

Notes

Robert E. Landreth
OIL AND GAS EXPLORATION

606 N. BIG SPRING SUITE 507

MIDLAND, TEXAS 79701

(915) 684-4781

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April 15, 1997

FACSIMILE: 915/686-6714

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

Re: JOA Gaucho Unit #2-Y Well
Lea County, New Mexico

Dear Joe:

With respect to the captioned, after reviewing Exhibit "A" which you furnished, it would appear that the following changes need to be made:

1. Contract Area C: If we are going to have a single Operating Agreement covering multiple sections, it would appear that the N/2 of Section 20, which has been proposed as the spacing unit for the Gaucho Unit #4, should be set out separately, showing my 37.5% working interest and Amerada's 12.5% working interest.
2. Schedule of Leases and Lands: The lease summary lists NM61360 twice (lease No. 2 and lease No. 9), but in neither place is the NW/4 of Section 20 shown.

Your letter of April 8 stated that if I had any clarification to the JOA that I should return those along with the signature page. The clarifications which I have in mind are the following:

1. As previously noted, Article XV-A should be revised to add the following sentence: "This provision does not apply to any overriding royalty interest owned by a non-consenting party."
2. It is understood that with respect to Article VI-A, for the purposes of my joinder, the Initial Well shall be the Gaucho Unit #2 or #2-Y, located in the NE/4 SW/4 Section 29, T22S, R34E, with the depth of said well being sufficient to test the Morrow formation.

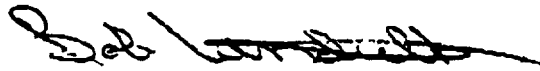
EXHIBIT

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One final note: Since I am a working interest owner in the Gaucho Unit #2 do I need to sign the Communization Agreement?

I thought it might be best to discuss these items before making changes to the JOA. Please advise if you see any problem.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Landreth', with a long horizontal flourish extending to the right.

Robert E. Landreth

REL/sp

GEOLOGIC REQUIREMENTS

ROBERT E. LANDRETH, 505 N. Big Spring, Suite 507, Midland, TX 79701, has the following requirements concerning the drilling and completion of the Gaucho Unit #2:

- 1. Daily notification of drilling activity and/or operations by telephone to Sandy Page (915/684-4781) or FAX (915/684-4783).**
- 2. Furnish the following items which are applicable under this Agreement to the address shown above.**
 - A. One copy of all forms filed with the RRC or NMOCD, including a location plat.**
 - B. One copy of field and final prints of all logging and wireline surveys. Any logs Operator elects to run.**
 - C. One copy of daily mud logging report and final report.**
 - D. One copy of preliminary and final core analyses.**
 - E. One copy of all DST reports.**
 - F. Final copy of well history report.**
- 3. Information and decisions relating to testing, coring, logging, plugging, please notify: SCOTT TANBERG at 915/694-4781 or (residence) 915/686-9882 in sufficient time to allow him to witness the operation.**