

## SUMMARY OF CONTACTS

- 1) Letter, dated December 27, 2000, from Texaco Exploration and Production Inc. to Bass Enterprises Production Co. and Devon Energy Production Company, with AFE attached for the drilling of the Remuda Basin "24" State No. 1 well.
- 2) Letter, dated January 30, 2001, from Texaco Exploration and Production Inc. to Bass Enterprises Production Co. and Devon Energy Production Company, offering to purchase a term assignment in lieu of participation in the drilling of the Remuda Basin "24" State No. 1 well.
- 3) Letter, dated March 12, 2001, from Texaco Exploration and Production Inc. to Bass Enterprises Production Co., with a proposition to execute an operating agreement.



Texaco Exploration and Production Inc.  
Permian Business Unit

500 North Loraine  
Midland TX 79701

P O Box 3109  
Midland TX 79702

March 12, 2001

NM192599 - State of New Mexico Lease E-5894-2  
NM206116 - State of New Mexico Lease E-5894  
E/2 of Section 25, T23S-R29E,  
Eddy County, New Mexico  

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Proposed Remuda Basin 25 State #1 Well

Bass Enterprises Production Co.  
Attn: Mr. J. Wayne Bailey  
201 Main St.  
Fort Worth, Texas 76102-3131

Gentlemen:

Reference is made to your letter, dated September 15, 2000, wherein Bass Enterprises Production Co. ("Bass") proposed the drilling of the Remuda Basin 25 State #1 well, as a 14,200' test of the Morrow formation to be located 1,980' FSL and 660' FEL of Section 25, T23S-R29E, Eddy County, New Mexico. The spacing unit for your proposed test well is the E/2 of Section 25.

The AFE attached to your letter, dated September 15, 2000, set forth the estimated costs to drill the subject well, which were \$1,419,000 (DHC) and \$2,031,000 (CWC). Last week, you advised that, due to escalating drilling costs, the estimated costs to drill the subject well are now \$2,338,000 (DHC) and \$3,137,000 (CWC).

This letter is to advise Bass that Texaco Exploration and Production Inc. ("Texaco"), as the owner of a 50% leasehold interest in the captioned lands below the depth of 10,300', does not wish to participate in the drilling of the captioned well. To accommodate the drilling of your well, Texaco will agree to enter into a mutually acceptable operating agreement covering the E/2 of Section 25, T23S-R29E, Eddy County, New Mexico, and will elect to go non-consent under a 300% (cost plus 200%) non-consent penalty.

If Bass does not wish to participate in the drilling of Texaco's proposed Remuda Basin "24" State #1 well in the S/2 of Section 24, T23S-R29E, Eddy County, New Mexico, Texaco would agree to enter into a mutually acceptable operating agreement with Bass covering the S/2 of Section 24, T23S-R29E, Eddy County, New Mexico, also providing for a 300% (cost plus 200%) non-consent penalty.

The above proposal is open and available until March 29, 2001.

Very truly yours,

Mike Mullins  
Landman

Confirmation Report - Memory Send

Time : Jan-30-2001 02:40pm  
Tel line : 9156884831  
Name : TEXACO

Job number : 972  
Date : Jan-30 02:38pm  
To : 918173397102  
Document pages : 002  
Start time : Jan-30 02:39pm  
End time : Jan-30 02:40pm  
Pages sent : 002  
Status : OK

Job number : 972

\*\*\* SEND SUCCESSFUL \*\*\*

FORM G-400 (3-88)



FAX TRANSMITTAL COVER SHEET

NOTE: DO NOT USE BLUE OR RED INK OR PENCIL ON THIS FORM. THEY WILL NOT REPRODUCE

DATE: 1/30/01  URGENT  ROUTINE NO. OF PAGES ct1

MESSAGE TO: J. Wayne Bailey

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 817-339-7102

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

MESSAGE FROM: Mike Mullins

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 915-688-4831

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

SENDING DEPT. APPROVAL \_\_\_\_\_ TIME TRANSMITTED \_\_\_\_\_

RETURN ORIGINAL VIA INTER-OFFICE MAIL  RETURN ORIGINAL CALL SENDER TO PICK UP

ADDITIONAL COMMENTS:

Re: Remuda Basin 24 State #1

Confirmation Report - Memory Send

Time : Jan-30-2001 02:39pm  
Tel line : 9156884831  
Name : TEXACO

Job number : 971  
Date : Jan-30 02:38pm  
To : 914055528113  
Document pages : 002  
Start time : Jan-30 02:38pm  
End time : Jan-30 02:39pm  
Pages sent : 002  
Status : OK

Job number : 971

\*\*\* SEND SUCCESSFUL \*\*\*

FORM Q-100 (3-86)



FAX TRANSMITTAL COVER SHEET

NOTE: DO NOT USE BLUE OR RED INK OR PENCIL ON THIS FORM. THEY WILL NOT REPRODUCE

DATE: 1/30/01       URGENT     ROUTINE    NO. OF PAGES 2+1

MESSAGE TO: Ken Gray

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 405-552-8113

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

MESSAGE FROM: Mike Mullins

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 915-688-4831

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

SENDING DEPT. APPROVAL \_\_\_\_\_ TIME TRANSMITTED \_\_\_\_\_

RETURN ORIGINAL VIA INTER-OFFICE MAIL       RETURN ORIGINAL CALL SENDER TO PICK UP

ADDITIONAL COMMENTS:

Re: Permuda Basin "24" State #1

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



Texaco Exploration and Production Inc.  
Permian Business Unit

500 North Loraine  
Midland TX 79701

P O Box 3109  
Midland TX 79702

**VIA FAX AND MAIL**

January 30, 2001

NM192599 - State of New Mexico Lease E-5894-2  
NM206116 - State of New Mexico Lease E-5894  
S/2 of Section 24, T23S-R29E,  
Eddy County, New Mexico  

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Proposed Remuda Basin "24" State #1 Well

Bass Enterprises Production Co.  
Attn: Mr. J. Wayne Bailey  
201 Main St.  
Fort Worth, Texas 76102-3131

Devon Energy Production Company  
Attn: Mr. Ken Gray  
20 N. Broadway, Suite 1500  
Oklahoma City, OK 73102-8260

Gentlemen:

Reference is made to our letter, dated December 27, 2000, wherein Texaco proposed the drilling of the Remuda Basin "24" State #1 well, a scheduled 11,900' test of the Wolfcamp formation, to be located 750' FSL and 1,900' FWL of Section 24, T23S-R29E, Eddy County, New Mexico. The spacing unit for this proposed test well is the S/2 of Section 24.

Bass Enterprises Production Co. controls a 37.5% leasehold interest and Devon Energy Production Company owns a 12.5% leasehold interest in the captioned lands.

As our letter stated, Texaco is prepared to drill this well as soon as an Operating Agreement can be negotiated between the parties covering the captioned lands. As an alternative to participating, Texaco hereby offers to purchase a one (1) year term assignment covering your interest in the S/2 of Section 24 for a consideration of \$100.00 per net acre, with your term assignment reserving an overriding royalty equal to the difference between existing leasehold burdens and 22%, delivering Texaco a 78% net revenue interest, proportionately reduced. This offer is open until March 1, 2001.

If you have any questions, please contact the undersigned at (915) 688-4488.

Very truly yours,

Mike Mullins  
Landman

Confirmation Report - Memory Send

Time : Dec-27-2000 01:01pm  
Tel line : 9156884831  
Name : TEXACO

Job number : 699  
Date : Dec-27 12:59pm  
To : 914055528113  
Document pages : 003  
Start time : Dec-27 01:00pm  
End time : Dec-27 01:01pm  
Pages sent : 003  
Status : OK

Job number : 699

\*\*\* SEND SUCCESSFUL \*\*\*

FORM Q-400 (3-88)



FAX TRANSMITTAL COVER SHEET

NOTE: DO NOT USE BLUE OR RED INK OR PENCIL ON THIS FORM. THEY WILL NOT REPRODUCE

DATE: 12/27/00     URGENT     ROUTINE    NO. OF PAGES C+2

MESSAGE TO: Ken Gray

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 405-552-8113

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

MESSAGE FROM: Mike Mullins

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 915-688-4831

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

SENDING DEPT. APPROVAL \_\_\_\_\_ TIME TRANSMITTED \_\_\_\_\_

RETURN ORIGINAL VIA INTER-OFFICE MAIL     RETURN ORIGINAL CALL SENDER TO PICK UP

ADDITIONAL COMMENTS:

Re: Permuda Basin "24" State #1

Confirmation Report - Memory Send

Time : Dec-27-2000 01:00pm  
Tel line : 9156884831  
Name : TEXACO

Job number : 698  
Date : Dec-27 12:58pm  
To : 918173397102  
Document pages : 003  
Start time : Dec-27 12:58pm  
End time : Dec-27 01:00pm  
Pages sent : 003  
Status : OK

Job number : 698

\*\*\* SEND SUCCESSFUL \*\*\*

FORM G-400 (3-88)



FAX TRANSMITTAL COVER SHEET

NOTE: DO NOT USE BLUE OR RED INK OR PENCIL ON THIS FORM. THEY WILL NOT REPRODUCE

DATE: 12/27/00     URGENT     ROUTINE    NO. OF PAGES ct 2

MESSAGE TO: Warsh Corlin

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 817-339-7102

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

MESSAGE FROM: Mike Mullins

TELEPHONE NO. \_\_\_\_\_ FAX MACHINE NO. 915-688-4831

DEPT./DIV./SUBS. \_\_\_\_\_

LOCATION \_\_\_\_\_ ROOM NO. \_\_\_\_\_

SENDING DEPT. APPROVAL \_\_\_\_\_ TIME TRANSMITTED \_\_\_\_\_

RETURN ORIGINAL VIA INTER-OFFICE MAIL     RETURN ORIGINAL CALL SENDER TO PICK UP

ADDITIONAL COMMENTS:

Re: Remuda Basin 24 State #1



Texaco Exploration and Production Inc.  
Permian Business Unit

500 North Loraine  
Midland TX 79701

P O Box 3109  
Midland TX 79702

**VIA FAX AND MAIL**

December 27, 2000

NM192599 - State of New Mexico Lease E-5894-2  
NM206116 - State of New Mexico Lease E-5894  
S/2 of Section 24, T23S-R29E,  
Eddy County, New Mexico  

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Proposed Remuda Basin "24" State #1 Well

Bass Enterprises Production Co.  
Attn: Mr. J. Wayne Bailey  
201 Main St.  
Fort Worth, Texas 76102-3131

Devon Energy Production Company  
Attn: Mr. Ken Gray  
20 N. Broadway, Suite 1500  
Oklahoma City, OK 73102-8260

Gentlemen:

Texaco Exploration and Production Inc. ("Texaco") proposes the drilling of the Remuda Basin "24" State #1 well, as an 11,900' test of the Wolfcamp formation, to be located 750' FSL and 1,900' FWL of Section 24, T23S-R29E, Eddy County, New Mexico. The spacing unit for our proposed test well is the S/2 of Section 24. Texaco is prepared to drill this well as soon as an Operating Agreement can be negotiated between the parties covering the captioned lands.

According to our information, Bass Enterprises Production Co. controls a 37.5% leasehold interest and Devon Energy Production Company owns a 12.5% leasehold interest in the captioned lands.

Attached are two (2) copies of Texaco's AFE for the drilling of the subject well. If you agree to participate in the drilling of the subject well, please execute and return one (1) copy of the AFE to Texaco to the attention of the undersigned. Upon receipt of all AFE's, we will immediately prepare an Operating Agreement for your review.

If you have any questions, please contact the undersigned at (915) 688-4488.

Very truly yours,

Mike Mullins  
Landman

Attachments

**TEXACO EXPLORATION AND PRODUCTION INC.**

PERMIAN BUSINESS UNIT

DRILLING/COMPLETION WELL COST ESTIMATE

LEASE NAME & NO.: Remuda Basin 24 State No. 1  
 FIELD: Wolfcamp COUNTY: Eddy  
 Operating Unit: Hobbs OBJECTIVE HORIZON: Wolfcamp  
 LOCATION CALL: 750' FSL & 1900' FWL, S24, T23S, R29E  
 Approximate Spud Date: ???

DATE: 20-Dec-00  
 WELL CLASS: DEV  
 STATE: NM  
 TVD: 11900  
 MD: 11900  
 FRSID No.: \_\_\_\_\_  
 EST No.: \_\_\_\_\_

**WELL COST DETAIL**

WELL AND LEASE EQUIPMENT		DAYS:	DRY HOLE	COMPLETION	TOTAL
WELL HEAD & MISC. EQUIP.	11-3/4" x 8-5/8" x 5.5" x 2-3/8" 10,000 psi, flowing, H2S Trim		47	16	63
		\$	6,600	12,000	18,600
400'	11.75" Casing 42# H-40, STC	\$	6,000		6,000
3,200'	8.625" Casing 32# J-55, LTC	\$	34,500		34,500
	" Casing 40# K-55, LTC	\$			0
	" Casing 32# C-95, LTC	\$			0
10,500'	5.5" Casing 17# P-110, BTC	\$	77,000		77,000
2,100'	2.875" Casing 6.5 P-110, Hydnl 533	\$		17,200	17,200
9,800'	2.375" Tubing 4.7# L-80 AB-Mod	\$		40,400	40,400
<b>TOTAL TANGIBLE COSTS</b>		\$	<b>124,100</b>	<b>69,600</b>	<b>193,700</b>

**INTANGIBLE DRILLING COSTS**

60 - Transportation		\$	18,600	9,300	27,900
61 - Roads, Dirt Work, Pits		\$	37,500	1,500	39,000
62 - Rig Footage Contract			0	0	0
63 - Rig Day Work Contract	47 days @ \$9500/day, \$50.5M Mobe, Demobe	\$	497,000	0	497,000
64 - Completion Unit	\$1,800/Day	\$	0	28,800	28,800
65 - Bits		\$	65,000	13,500	78,500
67 - Tx. Sal. Non Rig (MOH)		\$	47,000	16,000	63,000
69 - Drill Pipe Rental	2-7/8" DP	\$	60,000	14,200	74,200
70 - Directional Tools & Serv.		\$	0	0	0
71 - Fishing Tools & Service		\$	0	0	0
72 - Other Rental & Equipment		\$	68,000	35,400	103,400
73 - Drlg Mud, Additives & Service		\$	65,000	0	65,000
74 - Cement & Cementing Services		\$	54,300	58,400	112,700
75 - Water		\$	20,500	8,200	28,700
76 - Fuel	\$1.25/gallon	\$	47,000	8,000	55,000
77 - Coring		\$	0	0	0
78 - Testing		\$	0	11,000	11,000
79 - Perforating		\$	0	38,000	38,000
80 - Stimulation		\$	0	28,100	28,100
81 - Electric Logging & Surveys	47 Days M.L. - \$37,600	\$	87,600	0	87,600
82 - Waste Disposal		\$	1,000	14,000	15,000
83 - Damages		\$	3,500	0	3,500
89 - Other Drilling Costs	6%	\$	101,500	18,500	120,000
93 - Pollution control - Other		\$	0	0	0
Packer		\$	0	23,000	23,000
<b>TOTAL INTANGIBLE COSTS</b>		\$	<b>1,173,500</b>	<b>325,900</b>	<b>1,499,400</b>
<b>TOTAL DRILLING/COMPLETION COSTS (Est. No. _____)</b>		\$	<b>1,297,600</b>	<b>395,500</b>	<b>1,693,100</b>
<b>ESTIMATED PRODUCTION EQUIPMENT COST</b>				\$	
<b>TOTAL COST</b>				\$	<b>1,693,100</b>

APPROVAL DATE

Drig. Prepared by B. D. Schaneman *BDS* 20-Dec-00

Comp. Prepared by B. D. Schaneman *BDS* 20-Dec-00

Area Drilling Manager WABaker *WAB* 12/20/00

Asset Team Manager \_\_\_\_\_

Other \_\_\_\_\_

	Texaco	Texaco
	Gross Int	Gross Int
W&L\$	_____	_____
IDC	_____	_____
Totals	_____	_____

Costs, Production, and Reserves are estimates only.  
 Approved this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
 COMPANY: \_\_\_\_\_  
 BY: \_\_\_\_\_  
 TITLE: \_\_\_\_\_

CO-OWNER: The costs listed on this AFE are only estimates. By executing this AFE, you agree that the estimates do not establish any limit on the amount of monies that will be spent by the operator to perform the proposed operations or establish any limit on the amount of monies you will be responsible for paying in conjunction with the proposed operations.