

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.

FORT WORTH, TEXAS 76102-3131

817/390-8400

June 3, 1994

CERTIFIED MAIL/
Return Receipt Requested

Mitchell Energy Corporation
400 W. Illinois, Suite 1000
Midland, Texas 79701

Attention: Mr. Steve Smith

Re: Farmout Request
SE/4 SE/4 Section 12, T22S-R30E
James Ranch Unit No. 70
Livingston Ridge Prospect
Eddy County, New Mexico

Gentlemen:

Please reference the attached Authority For Expenditure for the drilling of a ± 14,100' Morrow test well in the SE/4 of Section 12, T22S-R30E. In that regard, Bass Enterprises Production Co. hereby formally requests the acquisition of farmout rights affecting leasehold interest owned by Mitchell within the S/2 of Section 12 representing the applicable 320-acre proration unit, according to the following terms and conditions:

1. On, or before, October 1, 1994, Bass will commence or caused to be commenced the drilling of a test well to an approximate depth of 14,100' or a depth adequate to test the Morrow formation, whichever is lesser, at a location 660' FSL, 1,980' FEL of Section 12, T22S-R30E within a 320-acre proration unit comprised of the S/2 of Section 12. The above location is subject the approval of a drilling permit by the Bureau of Land Management.
2. In the event the proposed well is completed as a commercial producer, Mitchell will assign to Bass 100% of its leasehold interest within the S/2 of Section 12 reserving a proportionately reduced overriding royalty of 25% less existing lease burdens with the option to convert said override to a 25% working interest after payout.
3. In the event the above well does not reach the Morrow formation due to mechanical complications or the above well is plugged and abandoned as a dry hole, Bass will have the right to drill a substitute well within 180-days after final operations of the above well according to the above earning provisions.
4. The only penalty for Bass' failure to timely commence operations for the drilling of the proposed test well will be the forfeiture of all rights that might be earned by said operations.

Letter to Phillips Petroleum Company
June 3, 1994
Page 2

5. In the event Bass and Mitchell become joint working interest owners within the above described area, the parties will enter into a mutually acceptable 1982 AAPL Form 610 Model Form Operating Agreement, governing all subsequent operations therein, naming Bass as operator.

In the event Mitchell is agreeable to the farmout of its interest as set forth hereinabove, please execute one (1) copy hereof in the space provided below and return same to the undersigned at your earliest convenience. In the event Mitchell elects to participate in the drilling of the subject well, please return one (1) fully executed copy of the attached AFE to the undersigned as soon as possible whereupon Bass will prepare an Operating Agreement for your review. Thank you very much for your prompt consideration of the above proposal and should you have any questions or comments concerning same, please don't hesitate to contact the undersigned.

Very truly yours,



J. Wayne Bailey

JWB:ca

AGREED AND ACCEPTED this _____ day of _____, 1994.

MITCHELL ENERGY CORPORATION

By: _____

Its: _____

BASS ENTERPRISES PRODUCTION COMPANY
APE COST ESTIMATE

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FEL & 1980' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

COST CATEGORY	ESTIMATED
I. INTANGIBLE DRILLING COST	
A. SURFACE COST	40,560
B. RIG COST	351,400
C. SURFACE CASING SERVICES	10,500
D. PROTECTIVE CASING SERVICES	82,100
E. BIT COST	10,850
F. DRILLING FLUID COST	10,000
G. TRANSPORTATION COST	10,000
H. SUPERVISION	10,000
I. RENTALS	100,570
J. MISCELLANEOUS COST	10,870
TOTAL INTANGIBLE DRILLING COSTS	\$817,800
II. TANGIBLE DRILLING COST	
A. CONDUCTOR CASING	0
B. SURFACE CASING	10,000
C. PROTECTIVE CASING	187,100
D. SURFACE CASING HEAD	911
E. PROTECTIVE CASING HEAD	4,000
F. MISCELLANEOUS	0,868
TOTAL TANGIBLE DRILLING COST	\$202,879
III. EVALUATION	
A. LOGGING COST	41,000
B. DRILL STEM TEST COST	0
C. CORE SERVICES	0
D. MUD LOGGING COST	22,500
E. SUPERVISION (BASS)	2,850
F. RIG COST	17,184
G. MISCELLANEOUS COST	0,466
TOTAL EVALUATION COST	\$87,000
IV. INTANGIBLE COMPLETION COST	
A. RIG COST	31,584
B. PROD. CASING SERVICES	36,980
C. SUPERVISION	6,300
D. LABOR	0
E. TRANSPORTATION	1,000
F. PROD. TBG. SERVICES	4,000
G. COMPLETION FLUID	5,000
H. RENTALS	21,700
I. PRODUCTION LOGGING	5,000
J. PERFORATING	15,000
K. WIRELINE WORK	3,000
L. TREATING	105,000
M. TESTING	10,000
N. COMPLETION RIG ANCHORS	750
O. BITS	1,000
P. MISCELLANEOUS	9,686
TOTAL INTANGIBLE COMPLETION COSTS	\$255,000

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BASS ENTERPRISES PRODUCTION COMPANY

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WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' F3L & 1980' FEL, SECTION 12, T23S-R30E, EDDY CO., NM

=====

*****SAFE COST ESTIMATE SUMMARY*****

		DRY HOLE	COMPLETED
INTANGIBLE			
	I Drilling	812,000	812,000
	III Formation Evaluation	87,000	87,000
	IV Completion		255,000
Subtotal		\$899,000	\$1,155,000
TANGIBLE			
	II Drilling	206,000	206,000
	V Completion		128,000
Subtotal		\$206,000	\$334,000
	VI Lease Equipment		\$100,000
TOTAL		=====	=====
		\$1,107,000	\$1,594,000
		=====	=====

MITCHELL ENERGY CORPORATION (12.50%)

By: _____

Its: _____

Date: _____

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.

FORT WORTH, TEXAS 76102-3131

817/390-8400

July 5, 1994

CERTIFIED MAIL - P 859 379 823
RETURN RECEIPT REQUESTED

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attention: Mr. Glen Lanoue

Re: Bass Enterprises Production Co.
James Ranch Unit No. 70 Well
Livingston Ridge Prospect
Eddy County, New Mexico

Gentlemen:

Pursuant to our telephone conversation of this date, please refer to that letter dated June 3, 1994 from J. Wayne Bailey of this office whereby Bass Enterprises Production Co. disclosed its intention to drill a $\pm 14,100'$ Morrow Test in the SE/4 of Section 12, T22S-R30E. Enclosed is a Joint Operating Agreement designating the Contract Area as the S/2 of Section 12, T22S-R30E, and limited as to depths and formations below the top of the Wolfcamp formation. Phillips' participation within the Contract Area would be 25% based on its acreage contribution, being the N/2 SW/4 of Section 12.

The enclosed AFE denotes an 8/8ths dry hole cost of \$1,107,000.00 and a completed well cost of \$1,584,000.00. The surface location is 660' FSL and 1,980' FEL of Section 12, T22S-R30E, Eddy County, New Mexico.

In the event Phillips elects to participate in the drilling of the subject well, please review the attached Joint Operating Agreement and let me know if it meets Phillips' approval. Upon agreement of a mutually acceptable Joint Operating Agreement an executed agreement will be forwarded for your company's execution. If Phillips elects to farmout its rights, the farmout terms would be those outlined in Mr. Bailey's June 3, 1994 letter with the exception being under item No. 2. In the event the proposed well is completed as a commercial producer, Phillips will assign to Bass 100% of its leasehold interest in the N/2 SW/4 of Section 12 limited as to depths and formations below the top of the Wolfcamp formation. Phillips would reserve a proportionately reduced overriding

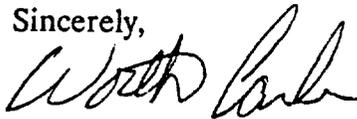
Letter to Phillips Petroleum Company

July 5, 1994

Page 2

royalty of 25% less existing lease burdens with the option to convert said override to a 25% working interest after payout. Said working interest would be proportionately reduced as to Phillips' existing leasehold interest in the N/2 SW/4 of Section 12. Thank you for your prompt consideration of the above proposal and should you have any questions or comments, please feel free to contact me at (817)390-8568.

Sincerely,

A handwritten signature in cursive script, appearing to read "Worth Carlin".

Worth Carlin

WC:lah

Enclosure

BASS ENTERPRISES PRODUCTION COMPANY
AFE COST ESTIMATE

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 360' FEL & 1200' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

COST CATEGORY	ESTIMATED
=====	
I. INTANGIBLE DRILLING COST	
A. SURFACE COST	40,560
B. RIG COST	351,400
C. SURFACE CASING SERVICES	13,650
D. PROTECTIVE CASING SERVICES	82,100
E. BIT COST	63,850
F. DRILLING FLUID COST	93,000
G. TRANSPORTATION COST	20,000
H. SUPERVISION	30,000
I. RENTALS	103,570
J. MISCELLANEDUS COST	13,670
TOTAL INTANGIBLE DRILLING COSTS	\$812,200
II. TANGIBLE DRILLING COST	
A. CONDUCTOR CASING	0
B. SURFACE CASING	10,285
C. PROTECTIVE CASING	137,136
D. SURFACE CASING HEAD	911
E. PROTECTIVE CASING HEAD	4,800
F. MISCELLANEOUS	2,868
TOTAL TANGIBLE DRILLING COST	\$208,000
III. EVALUATION	
A. LOGGING COST	41,000
B. DRILL STEM TEST COST	0
C. CORE SERVICES	0
D. MUD LOGGING COST	22,500
E. SUPERVISION(BASS)	2,850
F. RIG COST	17,184
G. MISCELLANEOUS COST	3,466
TOTAL EVALUATION COST	\$87,000
IV. INTANGIBLE COMPLETION COST	
A. RIG COST	31,584
B. PROD. CASING SERVICES	35,980
C. SUPERVISION	5,300
D. LABOR	0
E. TRANSPORTATION	1,000
F. PROD. TBG. SERVICES	4,000
G. COMPLETION FLUID	5,000
H. RENTALS	21,700
I. PRODUCTION LOGGING	5,000
J. PERFORATING	15,000
K. WIRELINE WORK	3,000
L. TREATING	105,000
M. TESTING	10,000
N. COMPLETION RIG ANCHORS	750
O. BITS	1,000
P. MISCELLANEOUS	9,686
TOTAL INTANGIBLE COMPLETION COSTS	\$256,000

BASS ENTERPRISES PRODUCTION COMPANY
AFE COST ESTIMATE

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FSL & 1960' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

COST CATEGORY

ESTIMATED

V. TANGIBLE COMPLETION COST

A. PROD. CASING/LINER	20,640
B. TUBING HEAD	6,550
C. PRODUCTION TUBING	77,550
D. CHRISTMAS TREE	8,990
E. MISCELLANEOUS	14,270

TOTAL TANGIBLE COMPLETION COST

\$128,000

VI. LEASE EQUIPMENT/INSTALLATION

A. EQUIPMENT	95,250
B. LABOR	5,000
C. MISCELLANEOUS	2,750
TOTAL LEASE EQUIPMENT	\$103,000

BASS ENTERPRISES PRODUCTION COMPANY

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FSL & 1980' FSL SECTION 12, T22S-R30E, EDDY CO., NM

=====

***** AFE COST ESTIMATE SUMMARY *****

	DRY HOLE	COMPLETED
INTANGIBLE		
I Drilling	\$12,000	\$12,000
III Formation Evaluation	87,000	87,000
IV Completion		256,000
Subtotal	\$299,000	\$1,155,000
TANGIBLE		
II Drilling	206,000	206,000
V Completion		128,000
Subtotal	\$206,000	\$334,000
VI Lease Equipment		\$103,000
TOTAL	\$1,107,000	\$1,594,000

=====

PHILLIPS PETROLEUM COMPANY (25%)

By: _____

Its: _____

Date: _____

P 859 379 823
Worth Carlin



Certified Mail Receipt
No Insurance Coverage Provided
Do not use for International Mail
(See Reverse)

Sent to Glen Lanoue	
Phillips Petroleum Company	
Street & No.	
4001 Penbrook	
P.O., State & ZIP Code	
Odessa, TX 79762	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Address of Delivery	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1990

FROM
Bass Enterprises Production Co.
Suite 2700, 201 Main Street, Fort Worth, Texas 76102-3131

For Glen Lanoue
Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

Fold at line over top of envelope to right of the return address.

CERTIFIED

P 859 379 823

MAIL

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to:

Mr. Glen Lanoue
Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

4a. Article Number

P 859 379 823

4b. Service Type

- | | |
|---|---|
| <input type="checkbox"/> Registered | <input type="checkbox"/> Insured |
| <input checked="" type="checkbox"/> Certified | <input type="checkbox"/> COD |
| <input type="checkbox"/> Express Mail | <input type="checkbox"/> Return Receipt for Merchandise |

7. Date of Delivery

5. Signature (Addressee)

6. Signature (Agent)

8. Addressee's Address (Only if requested and fee is paid)

Thank you for using the Certified Mail Service

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt Fee will provide you the signature of the person delivered to and the date of delivery.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address
 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Mr. Glen Lanoue
Phillips Petroleum Company
4001 Penbrook
Odessa, TX 79762

4a. Article Number
P 859 379 823

4b. Service Type
 Registered
 Certified
 Insured
 COD
 Express Mail
 Return Receipt for Merchandise

7. Date of Delivery
11-2-90

8. Addressee's Address (Only if requested and fee is paid)

[Signature]

[Signature]

6. Signature (Agent)

[Signature]

PS Form 3811, November 1990

* U.S. GPO: 1991-287-086

DOMESTIC RETURN RECEIPT



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79762
4001 PENBROOK

LEGAL

July 20, 1994

HAND DELIVERED

Mr. Jim Morrow
Chief Hearing Examiner
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, 2nd Floor
Santa Fe, NM 87501

Re: Case No. 11022, Docket No. 21-94, Application of Bass Enterprises Production Company for Compulsory Pooling, Eddy County, New Mexico, **STATEMENT OF OBJECTION FROM PHILLIPS PETROLEUM COMPANY**

Dear Mr. Morrow:

Phillips Petroleum Company (Phillips) hereby objects to and protests the Application of Bass Enterprises Production Company for the Compulsory Pooling of Phillips' mineral interest in all formations developed on 320 acre spacing to the base of the Morrow formation, in and under the S/2 of Section 12, Township 22 South, Range 30 East, N.M.P.M., Eddy County, New Mexico.

- A. Contrary to statutory requirements, Bass failed to attempt to reach an agreement with Phillips in a timely manner prior to filing its Application for Compulsory Pooling.
- a) Bass first informed Phillips of its desire to drill a Morrow Test Well in the S/2 of Section 12, T-22-S, R-30-E, by letter dated June 3, 1994 from Bass requesting a farmout of Phillips' acreage (hereinafter "Bass FO Request").

- b) Upon receipt, Phillips began to process and evaluate the Bass FO Request through its normal procedures which takes several weeks since any farmout request must be evaluated by several departments within Phillips.
- c) Bass made no further efforts to contact Phillips during June 1994 in regard to the FO Request.
- d) On July 1, 1994, Phillips received the Bass Application for Compulsory Pooling.
- e) On July 7, 1994, Phillips received from Bass a proposed operating agreement for the Morrow Test Well covering the S/2 of Section 12, T-22-S, R-30-E, only as to depths and formations below the top of the Wolfcamp Formation.
- f) The Bass Application seeks Compulsory Pooling for all depths although there is already two producing wells in shallower formations in the proposed proration unit.

THEREFORE, the Bass Application should be denied.

- B. In the event the Division grants the Bass Application for Compulsory Pooling, Phillips requests that no risk factor penalty be assessed against Phillips' interest for the reasons stated above and for the additional reason that there is current production from the Morrow formation in close proximity to the proposed Morrow Test Well, making it a relatively low risk development well.
- C. In the alternative, Phillips requests a 60-day postponement of this hearing. Phillips is making this request for continuance not for the purpose of delay but rather so that Phillips may have a fair and adequate opportunity to evaluate this matter.

This Statement of Objection is not intended to limit Phillips' objection to the Bass Application on other grounds in the future. Phillips also reserves its right to

appeal any order granted to Bass as a result of its Application and the hearing on its Application.

Thank you for your attention to these concerns of Phillips. We ask that this Statement of Objection be made part of the written record in this case.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Elizabeth A. Harris', with a long horizontal flourish extending to the right.

Elizabeth A. Harris
Senior Attorney
(915) 368-1278
FAX (915) 368-1687

EAH:amw

cc: Bass Enterprises Production Company (Hand Delivered)

BASS ENTERPRISES PRODUCTION CO.

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

October 12, 1994

MS

FEDERAL EXPRESS

State of New Mexico
Energy, Mineral and Natural Resources Department
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Rm. 206
Santa Fe, New Mexico 87501

Attention: William J. LeMay, Director

Re: Case No. 11022
Order No. R-10171
Bass Enterprises Production Co.
Compulsory Pooling Order for
James Ranch Unit Well No. 70
S/2 Section 12, T22S-R30E NMPM
Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of the Oil Conservation Division Order No. R-10171, Bass Enterprises Production Co. submits a copy of the itemized schedule of estimated well costs for the drilling of the James Ranch Unit No. 70 Well. Each own working interest owner in the James Ranch Unit No. 70 Well spacing unit has been provided a copy of this itemized schedule of estimated well costs. The schedule attached hereto is the same as submitted by Bass at the July 21, 1994 hearing, showing a dry hole costs of \$1,107,000.00 and a total drilling and completion costs of \$1,594,000.00. Bass plans to commence the drilling of this well on or before, November 1, 1994, pursuant to the terms of the Order. Should you need anything further, please feel free to contact me at (817) 390-8568.

Sincerely,

Worth Carlin

Worth Carlin
Landman

WWC:ca

BASS ENTERPRISES PRODUCTION COMPANY
AFE COST ESTIMATE

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FSL & 1980' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

COST CATEGORY	ESTIMATED
=====	
I. INTANGIBLE DRILLING COST	
A. SURFACE COST	40,560
B. RIG COST	351,400
C. SURFACE CASING SERVICES	13,650
D. PROTECTIVE CASING SERVICES	82,100
E. BIT COST	63,850
F. DRILLING FLUID COST	93,000
G. TRANSPORTATION COST	23,000
H. SUPERVISION	30,000
I. RENTALS	103,570
J. MISCELLANEOUS COST	13,870
TOTAL INTANGIBLE DRILLING COSTS	\$812,000
II. TANGIBLE DRILLING COST	
A. CONDUCTOR CASING	0
B. SURFACE CASING	12,285
C. PROTECTIVE CASING	187,136
D. SURFACE CASING HEAD	911
E. PROTECTIVE CASING HEAD	4,800
F. MISCELLANEOUS	2,868
TOTAL TANGIBLE DRILLING COST	\$208,000
III. EVALUATION	
A. LOGGING COST	41,000
B. DRILL STEM TEST COST	0
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C. SUPERVISION	5,300
D. LABOR	0
E. TRANSPORTATION	1,000
F. PROD. T&G. SERVICES	4,000
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J. PERFORATING	15,000
K. WIRELINE WORK	3,000
L. TREATING	105,000
M. TESTING	10,000
N. COMPLETION RIG ANCHORS	750
O. BITS	1,000
P. MISCELLANEOUS	9,686
TOTAL INTANGIBLE COMPLETION COSTS	\$256,000

BASS ENTERPRISES PRODUCTION COMPANY
AFE COST ESTIMATE

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FSL & 1980' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

COST CATEGORY ESTIMATED

=====

V. TANGIBLE COMPLETION COST	
A. PROD. CASING/LINER	20,640
B. TUBING HEAD	6,550
C. PRODUCTION TUBING	77,550
D. CHRISTMAS TREE	8,990
E. MISCELLANEOUS	14,270
 TOTAL TANGIBLE COMPLETION COST	 \$128,000
 VI. LEASE EQUIPMENT/INSTALLATION	
A. EQUIPMENT	95,250
B. LABOR	5,000
C. MISCELLANEOUS	2,750
TOTAL LEASE EQUIPMENT	\$103,000

BASS ENTERPRISES PRODUCTION COMPANY

=====

WELL: JAMES RANCH UNIT #70 DEPTH: 14100
 LOCATION: 660' FSL & 1980' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

=====

*****AFE COST ESTIMATE SUMMARY *****

		DRY HOLE	COMPLETED
INTANGIBLE			
	I Drilling	812,000	812,000
	III Formation Evaluation	87,000	87,000
	IV Completion		256,000
Subtotal		\$899,000	\$1,155,000
TANGIBLE			
	II Drilling	208,000	208,000
	V Completion		128,000
Subtotal		\$208,000	\$336,000
	VI Lease Equipment		\$103,000
TOTAL		\$1,107,000	\$1,594,000

=====

BASS ENTERPRISES PRODUCTION CO.

201 MAIN ST.

FORT WORTH, TEXAS 76102-3131

817/390-8400

MS

11/15

NOV 17 1994

INSERV

November 8, 1994

State of New Mexico
Energy, Mineral and Natural Resources Department
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Rm. 206
Santa Fe, New Mexico 87501

Morrow

Attention: William J. LeMay, Director

Re: Case No. 11022
Order No. R-10171
Bass Enterprises Production Co.
Compulsory Pooling Order for
James Ranch Unit Well No. 70
S/2 Section 12, T22S-R30E NMPM
Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of referenced Order, please be advised that Yates Petroleum Corporation, as successor in interest of Phillips Petroleum Company, has entered into a voluntary agreement with Bass to participate in the drilling of the James Ranch Unit Well No. 70. Thank you very much and if further information is needed, please advise.

Sincerely,

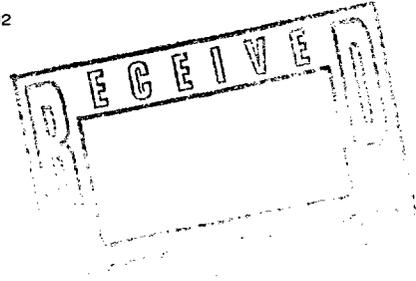
Worth Carlin

Worth Carlin
Landman

WWC:ca

BASS ENTERPRISES PRODUCTION CO.

FIRST CITY BANK TOWER
201 MAIN ST.
FORT WORTH, TEXAS 76102
817/390-8400



May 5, 1995

State of New Mexico
Energy, Mineral and Natural Resources Department
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 206
Santa Fe, New Mexico 87501

M.S.

Attn: William J. Lemay, Director

Re: Case No. 11022
Order No. R-10171
Bass Enterprises Production Co.
Compulsory Pooling Order for
James Ranch Unit Well No. 70
S/2 Section 12, T22S-R30E
Eddy County, New Mexico

Gentlemen:

Pursuant to the terms of the Oil Conservation Division Order No. R-10171, Bass Enterprises Production Co. submits a copy of an itemized schedule of actual well costs for the drilling of the James Ranch Unit No. 70 Well. Each known working interest owner in the James Ranch Unit No. 70 Well spacing unit has been provided a copy of this itemized schedule of actual well costs. Should you need further information regarding this matter, please feel free to contact me at (817) 390-8568.

Sincerely,

Worth Carlin

WWC:lh

BASS ENTERPRISES PRODUCTION COMPANY

AFB COST DETAIL

WELL: JAYED SANDH UNIT NO. 70 DEPTH: 14,100		
LOCATION: SECTION 12 T-22S R-20E EDDY CO. NEW MEXICO		
COST CATEGORY	ESTIMATED	ACTUAL
I. INTANGIBLE DRILLING COST		
A. SURFACE COST		
DAMAGES/REW	0	1,832
SURVEYORS	1,010	1,975
LOCATION/ROAD	35,000	29,882
WATER WELL	0	0
CONDUCTOR SERVICES	0	0
ARCH SURVEY	550	452
PIT LINER	4000	
B. RIG COST		
MI-RU-RO-TO	50,000	0
DAILY WARE	301,400	173,451
FOOTAGE	0	358,373
C. SURFACE CASING SERVICES		
CASING CREW/PU MACHINE	3,500	0
FLOAT EQUIPMENT	500	1,101
CENTRALIZERS ETC	350	0
CEMENT	7,800	12,604
TEST ROPE	0	1,520
INSPECTION & TRANSPORTATION	1,500	3,304
D. PROTECTIVE CASING SERVICES		
CASING CREW/PU MACHINE	1st INT 2,300	131,853
FLOAT EQUIP, CENTRALIZERS	1st INT 1,700	0
CEMENT	1st INT 16,000	0
TEST ROPE	1st INT 2,500	0
INSPECTION & TRANSPORTATION	1st INT 6,000	0
CASING CREW/PU MACHINE	2nd INT 3,500	
FLOAT EQUIP, CENTRALIZERS	2nd INT 7,500	
CEMENT	2nd INT 22,100	
TEST ROPE	2nd INT 2,500	
INSPECTION & TRANSPORTATION	2nd INT 18,000	
E. BIT COST		
	63,850	28,207
F. DRILLING FLUID COST		
MUD MATERIALS	50,000	49,786
WATER/DISP/DIAL	43,000	46,623
G. TRANSPORTATION COSTS		
GENERAL HOT SHOT SERVICES	20,000	16,957
H. SUPERVISION		
	30,000	31,674
I. RENTALS		
SUPER CHARGE/PAV FLOW SENSOR	11,500	6,615
WELDING	10,000	1,216
DEGASSER/W-S SEPARATOR	14,000	15,726
SHAKER SCREENS/CENTRIFUGE	15,000	5,513
BHA COMPONENTS	15,370	16,434
HOUSE TRAILER/COMMUNICATIONS	10,700	13,184
3-1/2" DP 4-3/4" DC & TOOLS	27,000	0
H2S SAFETY	0	3,983
J. MISCELLANEOUS COST (CONTINGENCY AS % OF DHC)		
	13,870	21,190
TOTAL INTANGIBLE DRILLING COSTS		
	\$812,000	\$903,304

BASS ENTERPRISES PRODUCTION COMPANY

APE COST DETAIL

=====

WELL: JAMES NATION DRILL NO. 70 DEPTH: 14,100

LOCATION: SECTION 10 T888 2-30E EDDY CO NEW MEXICO

=====

COST CATEGORY	ESTIMATED	ACTUAL
II. TANGIBLE DRILLING COST		
A. CONDUCTOR CASING	0	
B. SURFACE CASING		
912' OF 13' 3/8" 825 LB/FT (APE FOR 13-3/8)	12,285	23,149
C. PROTECTIVE CASING		
3078' OF 9-5/8" 113 LB/FT (APE FOR 9-5/8)	53,136	65,157
12,000' OF 7-5/8" 980 LB/FT	135,000	131,589
D. SURFACE CASING HEAD	911	2,500
E. PROTECTIVE CASING HEAD	4,800	7,500
F. MISCELLANEOUS	2,868	62,591
TOTAL TANGIBLE DRILLING COST	\$208,000	\$292,486

III. EVALUATION		
A. LOGGING COST	41,000	55,779
B. DRILL STEM TEST COST	0	
C. CORE SERVICES		
CORE BARREL & CORE HEAD RENTAL	0	
CORE HEAD DAMAGE	0	
ANALYSIS	0	
D. MUD LOGGING COST	22,500	24,066
E. SUPERVISION		
CONTRACT	1,500	1,500
BASS	1350	1350
F. RIG COST		
W/DRILL PIPE	17,184	17,184
G. MISCELLANEOUS COST	3,466	0
TOTAL EVALUATION COST	\$87,000	\$99,879

BASS ENTERPRISES PRODUCTION COMPANY

APC COST DETAIL

=====

WELL: JAMES WACH UNIT NO. 70 DEPTH: 14,100

LOCATION: SECTION 3 T-105 R-605 SOGY CO. NEW MEXICO

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COST CATEGORY	ESTIMATED	ACTUAL
IV. INTANGIBLE COMPLETION COST		
A. RIG COST		
DRILLING RIG	17,184	17184
COMPLETION RIG	14,400	17074
B. PRODUCTION CASING SERVICES		
CASING CREW & PU MACHINE	2,280	4,633
FLOAT EQUIPMENT	2,000	
CEMENT/CEMENTING SEAL UNITS/TURBULATORS	4,800	11,627
CEMENT	22,000	21,030
TEST BORE	0	
INSPECTION & TRANSPORTATION	2,400	2,050
MISC (SEALSHELLS, SACK DOLLARS, ETC.)	3,500	1,267
C. SUPERVISION		
CONTRACT	1,500	0
BASS	4,800	0
D. LABOR		
CONTRACT	0	
BASS	0	
E. TRANSPORTATION		
GENERAL HOT SHOT SERVICES	1,000	323
F. PRODUCTION TUBING SERVICES		
PRESSURE TESTING	3,000	
MISC (INTERNAL COAT, ETC.)	1,000	
G. COMPLETION FLUID		
	5,000	345
H. RENTALS		
WORK STAGING	2,500	6,356
DRILL COLLARS	2,000	
HOPE	1,200	3,303
TANKS	5,000	
REVERSE UNIT	6,000	
MISCELLANEOUS	5,000	2,197
I. PRODUCTION LOGGING (BOND LOG, TRACER, ETC.)		
	5,000	22,388
J. PERFORATING & DEPTH CONTROL		
	15,000	6,456
K. BHP WORK		
	3,000	
L. TREATING		
	195,000	22,043
M. TESTING		
	10,000	
N. COMPLETION RIG ANALYSIS		
	750	694
O. BITS		
	1,000	2724
P. MISCELLANEOUS		
	9,686	
Q. GAS PIPELINE CONNECTION		
	0	
TOTAL INTANGIBLE COMPLETION COSTS	\$256,000	\$149,634

BASS ENTERPRISES PRODUCTION COMPANY
NFE COST DETAIL

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WELL: JAMES RANCH UNIT NO. 70 DEPTH: 14,100
 LOCATION: SECTION 18 T-328 R-008 EDDY CO. NEW MEXICO

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COST CATEGORY	ESTIMATED	ACTUAL
=====		
V. TANGIBLE COMPLETION COST		
A. PRODUCTION CASING/LINER	20,640	31713
2960' of 5-1/2" @ \$10.71/ft		
B. TUBING HEAD	6,550	7000
C. PRODUCTION TUBING	77,550	33910
D. CHRISTMAS TREE	9,990	37564
DUAL TREE		
E. MISCELLANEOUS	14,270	4,580
=====		
TOTAL TANGIBLE COMPLETION COST	\$128,000	\$102,293
=====		

VI. LEASE EQUIPMENT/INSTALLATION		
A. EQUIPMENT		
TANKS	6,000	16,960
HEATER	0	
SEPARATOR	0	500
DEHYDRATOR	0	
FLOWLINES (ACTUAL INCL LABOR FOR BATTERY)	51,250	59,404
STAC-PAC	15,000	10,700
ELECTRICAL EQUIPMENT	0	
PUMPING UNIT	0	
PUMPING UNIT BASE AND SET	0	
PRIME MOVER	0	
DOWNHOLE EQUIPMENT		
RODS	0	
PUMP	0	
TUBING ANCHOR	0	
PACKER & SEAL ASSEMBLY	15,000	7370
POLISH ROD LINER	0	
WATER DISPOSAL EQUIPMENT	3,000	
CONNECTIONS	5,000	4230
B. LABOR	5,000	8841
C. MISCELLANEOUS	2,750	3510
=====		
TOTAL LEASE EQUIPMENT	\$103,000	\$101,000
=====		

GILAND TOTAL

\$1,594,000 \$1,647,506



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

August 18, 1994

CAMBELL, CARR, BERGE
& SHERIDAN
Attorneys at Law
P. O. Box 2208
Santa Fe, New Mexico 87504

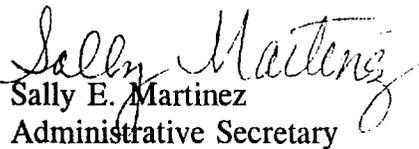
Attn: Tanya Trujillo

RE: CASE NO. 11022
ORDER NO. R-10171

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,


Sally E. Martinez
Administrative Secretary

cc: BLM - Carlsbad
Taxation & Revenue
Glenn Lanoue