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Robert E. Landreth
OIL AND GAS EXPLORATION

305 N. BIG SPRING, SUITE 507

MIDLAND TEXAS 79701

(915) 684-4781

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April 1, 1997

RECEIVED

APR 03 1997

LAND DEPT.
MIDLAND, TX

FACSIMILE: 686-6714

Mr. Joe Hammond
Santa Fe Energy Resources, Inc.
550 W. Texas, Suite 1330
Midland, TX 79701

Attention: Mr. Joe Hammond

Re: Gaucho Unit Well No. 2-Y
Lea County, New Mexico

Dear Joe:

Enclosed please find an executed copy of your letter dated March 31, 1997, evidencing my election to participate in the re-drilling of the captioned well.

I believe this would be a good time to address the Operating Agreement covering this well, insofar as it affects my interest. As I mentioned in my March 28 letter, I do not know if it is Santa Fe's intent that I execute the Operating Agreement dated May 1, 1996, which describes the Gaucho Unit No. 1 well as being the Initial Well. I suppose I could execute that agreement subject to a modification to the effect that I am executing only as to the contract area covering the Gaucho Unit No. 2 (and possibly the Gaucho Unit No. 4), and that the initial well affecting my interest is the Gaucho Unit Well No. 2. I also pointed out in my March 28 letter that Article XV-A needs to be revised because of an overriding royalty interest which I own under NM61360 which is separate and apart from my working interest.

Sincerely,



Robert E. Landreth

REL/sp

EXHIBIT

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Santa Fe Energy Resources, Inc.

April 8, 1997

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

Re: JOA
Gaucho Unit #2-Y Well
Lea County, New Mexico
SFERI Cont. #NM-30,107-002

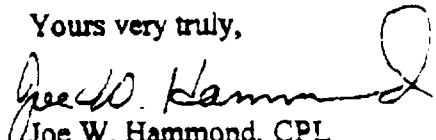
Dear Robert:

Enclosed for your file is a Revised Exhibit "A" pertaining to the above captioned well and the applicable JOA in your possession. Please review and insert appropriately.

Please execute the JOA and return the signature page at your earliest convenience.

Should you have any clarifications to the JOA please return those along with the signature page.

Yours very truly,


Joe W. Hammond, CPL
Senior Landman

JWH/efw
1 Encl a/s

EWOR1773

Central Division
680 W. Texas, Suite 1330
Midland, Texas 79701
915/687-3551

