



Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company
Managing General Partner

August 1, 1988

SEE ATTACHED ADDRESS LIST

Re: OD-NM-617,201
Well Proposal
Chase Fed. Com. #1
W/2 Section 11,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Santa Fe Energy Operating Partners, L.P. hereby proposes the drilling of a 9,950' Wolfcamp Test at a legal location in the NW/4 Section 11, T-22-S, R-27-E, Eddy County, New Mexico. The W/2 of Section 11 will be the allocated proration unit. Estimated costs for drilling this well are \$390,333.00 dry hole, and \$617,598.00 completed.

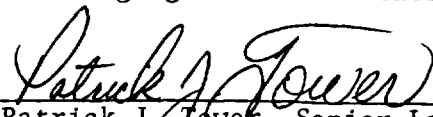
Santa Fe invites you to join us in drilling this well. In this regard, we have enclosed two (2) cost estimates (AFE's). Should you choose to join in the drilling of this test, please execute and return one copy of the AFE to the undersigned.

If you are not interested in drilling, we request that you farmout your interest delivering a 78% net revenue interest lease until payout with the option of converting the retained override to a 25% working interest after payout, all subject to proportionate reduction.

Once all parties have made their election, the appropriate contracts will be forwarded for execution. In the meantime, should you have any questions concerning this proposal, please feel free to call.

Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.
By Santa Fe Pacific Exploration Company
as Managing General Partner


Patrick J. Tower, Senior Landman

PJT:pjr

pr664

Permian Basin District
500 W. Illinois
Suite 500
Midland, Texas 79701
915/687-3551

BEFORE EXAMINER STOQNER

Oil Conservation Division

Exhibit No. 3

Case No. 9180

WORKING INTEREST OWNERS
ADDRESS LIST

Union Oil Company of California
P. O. Box 671
Midland, Texas 79702
Attn: Larry Murphy

T.J. Sivley
Drawer GG
212 Booker Bldg
Artesia, NM 88210

Union Texas Petroleum
C&K Petroleum, Inc.
4000 N. Big Spring, Suite 500
Midland, TX 79701
Attn: Larry Crowder

David J. Sorenson
P. O. Box 1453
Roswell, NM 88201

Texaco, Inc.
P. O. Box 3109
Midland, TX 79702
Attn: S.L. Chandler

Glenn G. Stiff, Attorney
P. O. Box 341
Roswell, NM 88201

J.C. Davis, Jr.
P. O. Box 8343
Midland, TX 79708

Wagner & Brown
P. O. Box 1714
Midland, TX 79701

First City National Bank/Midland
Trustee under will of B.R. Greathouse
P. O. Box 10966
Midland, TX 79701
Attn: Diane McElligot

Faubion Oil & Gas Corporation
(formerly Wainoco Oil and Gas
Corporation)
333 Clay Street, Suite 4490
Houston, TX 77002

Helen Greathouse
P. O. Box 10966
Midland, TX 79701
Attn: Diane McElligot

Williamson Enterprises
(formerly G. Dee Williamson)
P. O. Box 2206
Roswell, NM 88201

Nielson Enterprises, Inc.
P. O. Box 370
Cody, WY 08214
Attn: Robert L. Snyder

Lanita C. Williamson
3014 N. Edgewood Drive
Roswell, NM 88201

Charles D. Olmsted
P. O. Box 669
Santa Fe, NM 87501

Martin Yates III
207 South Fourth Street
Artesia, NM 88210

Penzoil Company
P. O. Drawer 1828
Midland, TX 79701
Attn: Greg David, Landman

Amoco Production Company
P. O. Box 3092
Houston, TX 77001
Attn: Tim Custer

James L. Pierce
3401 Mockingbird Lane
Midland, TX 79707

pr665

28-Jul-88

SANTA FE ENERGY COMPANY
GENERALIZED WELL COST ESTIMATE

NAME: Chase Fed Com #1-Revised
LOC: NW/4, Section 11-22S-27E
DESC: Drill and complete a 9,950' Wolfcamp Test

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501-000	TANGIBLE WELL COSTS		
-41	CONDUCTOR CSG	3,000	3,000
-41	SURFACE CSG 13-3/8" 48.0 ppf K-55 @ 500'	9,995	9,995
-41	PROTECTION CSG 8-5/8" 24.0 ppf K-55 @ 2200'	23,365	23,365
-41	DRILLING LINER		
-41	PROD CSG 5-1/2" 17.0 ppf N-80 @ 9900'		89,892
-41	PROD LINER		
-42	TUBING 2-3/8" 4.7 ppf N-80 @ 9900'		33,858
-43	WELLHEAD	5,000	30,000
-44	PMPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		6,000
-50	RODS		
-50	SUBSURFACE PMPS		
-55	CSG EQUIP	2,000	3,500
-55	ELECTRICAL		
-55	MISC. TANGIBLES		
-55	ROD EQUIP		
-55	TUBING EQUIP		
	TOTAL TANGIBLE COSTS	43,360	199,610
541-000	LEASE FACILITY COSTS		
-50	FLOW LINES		2,000
-50	LABOR		5,000
-50	OTHER PROD EQUIP		15,000
-50	TANK FACILITIES		2,500
	TOTAL LEASE FACILITY COSTS	0	24,500
511-000	INTANGIBLE WELL COSTS		
-21	LOCATION	18,500	18,500
-22	FENCING	1,000	1,000
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP		
-32	CONT FOOTAGE OR TURNKEY	160,500	160,500
-32	CONTRACTOR DAY WORK	12,000	12,000
-33	DRLG FLUID & ADDITIVES	28,000	28,000
-34	BITS & REAMERS		
-36	CORING & CORE ANALYSES		
-37	CEMENT	20,300	41,300
-39	INSPECTION & TSTG OF TANG	1,000	3,500
-41	DIRECTIONAL DRLG SURVEYS		
-42	DRILLING EQUIP RENTAL	18,200	18,200
-43	OPEN HOLE LOGGING	16,700	16,700
-44	DRILL STEM TSTG	8,000	8,000
-45	MUD LOGGING	12,250	12,250
-51	TRANSPORTATION	5,000	5,000
-52	COMPLETION UNIT		10,000
-53	COMPLETION TOOL RENTAL		3,800
-54	CASED HOLE LOGS & PERFING		3,500
-55	STIMULATION		5,000
-56	RIG SITE SUPERVISION	14,000	17,500
-72	ADMINISTRATIVE OVERHEAD	5,000	5,000
-99	FSHC TOOLS & EXPENSES		
-99	TESTING: BHP, COR, 4 PT. POT		5,000
	ABANDONMENT COST	10,000	
	OTHER INTANGIBLES		
0	CONTINGENCY (5%)	16,523	18,738
	TOTAL INTANGIBLES	346,973	393,488
	TOTAL COSTS	390,333	617,598

Estimated By: Michael R. BunterDate: 7/28/88SFEC Approved By: Michael R. BunterDate: 7/28/88

Non Operator Approval By: _____

Date: _____