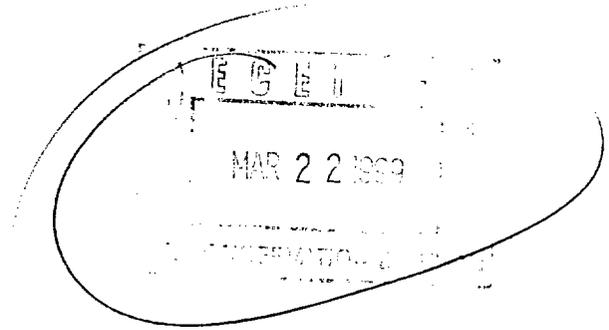


**JAMES BRUCE**  
ATTORNEY AT LAW

POST OFFICE BOX 1056  
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA  
SANTA FE, NEW MEXICO 87501

(505) 982-2043  
(505) 982-2151 (FAX)



March 20, 1999

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

Re: **Renewed** administrative application of Santa Fe Energy Resources, Inc. ("Santa Fe") for approval of an unorthodox gas well location:

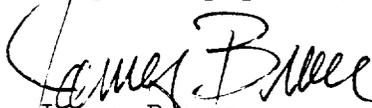
Rio Blanco "4" Fed. Com. Well No. 2  
660 feet FSL & 660 feet FWL  
S½ §4, Township 23 South, Range 34 East, NMPM  
Lea County, New Mexico

Dear Mr. Stogner:

An administrative application for the above well was filed on January 8, 1999. Due to written objections filed with the Division by Conoco Inc., Kaiser-Francis Oil Company, and Amerada Hess Corporation, the matter was set for hearing (Division Case No. 12131). Santa Fe has now obtained waivers to the location from all objecting parties (copies enclosed). As a result, Santa Fe re-submits the application for ~~administrative~~ approval. If the application can now be processed administratively, Santa Fe also requests that Case No. 12131 be dismissed.

Please call me if you have any questions. Thank you.

Very truly yours,

  
James Bruce

Attorney for Santa Fe  
Energy Resources, Inc.

cc: Steven J. Smith  
W. Thomas Kellahin



**Santa Fe Energy Resources, Inc.**

RECEIVED  
MAR 19 1999  
LAND DEPT.  
MIDLAND, TX

**VIA FAX AND U.S. MAIL**

(915) 686-5422

March 9, 1999

Conoco Inc.  
10 Desta Drive, Suite 100W  
Midland, Texas 79705  
ATTN: Mr. Charles M. Rule

Re: Unorthodox Gas Well Location  
Rio Blanco "4" Fed COM well No. 2  
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E  
Lea County, New Mexico  
SFERI Contract No. NM-30,256-002

Dear Mr. Rule:

Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Conoco Inc., Amerada Hess Corporation and Kaiser-Francis Oil Company each filed objections to the proposed location.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for waivers from Amerada Hess, Conoco and Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Conoco, Amerada Hess and Kaiser-Francis with copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2 within six months of completion of said well.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

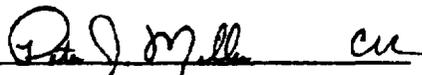
Very truly yours,

**SANTA FE ENERGY RESOURCES, INC.**

  
Steven J. Smith  
Senior Staff Landman

ACCEPTED AND AGREED TO  
this 17<sup>th</sup> day of March, 1999.

**CONOCO INC.**

By:   
Title: Asset Manager

Attachment  
Conono009.doc

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



**Santa Fe Energy Resources, Inc.**

**VIA FAX AND U.S. MAIL**  
**(918) 491-4387**

March 16, 1999

**Kaiser-Francis Oil Company  
P. O. Box 21468  
Tulsa, Oklahoma 74121-1468**

**ATTN: Mr. Wayne Fields**

**Re: Unorthodox Gas Well Location  
Rio Blanco "4" Fed COM well No. 2  
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E  
Lea County, New Mexico  
SFERI Contract No. NM-30,256-002**

**Gentlemen:**

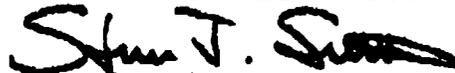
Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Kaiser-Francis Oil Company, Amerada Hess Corporation and Conoco Inc. each filed objections to the proposed location. Amerada Hess has agreed in writing to grant a waiver and Conoco has verbally agreed to do so as well.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for a waiver from Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Kaiser-Francis copies of all logs and tests run and acquired in connection with the drilling of Santa Fe's Rio Blanco "4" Fed COM well No. 1 along with daily drilling reports and copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2. Kaiser-Francis shall not show or provide copies of such daily drilling reports, logs and/or test results to any third party without Santa Fe's prior written consent.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. Please also provide the names and phone numbers of the persons to receive the daily drilling reports and logs. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

Very truly yours,

**SANTA FE ENERGY RESOURCES, INC.**

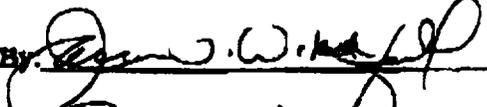
  
**Steven J. Smith**  
Senior Staff Landman

Central Division  
530 W Texas State 1330  
Midland, Texas 79701  
915/687-3581

Kaiser-Francis Oil Company  
Waiver of Unorthodox Well Location  
Rio Blanco "4" Pad COM 42  
March 16, 1999  
Page 2

ACCEPTED AND AGREED TO  
this 16 day of March, 1999.

KAISER-FRANCIS OIL COMPANY

By:   
Title: Reservoir Engineering Manager

Attachment  
Kfms002.doc



**Santa Fe Energy Resources, Inc.**

**VIA FAX AND U.S. MAIL**  
(713) 609-4998

March 3, 1999

Amerada Hess Corporation  
500 Dallas, Level 2  
Houston, Texas 77002  
Attn.: Mr. Raymond L. Wickert

Re: Unorthodox Gas Well Location  
Rio Blanco "4" Fed COM well No. 2  
660' FSL & 660' FWL, Sec. 4, T-23-S, R-34-E  
Lea County, New Mexico  
SFERI Contract No. - NM 30,256-002

Dear Mr. Wickert:

Reference is made to Santa Fe Energy Resources, Inc.'s request for administrative approval of the referenced unorthodox well location. As you know Amerada Hess Corporation, Conoco Inc. and Kaiser-Francis Oil Company each filed objections to the proposed location.

In an effort to reach a mutually acceptable compromise, Santa Fe hereby offers a guarantee that, in exchange for waivers from Amerada Hess, Conoco and Kaiser-Francis of Santa Fe's unorthodox location in Section 4, Santa Fe will (i) grant a waiver of a mirror unorthodox location for the drilling of a Morrow test in Section 5, T-23-S, R-34-E, Lea County, New Mexico, and (ii) provide Amerada Hess, Conoco and Kaiser-Francis with copies of all logs and tests run and acquired in connection with drilling the Rio Blanco "4" Fed COM well No. 2 within ~~six months~~ <sup>SFS 60 days</sup> of completion of said well.

To indicate your acceptance, please sign both copies of this letter and return one to the undersigned. My direct phone number is (915) 686-6712 and my fax number is (915) 686-6714. Please feel free to call.

Very truly yours,

SANTA FE ENERGY RESOURCES, INC.

Steven J. Smith  
Senior Staff Landman

ACCEPTED AND AGREED TO  
this 4th day of March, 1999.

AMERADA HESS CORPORATION

By: Raymond L. Wickert  
Title: Attorney-in-fact

Attachment  
Amerada002.doc

Central Division  
983 W. Texas Suite 1330  
Midland, Texas 79701  
915/687-3681