



BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.
FORT WORTH, TEXAS 76102-3131
817/390-8400

June 13, 2006

CERTIFIED MAIL

Kerr-McGee Oil & Gas Onshore, L.P.
5735 Pineland Dr., Ste 300
Dallas, Texas 75231

Attention: Ms. Jane Graham

Re: Palmillo "12" State Com No. 1
N/2 of Section 12, T19S-R28E
Eddy County, New Mexico

Dear Jane:

This is to advise that BEPCo, L.P. ("Bass") hereby proposes to drill the Palmillo "12" State Com. No. 1 Well (the "Well") to a total depth of 11,500' to test the Morrow Formation at a location being 1650' FNL & 660' FWL, Section 12, T19S-R28E, Eddy County, New Mexico. Bass is currently in the process of obtaining a permit from the New Mexico Oil Conservation Division to drill the Well at the above location within an assigned proration unit being the N/2 of Section 12. The 8/8ths dry hole costs and completed Well costs are estimated to be \$1,920,000 and \$2,980,000 as further described on the attached Authority for Expenditure.

According to the records of Eddy County, New Mexico, Kerr-McGee Oil & Gas Onshore, L.P. ("Kerr-McGee") is the owner of 100% leasehold in the N/2 NE/4 Section 19, representing a 25.00% working interest in the proration unit for the Well as it relates to the above referenced depth and formation. Should you elect to participate, your agreement in writing must be evidenced by your execution of this letter, the AFE and our Operating Agreement (A.A.P.L. 1982 Model Form), a form of which is attached. Should you elect this option, please advise and we will prepare a formal set of these documents for your execution. It is requested that you please indicate your election on the duplicate original form below and return one (1) copy to the undersigned as soon as possible, as Bass plans to drill the Well at its earliest opportunity.

Thank you very much and should you have any questions, please feel free to contact the undersigned at (817) 390-8584.

Domestic Return Receipt form with fields for SENDER, 3. Article Addressed to, 4b. Service Type, 5. Received By, 6. Signature, 7. Date of Delivery, 8. Addressee's Address, and checkboxes for Registered, Certified, Express Mail, Insured, Return Receipt for Merchandise, and COD.

BEFORE THE OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case Nos. 13758 Exhibit No. 4
Submitted by:
BEPCo., L.P.
Hearing Date: August 17, 2006

Thank you for using Return Receipt Service.

BEPCo, L.P.  
 Palmillo "12" State Com. No. 1 Well  
 June 13, 2006

The undersigned agrees as follows: (MARK ONE OF THE CHOICES BELOW)

- ( ) I/We elect to participate in the Palmillo "12" State Com No. 1 Well
- ( ) I/We elect not to participate in the Palmillo "12" State Com No. 1 Well

87

KERR-MCGEE OIL & GAS ONSHORE, L.P.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**POST OFFICE  
 TO ADDRESSEE**



ORIGIN (POSTAL USE ONLY)		
PO ZIP Code <i>76102</i>	Day of Delivery <input type="checkbox"/> Next <input type="checkbox"/> Second	Flat Rate Envelope <input type="checkbox"/>
Date in Mo. Day Year <i>6/13/06</i>	<input type="checkbox"/> 12 Noon <input type="checkbox"/> 3 PM	Postage \$ <i>1.75</i>
Time in <input type="checkbox"/> AM <input type="checkbox"/> PM	Military <input type="checkbox"/> 2nd Day <input type="checkbox"/> 3rd Day	Return Receipt Fee
Weight lbs. <i>1</i> ozs. <i>0</i>	Int'l Alpha Country Code	COD Fee Insurance Fee
NO Delivery <input type="checkbox"/> Weekend <input type="checkbox"/> Holiday	Acceptance Clerk Initials <i>STP</i>	Total Postage & Fees \$ <i>1.75</i>

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Customer Copy

CUSTOMER USE ONLY	
METHOD OF PAYMENT Express Mail Corporate Acct. No. Federal Agency Acct. No. or Postal Service Acct. No.	<input type="checkbox"/> WAIVER OF SIGNATURE (Express Only) I wish delivery to be made without obtaining signature of addressee or addressee's agent (if delivery employee judges that article can be left in secure location) and I authorize that delivery employee's signature constitutes valid proof of delivery. <input type="checkbox"/> NO DELIVERY <input type="checkbox"/> Weekend <input type="checkbox"/> Holiday Customer Signature _____
FROM: (PLEASE PRINT) KEVIN SMITH BEPCO, L.P. 201 MAIN ST., SUITE 2000 FT. WORTH, TEXAS 76102	TO: (PLEASE PRINT) MS. JANE GRAHAM KERR MCGEE OIL & GAS ONSHORE, L.P. 5735 PINELAND DR., SUITE 300 DALLAS, TEXAS 75231



BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.  
FORT WORTH, TEXAS 76102-3131  
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June 13, 2006

**CERTIFIED MAIL**

Kerr-McGee Oil & Gas Onshore, L.P.  
5735 Pineland Dr., Ste 300  
Dallas, Texas 75231

Attention: Ms. Jane Graham

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N/2 of Section 12, T19S-R28E  
Eddy County, New Mexico

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Is your RETURN ADDRESS completed on the reverse side?	<b>SENDER:</b> <input type="checkbox"/> Complete items 1 and/or 2 for additional services. <input type="checkbox"/> Complete items 3, 4a, and 4b. <input type="checkbox"/> Print your name and address on the reverse of this form so that we can return this card to you. <input type="checkbox"/> Attach this form to the front of the mailpiece, or on the back if space does not permit. <input type="checkbox"/> Write "Return Receipt Requested" on the mailpiece below the article number. <input type="checkbox"/> The Return Receipt will show to whom the article was delivered and the date delivered.	I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery <small>Consult postmaster for fee.</small>
	3. Article Addressed to:  Ms. Jane Graham Kerr-McGee Oil & Gas Onshore, L.P. 5735 Pineland Dr., Suite 300 Dallas, Texas 75231	EF 342374829 US  4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Certified <input checked="" type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> COD
5. Received By: (Print Name) <i>LARRY SOLIS</i>	7. Date of Delivery <i>6/14/06</i>	
6. Signature: (Addressee or Agent) <input checked="" type="checkbox"/> <i>[Signature]</i>	8. Addressee's Address (Only if requested and fee is paid)	

Thank you for using Return Receipt Service.

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case Nos. 13758 Exhibit No. 4  
Submitted by:  
BEPCo., L.P.  
Hearing Date: August 17, 2006

BEPCo, L.P.  
Palmillo "12" State Com. No. 1 Well  
June 13, 2006

The undersigned agrees as follows: **(MARK ONE OF THE CHOICES BELOW)**

- I/We elect to participate in the Palmillo "12" State Com No. 1 Well
- I/We elect not to participate in the Palmillo "12" State Com No. 1 Well

KERR-MCGEE OIL & GAS ONSHORE, L.P.

By: \_\_\_\_\_

Its: \_\_\_\_\_

**Smith, Kevin**

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**From:** McCarty, Leonard [LMcCarty@kmg.com]  
**Sent:** Monday, July 10, 2006 10:49 AM  
**To:** Smith, Kevin  
**Cc:** McNamee, Scott  
**Subject:** RE: Palmillo "12" State Com No. 2 Well

Due to the pending merger with Anadarko we will elect under the pooling order.

***Leonard McCarty, CPL***

Landman Specialist  
Southern Division  
Kerr-McGee Oil & Gas Onshore LLC  
5735 Pineland Dr., Suite 300  
Dallas, TX 75231  
Phone: 214 265-4794  
Fax: 214 265-4750

-----Original Message-----

**From:** Smith, Kevin [mailto:KSmith@BassPet.Com]  
**Sent:** Friday, June 30, 2006 8:57 AM  
**To:** McCarty, Leonard  
**Subject:** Palmillo "12" State Com No. 2 Well

Leonard,

This is to once again advise of Bass' intent to drill the above referenced well. I left word on your machine on 6-27-06 and 6-29-06 regarding this and have not heard anything back as of yet. Bass is moving forward with the compulsory pooling process at this time, but we would like to learn of KMG's interest in this operation so that we can drop the process if at all possible. If we can get an answer quick, I will discuss with management an election other than participation (such as a farmout). Please give me a call to discuss further at your earliest opportunity. Thanks.

Kevin D. Smith  
BEPCo, L.P.  
201 N. Main St., Ste 2900, Ft. Worth, Texas 76102  
Bus: (817)390-8584, Fax: (817)339-7102

**Important Notice!**

If you are not the intended recipient of this e-mail message, any use, distribution or copying of the message is prohibited.

Please let me know immediately by return e-mail if you have received this message by mistake, then delete the e-mail message.

Thank you.

7/11/2006