,894.63
Fencing & Soundproofing	598.39
Fuel, Water, Power	64,909.39
Drill Contractor's Moving Exp.	20,272.97
Drilling Contractor's Services	690,080.25
Drilling & Completion Fluids	160,199.96
Bits & Reamers	70,289.33
Cementing & Service Equipment	141,496.85
Casing Testing & Inspection	44,852.21
Direction Drill Serv & Surveys	9,504.52
Drilling Tool/Equip. Rent & Serv.	444,369.67
Open Hole Logging	63,917.55
Transportation & Hauling	40,663.01
Completion Contractor's Serv.	114,868.65
Completion Tool/Equip. Rent & Serv.	46,859.04
Cased Hole Wireline Service	29,440.39
Stimulation	14,260.99
Contract Supervision	48,483.27
Communications	8,669.03
Legal/Title Curative Costs	4,166.03
JIB-PMTA (Co. owned vehicle use)	1,141.30
JIB-Drilling Overhead	22,546.75
Miscellaneous IDC	24,011.87
Total IDC	\$2,156,022.10
Total Capital Expenditures	\$2,524,511.88
 Total Expenditures	\$2,524,511.88