



Santa Fe Energy Resources, Inc.

July 2, 1998

Anadarko Petroleum Corporation
P.O. Box 1330
Houston, Texas 77251

ATTN: Mr. Patrick Smith

Re: Term Assign. Request
Sec. 23: NW/4NE/4; SE/4NE/4
Sec. 24: NE/4NW/4; SW/4NW/4
T-18-S, R-31-E
Eddy County, New Mexico
North Lusk Prospect - #NM-0934

Gentlemen:

Santa Fe Energy Resources, Inc. (Santa Fe) is interested in acquiring your leasehold interest under the captioned acreage based upon the following general terms and conditions:

1. Santa Fe will pay Anadarko \$100.00 per net acre (\$100.00 X 80 acres = \$8,000.00) for a two year Term Assignment of Anadarko's interest in the captioned lands.
2. Anadarko shall deliver an 80% NRI.
3. The Term Assignment shall contain a 180 day continuous development provision.
4. The effective date shall be August 1, 1998 with payment due upon receipt of a mutually acceptable executed Term Assignment.

Thank you in advance for your favorable response to the above proposal. Should you have any questions or concerns, please feel free to contact me at (915) 686-6677.

Yours very truly,

Meg Muhlinghouse
Senior Landman

MM/efw

EWOR2611

NEW MEXICO
CONSERVATION DIVISION

EXHIBIT 2

CASE NO. 12091