

Received 11/6/73

NOV 6 1973
November 6, 1973

Belco Petroleum Corporation

LAND SECTION
PHILLIPS PETROLEUM CO



Perry R. Bass
P. O. Box 171
Midland, Texas 79701
Attention: Bill Seltzer

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79701
Attention: Jim Walker

Bass Enterprises Production Co.
P. O. Box No. 171
Midland, Texas 79701
Attention: Bill Seltzer

✓ Phillips Petroleum Company
Phillips Building
Odessa, Texas
Attention: E. M. Gorence

Frank O. Elliott, Tr.
Clarence E. Hinkle, Tr. and
Edna Ione Hall, Tr.
P. O. Box 1355
Roswell, New Mexico

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>5193</u>	Exhibit No. <u>4</u>
Submitted by <u>Belco</u>	
Hearing Date <u>5-3-15-74</u>	

Re: Teas Prospect
Belco #2-Bass Federal
Section 30, T20S, R33E
Eddy County, New Mexico

*Exceeded
to April 74
re: #4
all Rich
attended
to 7/1/74*

Gentlemen:

Under the terms of Farmout Agreement dated August 8, 1972, as amended by letter dated June 18, 1973, Belco must commence a second test on the captioned prospect on or before January 1, 1974.

By letter dated August 31, 1973, Belco proposed to drill the captioned test with the S/2 Section 30 dedicated thereto. Perry R. Bass subsequently objected to the inclusion of the W/2 SW/4 of Section 30 in this proration unit and suggested that a non-standard unit covering the SE/4, E/2 SW/4 Section 30 and the N/2 NE/4 Section 31 be formed. In deference to this request, we went before the Oil Conservation Commission for hearing on October 3, 1973 requesting such a non-standard unit. Texaco, Inc. objected to the formation of this non-standard unit. Due to a technical error in the advertising, this hearing was re-advertised and rescheduled for October 31, 1973 at which time both Texaco and Belco entered additional testimony into the record. The thrust of Texaco's testimony was that no decision should be made by the commission until such time as the exact amount of acreage to be dedicated to their #1-Audie Richards well located SE/4 Section 25 had been settled. We, of course, requested that the commission approve our request for a

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

Yours very truly,

BELCO PETROLEUM CORPORATION

Omar L. Brown
Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
12th day of November, 1973.

PHILLIPS PETROLEUM COMPANY

CBY *[Signature]*

RECEIVED

NOV 1 1973

MIDLAND OFFICE

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

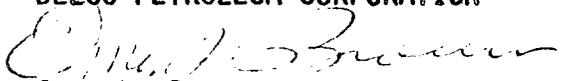
Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

Yours very truly,

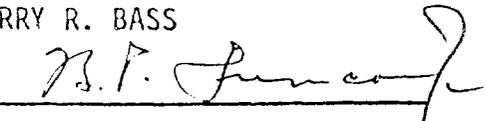
BELCO PETROLEUM CORPORATION


Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
30 day of November, 1973.

PERRY R. BASS

BY 

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

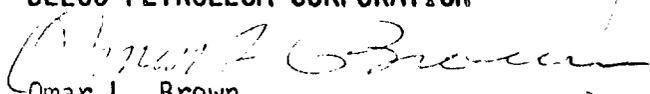
Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

Yours very truly,

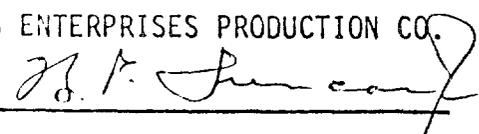
BELCO PETROLEUM CORPORATION


Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
20 day of November, 1973.

BASS ENTERPRISES PRODUCTION CO.

BY 

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

Yours very truly,

BELCO PETROLEUM CORPORATION


Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
____ day of November, 1973.

Edna Ione Hall, Trustee

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

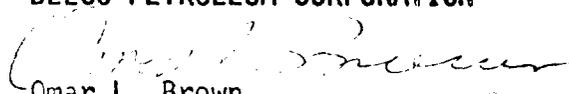
Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

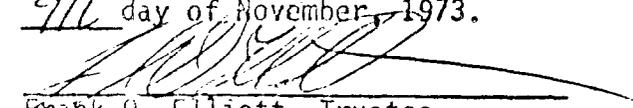
Yours very truly,

BELCO PETROLEUM CORPORATION


Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
9th day of November, 1973.


Frank O. Elliott, Trustee

non-standard unit. It is our opinion that the commission will probably not make a ruling in our application until after the hearing on Texaco's application for a non-standard proration unit comprised of the SE/4 of Section 25 has been heard. This item will come before the commission on November 28, 1973.

On October 18, 1973, Belco made application to the regulatory bodies to drill the captioned well at a location 1300' FEL and 660' FSL of Section 30. Inasmuch as this location is within the boundaries of the New Mexico Oil Conservation Commission Potash-Oil Area as defined by Order #R-111, Belco was obligated to notify offset potash operators. As of the date of this writing, two operators have objected to drilling this well. They are Kerr McGee and Harroun and Haworth. The Oil Conservation Commission has dismissed the protest of Harroun and Haworth. We have had a lengthy conversation with Mr. Pete Porter of the Oil Conservation Commission and he refuses to dismiss the Kerr McGee protest and feels that it must be handled in the normal procedure i.e. arbitration and hearing before the commission.

Belco is considering another visit with Kerr McGee in an effort to solicit their withdrawal of this protest; however, we are not optimistic that this can be accomplished. In all likelihood, it will be necessary to bring this matter before the commission by hearing.

The consequence of the above problems are that no definitive proration unit will be approved until some time late in December; and unless the Kerr McGee protest can be removed, the chances are that the issuance of a permit to drill this well will be delayed at least until early 1974. Consequently, we herein request an extension of time to April 1, 1974 in which to commence the second well called for under the terms of the Farmout Agreement dated August 8, 1972. Please so indicate your approval of this extension by signing in the space provided below and returning one copy of this letter at your earliest convenience.

If you should have any additional questions, please do not hesitate to contact me.

Yours very truly,

BELCO PETROLEUM CORPORATION


Omar L. Brown
District Landman

OLB/MW

AGREED TO AND ACCEPTED THIS
day of November, 1973.


Clarence E. Hinkle, Trustee

AtlanticRichfieldCompany

North American Producing Division
Permian Dist
Post Office Box 1610
Midland, Texas 79701
Telephone 915 682 8631

C. H. McClure
District Land Manager



January 10, 1974

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

Attention: Mr. Omar L. Brown

Re: Farmout Agreement
Little Eddy Unit
Lea County, New Mexico
AR-GL-49832; A-NM-11

Gentlemen:

Under date August 8, 1972, you entered into a farmout agreement between Perry R. Bass, et al, covering lands in Lea County, New Mexico, reference being made to said Farmout Agreement herein for all purposes.

You have requested an extension of time in which to commence the drilling of the second test well. An extension to July 1, 1974, is hereby granted, provided, however, in the event that the United States Geological Survey and the New Mexico Oil Conservation Commission issue Belco a permit to drill prior to July 1, 1974, Belco would be obligated to commence the drilling of the second test well within 45 days of issuance of the permit.

Except as expressly provided for herein said Farmout Agreement shall remain as originally written and previously amended.

Very truly yours,

M. James Walker
Area Landman

MJW:jrb

RECEIVED

JAN 11 1974

MIDLAND OFFICE

PERRY R. BASS
DIVISION LAND & GEOLOGICAL OFFICE
POST OFFICE BOX 171
MIDLAND, TEXAS 79701

June 18, 1973

Re: Farmout Agreement dated
August 8, 1972, Lea County,
New Mexico.

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

Gentlemen:

You have requested an extension of time for drilling additional wells as set forth on pages 4 and 5 of the above captioned Farmout Agreement, due to objections and protests from potash companies on potash leases within one mile of your proposed second test, which is located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 25, T-20-S, R-32-E, Lea County, New Mexico.

We hereby extend the time for commencement of the second well as set forth in the above captioned farmout agreement as follows: Said second well under said Farmout Agreement shall commence operations within thirty (30) days after the completion of the Belco #1 Felmont, located in the NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 25, T-20-S, R-32-E, Lea County, New Mexico. Said well shall be commenced no later than January 1, 1974.

Other than herein altered, all terms and provisions of our agreement of August 8, 1972, shall remain in full force and effect.

Belco Petroleum Corporation
June 18, 1973
Page Two

This agreement may be executed by executing the original copy of this letter, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof, with the same effect as if all parties had executed the same instrument.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: Bill Seizer

PERRY R. BASS

BY: Bill Seizer

ATLANTIC RICHFIELD COMPANY

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: _____

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

This agreement may be executed by executing the original copy of this letter, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof, with the same effect as if all parties had executed the same instrument.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: Bice Seizer

PERRY R. BASS

BY: Bice Seizer

ATLANTIC RICHFIELD COMPANY

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: _____

Frank O. Elliott
Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle
Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Belco Petroleum Corporation

June 18, 1973

Page Two

This agreement may be executed by executing the original copy of this letter, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof, with the same effect as if all parties had executed the same instrument.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: Bice Seitzer

PERRY R. BASS

BY: Bice Seitzer

ATLANTIC RICHFIELD COMPANY

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: Indiscreet

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

This agreement may be executed by executing the original copy of this letter, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof, with the same effect as if all parties had executed the same instrument.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: Bill Seizer

PERRY R. BASS

BY: Bill Seizer

ATLANTIC RICHFIELD COMPANY

BY: M. Jane Walker

PHILLIPS PETROLEUM COMPANY

BY: _____

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Edna Ione Hall

Edna Ione Hall, Trustee under
the Edna Ione Hall Living Trust

Clarence E. Hinkle

Clarence E. Hinkle, Trustee under
the Edna Ione Hall Living Trust

August 8, 1972

Farmout Agreement
Lea County, New Mexico

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

Gentlemen:

We claim ownership of the Oil and Gas Leases listed below in Schedule A and Schedule B in the following percentages:

SCHEDULE A

✓ Perry R. Bass	1/4 of 89%
✓ Bass Enterprises Production Co.	3/4 of 89%
✓ Atlantic Richfield Company	2%
Texaco, Inc.	5%
✓ Phillips Petroleum Company	2%
Tenneco Oil Company, successor in title to Leonard Oil Company	1%
✓ Frank O. Elliott and Clarence E. Hinkle, Trustees under the Frank O. Elliott Living Trust, successor in title to Sunshine Royalty Company	1/2 of 1%
Edna Ione Hall and Clarence E. Hinkle, Trustees under the Edna Ione Hall Living Trust, successor in title to Sunshine Royalty Company	1/2 of 1%

#4806-A - Oil and Gas Lease dated April 8, 1952, from Audie Richards, a single man having never been married; Edgar Richards, a married man dealing with his sole and separate property; June Shield, a married woman dealing with her sole and separate property, Hettie Mae Pruitt, a married woman dealing with her sole and separate property, to Howard W. Jennings, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.

#4806-B - Oil and Gas Lease dated April 8, 1952, from Mary Lorena Higgins, Individually and as Trustee, Eula Higgins, a single woman, Flora May Edwards, a single woman, Mary Higgins Smith and J. H. Smith, her husband, Thelma Higgins Kesler and Ralph Kesler, her husband, Samuel O. Higgins and Marie W. Higgins, his wife, W. F. Higgins and Annie Long Higgins, his wife, Earl Curtis Higgins and Hazel G. Higgins, his wife, J. Vernon Higgins and Charles Davis Higgins, his wife, and S. O. Higgins, a single man, to Howard W. Jennings, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.

- #4806-C - Oil and Gas Lease dated April 16, 1956, from Betty M. Dreessen, dealing in her separate property but joined pro forma by her husband E. T. Dreessen, to Sid W. Richardson and Perry R. Bass, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-D - Oil and Gas Lease dated April 16, 1956, from Cecil H. Kyte, Trustee for David Bond Kyte, to Sid W. Richardson and Perry R. Bass, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-E - Oil and Gas Lease dated December 10, 1955, from Maybelle K. Stewart, a widow, to Sunshine Royalty Company, a corporation, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-F - Oil and Gas Lease dated December 10, 1955, from Maybelle K. Stewart, a widow, to Leonard Oil Company, a corporation, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-G - Oil and Gas Lease dated October 16, 1956, from Leonard Oil Company, a corporation, to Richardson & Bass, a partnership composed of S. W. Richardson and Perry R. Bass, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-H - Oil and Gas Lease dated October 16, 1956, from Sunshine Royalty Company, to Richardson & Bass, a partnership composed of S. W. Richardson and Perry R. Bass, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-I - Oil and Gas Lease dated November 6, 1956, from Pearl Monteith, a widow, to The Texas Company, A Delaware Corporation, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-J - Oil and Gas Lease dated November 6, 1956, from Henry Lawson Monteith, dealing in his sole and separate property and Vera Allene Briggs, dealing in her sole and separate property, to The Texas Company, a Delaware Corporation, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4806-K - Oil and Gas Lease dated August 28, 1950, from M. P. Long and T. W. Prentice, Ancillary Executors of the Estate of L. H. Wentz, Deceased in and for the State of New Mexico, to Cities Service Oil Company, a corporation, insofar as it covers the E $\frac{1}{2}$ /SW $\frac{1}{4}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.

Atlantic Richfield Company claims ownership to an undivided one-fourth (1/4) unleased mineral interest in the E/2 SW/4 of Section 30, T-20-S, R-33-E, Lea County, New Mexico, which is deemed to be leased on the form of lease marked Exhibit "B" and attached hereto.

- #4067 - Oil and Gas Lease dated May 1, 1952, from the United States of America, to Howard W. Jennings, covering among other lands, Lots 3 and 4, the E $\frac{1}{2}$ /SW $\frac{1}{2}$ and the SE $\frac{1}{2}$ of Section 19; the E $\frac{1}{2}$ /E $\frac{1}{2}$ of Section 30; all in T-20-S, R-33-E, Lea County, New Mexico.
- #4067-X - Oil and Gas Lease dated May 1, 1952, from the United States of America, to Howard W. Jennings, covering among other lands, the NW $\frac{1}{2}$ of Section 30, T-20-S, R-33-E, Lea County, New Mexico.
- #4148 - Oil and Gas Lease dated May 10, 1951, from the State of New Mexico, to Malco Refineries, Inc., covering among other lands, the N $\frac{1}{2}$ /NE $\frac{1}{2}$ of Section 31, T-20-S, R-33-E, Lea County, New Mexico.

SCHEDULE B

Bass Enterprises Production Co.	3/4
Perry R. Bass	1/4

- #4148 - Oil and Gas Lease dated May 10, 1951, from the State of New Mexico to Malco Refineries, Inc., covering among other lands, the W $\frac{1}{2}$ /NE $\frac{1}{2}$ of Section 19, T-20-S, R-33-E, Lea County, New Mexico.
- #4067 - Oil and Gas Lease dated May 1, 1952, from the United States of America, to Howard W. Jennings, covering among other lands, the E $\frac{1}{2}$ /NE $\frac{1}{2}$ of Section 19, T-20-S, R-33-E, Lea County, New Mexico.

All of the above described leases and lands are hereinafter referred to as said leases.

It is mutually agreed that ~~on or before November 1, 1972,~~ you will, at your own expense, commence actual drilling of a test well, at a location of your choice, in either the Northeast quarter of the Southwest quarter (NE $\frac{1}{2}$ /SW $\frac{1}{2}$) or the Southeast quarter of the Northwest quarter (SE $\frac{1}{2}$ /NW $\frac{1}{2}$) of Section 30, T-20-S, R-33-E, Lea County, New Mexico. You agree to prosecute the drilling of said well in a workmanlike manner, to a depth sufficient to test the Morrow formation at approximately 13,400 feet and you shall have the option but not the obligation to drill said test well to a deeper depth to test the Devonian formation at approximately 14,400 feet. Said well to be completed within one hundred eighty (180) days from the date of actual spudding of same.

If in the drilling of said test well the hole is lost due to lost circulation, blowout, high pressure, unusual mechanical problems, or a practically impenetrable substance is encountered which would make further drilling impracticable, then you shall have the right to commence, on or before thirty (30) days after the completion or abandonment of the test well, operations for the drilling of another test well, at a location to be selected by you upon some

portion of said leases. If this alternate test well is commenced, it shall be drilled with due diligence to the same depth as provided for the original test well.

If either of said wells are drilled to a depth sufficient to test the Morrow formation or deeper depth and completed as a commercial producer of oil and/or gas, and if you have complied with the other terms and provisions of this Agreement, we will, within thirty (30) days after being furnished proper evidence that said well has been completed as a commercial producer of oil and/or gas, deliver to you an Assignment of Operating Rights, without warranty of title, all of our right, title and interest in and to acreage and leases approved by the U.S.G.S. and the OCC of the State of New Mexico and approval of the undersigned parties for a proration unit to the producing depth for said well, down to a depth of one hundred (100) feet below the producing perforations.

In this Assignment of Operating Rights, we shall retain a one-eighth of eight-eighths ($1/8$ of $8/8$) overriding royalty and out of this overriding royalty we will assume any overriding royalty or oil payment ^{or royalty in excess of the usual $1/8$} presently existing on said leases. The above overriding royalty reserved by the undersigned, at our option, may be converted into a $37\frac{1}{2}\%$ working interest in this well and the leases assigned thereto, after you have recovered all of your costs of drilling, completing and operating said well. The overriding royalty and conversion shall be reduced to accord with each party's interest in the proration unit approved by the U.S.G.S., the OCC of the State of New Mexico and the undersigned parties. In determining the cost of drilling, completing and operating of said well, the Accounting Procedure attached to the Operating Agreement shall apply in determining the payout period to the conversion privilege herein retained by the parties.

By securing commercial production of oil and/or gas from the above test well or substitute well, you shall have earned an option to continuously develop the above described acreage to the producing horizon with the understanding that no more than one hundred eighty (180) days shall elapse between the completion of one well upon our acreage and the commencement of operations for another test well upon some portion of the above described acreage. You shall give Bass et al thirty (30) days written notice prior to the commencement of operation, after you have earned the above option, in which to join you in paying $37\frac{1}{2}\%$ of the cost of the proposed well reduced proportionately to the acreage each party owns in the proposed prorated unit. Said notice shall designate the location of said well, its depth and the acreage allotted for a prorated unit along with a proposed AFE. In the event the party or parties do not desire to join you in drilling the proposed test, each declining party shall retain a one-eighth of eight-eighths, ($1/8$ of $8/8$) overriding royalty and out of this overriding royalty each declining party shall assume any overriding royalty or oil payment presently existing on said lease reduced proportionately to the acreage contributed to the proposed unit. This option to join or farmout shall be continuous on each subsequent proposed proration unit and well thereafter. Failure to continuously de-

portion of said leases. If this alternate test well is commenced, it shall be drilled with due diligence to the same depth as provided for the original test well.

If either of said wells are drilled to a depth sufficient to test the Morrow formation or deeper depth and completed as a commercial producer of oil and/or gas, and if you have complied with the other terms and provisions of this Agreement, we will, within thirty (30) days after being furnished proper evidence that said well has been completed as a commercial producer of oil and/or gas, deliver to you an Assignment of Operating Rights, without warranty of title, all of our right, title and interest in and to acreage and leases approved by the U.S.G.S. and the OCC of the State of New Mexico and approval of the undersigned parties for a proration unit to the producing depth for said well, down to a depth of one hundred (100) feet below the producing perforations.

In this Assignment of Operating Rights, we shall retain a one-eighth of eight-eighths (1/8 of 8/8) overriding royalty and out of this overriding royalty we will assume any overriding royalty or oil payment presently existing on said leases. The above overriding royalty reserved by the undersigned, at our option, may be converted into a 37½% working interest in this well and the leases assigned thereto, after you have recovered all of your costs of drilling, completing and operating said well. The overriding royalty and conversion shall be reduced to accord with each party's interest in the proration unit approved by the U.S.G.S., the OCC of the State of New Mexico and the undersigned parties. In determining the cost of drilling, completing and operating of said well, the Accounting Procedure attached to the Operating Agreement shall apply in determining the payout period to the conversion privilege herein retained by the parties.

By securing commercial production of oil and/or gas from the above test well or substitute well, you shall have earned an option to continuously develop the above described acreage to the producing horizon with the understanding that no more than one hundred eighty (180) days shall elapse between the completion of one well upon our acreage and the commencement of operations for another test well upon some portion of the above described acreage. You shall give Bass et al thirty (30) days written notice prior to the commencement of operation, after you have earned the above option, in which to join you in paying 37½% of the cost of the proposed well reduced proportionately to the acreage each party owns in the proposed prorated unit. Said notice shall designate the location of said well, its depth and the acreage allotted for a prorated unit along with a proposed AFE. In the event the party or parties do not desire to join you in drilling the proposed test, each declining party shall retain a one-eighth of eight-eighths, (1/8 of 8/8) overriding royalty and out of this overriding royalty each declining party shall assume any overriding royalty or oil payment presently existing on said lease reduced proportionately to the acreage contributed to the proposed unit. This option to join or farmout shall be continuous on each subsequent proposed proration unit and well thereafter. Failure to continuously de-

velop such acreage shall automatically release any interest which you might have in our above described acreage, with the exception of any acreage previously earned.

Each commercial producer completed in accordance with the terms of the continuous drilling program above set out, shall earn an Assignment of Operating Rights as above provided for the covering of the proration unit designated and approved by the U.S.G.S., the OCC of the State of New Mexico and the undersigned parties, down to a depth of one hundred (100) feet below the producing perforations of each subsequent well drilled thereon.

The undersigned parties hereto ~~shall have the right to~~ market their share, whether it be a working interest or an overriding royalty interest of the liquid hydrocarbons (crude oil and condensate) and gas (casinghead and gas well gas) produced from any of the lands and leases set out above, subject to the following:

The undersigned parties hereto right to purchase gas and liquid hydrocarbons shall not apply when such hydrocarbons are used by you in your operations.

All sands and formations, in which oil or gas may be encountered, shall be tested to the complete satisfaction of the undersigned. You agree that our representative shall have free and convenient access to the derrick floor at all times for the purpose of witnessing the progress of the drilling of said test well; that Mr. Bill Ford (Residence phone 683-3850, Office phone 682-4329) or Mr. W. J. Parsons (Residence phone 694-2206, Office phone 682-4329) representing Perry R. Bass, of Midland, Texas, and such other person or persons so designated by the undersigned parties, shall be furnished with the following information and notices:

a) notice that the well has been staked and operations are about to begin, together with daily drilling reports on the progress of said test well;

b) any surveys of the hole, however made;

c) samples of the fluid recovered on drillstem and production tests;

d) samples of all cores taken and samples of cuttings from the surface of the soil to the total depth drilled, such cuttings to be furnished at least twice each week in receptacles supplied by us properly labeled, core samples to be furnished or made available to our representative immediately after the same have been taken;

e) notice of your intention to take any drillstem test in sufficient time for us to arrange to have our representative present to witness such test;

f) notice of the completion of said test well in sufficient time for us to arrange to have our representative present to witness the measurement of the depth; and the permission of the undersigned to abandon the well before actual plugging shall take place;

g) one induction electrical survey and gamma ray log and one porosity log;

h) a certified copy of the log upon completion of the well;

i) deliver a complete set of white sacks containing samples of the well to Midland Sample Library;

j) a copy of monthly production reports, together with notification of major workovers, on all wells drilled upon our acreage.

You agree to fully protect us against any and all claims of any and every nature whatsoever by our lessors, their tenants and/or any third parties caused by or arising from your operations on the land covered by this Agreement.

~~Neither this letter, nor any rights hereunder, shall be assigned by you without the written consent of the undersigned.~~

If the foregoing outlines your understanding of the conditions under which this Agreement is made, please signify your acceptance in the space provided below and return the duplicate original to us. If this Agreement is not executed and returned before fifteen (15) days from this date, it shall, at the option of the undersigned, become null and void.

This agreement may be executed by executing the original copy of this agreement, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof, with the same effect as if all parties had executed the same instrument, and the provisions hereof shall be binding upon and shall inure to the benefit of each party executing this agreement and his or its heirs, devisees, legal representatives, successors and assigns, as to all interests of such party in the leases hereinabove described.

This agreement and all of the rights, obligations and conditions hereof shall be binding upon each party executing this instrument and their heirs, devisees, successors and assigns. Should any party named herein fail to execute this agreement or should any party execute this agreement who is not named below, it shall nevertheless be binding upon such party or parties executing the agreement.

Operating Agreement attached hereto and made a part hereof for all purposes.

Notwithstanding anything herein to the contrary, should there be a conflict between this Letter Agreement and the Operating

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Seven

Agreement, this Letter Agreement shall be superior and controlling in all aspects.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: *W. C. Simpson*

Perry R. Bass
Perry R. Bass

ATLANTIC RICHFIELD COMPANY

BY: _____

TEXACO, INC.

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: _____

TENNECO OIL COMPANY

BY: _____

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Seven

Agreement, this Letter Agreement shall be superior and controlling in all aspects.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: _____

Perry R. Bass

ATLANTIC RICHFIELD COMPANY

BY: *M. James Walk*

TEXACO, INC.

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: _____

TENNECO OIL COMPANY

BY: _____

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Seven

Agreement, this Letter Agreement shall be superior and controlling in all aspects.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: _____

Perry R. Bass

ATLANTIC RICHFIELD COMPANY

BY: _____

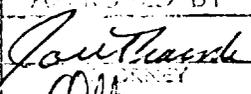
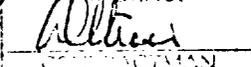
TEXACO, INC.

BY: _____

PHILLIPS PETROLEUM COMPANY

BY: 

FRED FORWARD, Attorney-in-Fact

APPROVED BY

ATTORNEY

MANAGER
PHILLIPS PETROLEUM CO.

TENNECO OIL COMPANY

BY: _____

Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust

Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Agreement, this Letter Agreement shall be superior and controlling
in all aspects.

Yours very truly,

BASS ENTERPRISES PRODUCTION CO.

BY: _____

Perry R. Bass

ATLANTIC RICHFIELD COMPANY

BY: _____

TEXACO, INC.

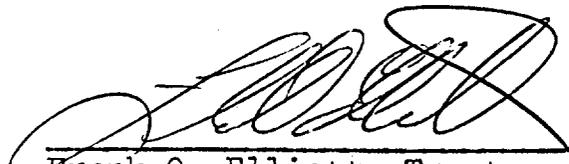
BY: _____

PHILLIPS PETROLEUM COMPANY

BY: _____

TENNECO OIL COMPANY

BY: _____



Frank O. Elliott, Trustee under
the Frank O. Elliott Living Trust



Clarence E. Hinkle, Trustee under
the Frank O. Elliott Living Trust

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Eight

Edna Ione Hall
Edna Ione Hall, Trustee under the
Edna Ione Hall Living Trust

Clarence E. Hinkle
Clarence E. Hinkle, Trustee under
the Edna Ione Hall Living Trust

ACCEPTED and AGREED TO this the
_____ day of _____,
1972.

BELCO PETROLEUM CORPORATION.

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Eight

Edna Ione Hall, Trustee under the
Edna Ione Hall Living Trust

Clarence E. Hinkle, Trustee under
the Edna Ione Hall Living Trust

ACCEPTED and AGREED TO this the
14th day of September,
1972.

BELCO PETROLEUM CORPORATION.

BY John D. Long
Vice President 

Belco Petroleum Corporation
Farmout Agreement
Lea County, New Mexico
Page Eight

Edna Ione Hall, Trustee under the
Edna Ione Hall Living Trust

Clarence E. Hinkle, Trustee under
the Edna Ione Hall Living Trust

ACCEPTED and AGREED TO this the
_____ day of _____,
1972.

BELCO PETROLEUM CORPORATION.

STATE OF TEXAS

COUNTY OF ECTOR

The foregoing instrument was acknowledged before me this 5th day of
September, 1972, by FRED FORWARD as attorney-
in-fact on behalf of PHILLIPS PETROLEUM COMPANY, A Delaware Corporation.

My Commission Expires:

June 1, 1973

Marion R. Hinkle
Notary Public in and for
Ector _____ County, Mecon 0011011
Texas _____.



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88240

October 12, 1972

RECEIVED

OCT 16 1972

MIDLAND OFFICE

Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

*Base No. 1
in N/2 of 30*

Gentlemen:

Your Application for Permit to Drill well No. 1 Bass Federal in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ sec. 30, T. 20 S., R. 33 E., Lea County, New Mexico, lease New Mexico 03023-B, to a depth of 14,500 feet to test the Devonian formation in the Potash Area is hereby approved.

One copy of the application is returned herewith. Please notify the District Engineer, Geological Survey, P. O. Box 1157, Hobbs, New Mexico 88240, in sufficient time for a representative to witness all cementing operations.

Sincerely yours,

N. O. Frederick
N. O. FREDERICK
Area Oil and Gas Supervisor

Enclosure

BEFORE THE OIL CONSERVATION COMMISSION Santa Fe, New Mexico	
Case No. <u>5193</u>	Exhibit No. <u>5</u>
Submitted by <u>Belco</u>	
Hearing Date <u>3-15-74</u>	

**UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY**

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Belco Petroleum Corporation

3. ADDRESS OF OPERATOR
2000 Wilco Building, Midland, Texas 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface
1980' FN&WL's Section 30, T-20-S, R-33-E, Lea County
 At proposed prod. zone
Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
33 miles east of Carlsbad, New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drig. line, if any) 1980'

16. NO. OF ACRES IN LEASE 320

17. NO. OF ACRES ASSIGNED TO THIS WELL 320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. None

19. PROPOSED DEPTH 14,500'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3580.9' GR

22. APPROX. DATE WORK WILL START*
October 10, 1972

5. LEASE DESIGNATION AND SERIAL NO.
MM-03023-B

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME
Bass Federal

9. WELL NO.
1

10. FIELD AND POOL, OR WILDCAT
Wildcat

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Section 30, T-20-S, R-33E

12. COUNTY OR PARISH 13. STATE
Lea New Mexico

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
20"	16"	65#	1,200'	1200 sx.
15"	13-3/8"	54.5#	2,800'	700 sx.
12-1/4"	9-5/8"	47#	11,400'	300 sx.
8-1/2"	5-1/2"	20#	14,300'	400 sx.

Drilling, casing, and cementing programs to be in accordance with OCC Order R-111-A.

Mud Program: Conditioned fresh water 2800 to 11,400 feet. Brine or weighted mud as required 11,400 to 14,300 feet. Light brine 14,300 to 14,500 feet.

BOP Program: As in sketch A above 11,400 feet and as in sketch B below 11,400 feet.

Pit Volume Totalizer to be used below 11,400 feet.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Edwin Cape TITLE District Engineer DATE 9-28-72
 (This space reserved for State office use)

PERMIT NO. _____ APPROVAL DATE _____
 APPROVED BY _____ TITLE _____ DATE _____
 CONDITIONS OF APPROVAL, IF ANY:

RECEIVED
OCT 16 1972

MIDLAND OFFICE

*See Instructions On Reverse Side

September 28, 1972

W.F.
BC

*Case No 1
in N/2 of sec 30*

Kerr-McGee Corporation
P. O. Box 610
Hobbs, New Mexico 88240

Re: Belco Petroleum Corporation
Bass Federal No. 1
1980' FNGWL's of Section 30
T-20-S, R-33-E
Lea County, New Mexico

Gentlemen:

Belco Petroleum Corporation is planning to drill the subject well at the above location. Attached for your information is the U.S.G.S. Form 9-331-C with our proposed casing and cementing program. You will note that the program is in accordance with the regulations of Order R-111-A.

Belco Petroleum Corporation respectfully requests that if you, as the owner of a potash lease located within one mile of our proposed drillsite, have no objection to this procedure, please execute and return two copies of the attached letter.

Very truly yours,

BELCO PETROLEUM CORPORATION

Glenn Cope

Glenn Cope
District Engineer

GC/sh
Attachments

*Received by
Ken McGee
By R. No Lane
9/29/72*

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. 5193	Exhibit No. 6
Submitted by Belco	
Hearing Date 3-15-74	



KERR-MCGEE CORPORATION

KERR-MCGEE BUILDING • OKLAHOMA CITY, OKLAHOMA 73107

Send copy to S. Cape.

File Tear

COPY

October 6, 1972

RECEIVED

OCT 10 1972

MIDLAND OFFICE

United States Geological Survey
Post Office Box 1157
Hobbs, New Mexico

Dear Sirs:

A copy of Belco Petroleum Corporation's Application For Permit To Drill has been received for the following location:

1980' FN&WL's Section 30, T-20-S, R-33-E,
Lea County, New Mexico. This test well to
be drilled to a proposed depth of 1 1/2,500 feet.

As a holder of Potash Leases within one (1) mile of the proposed well, Kerr-McGee Corporation has no objection to the drilling of the above referenced well, provided all drilling is done in accordance with Belco's Permit and with the New Mexico Oil Conservation Commission Order Number R-111-A.

Very truly yours,

Harold J. Kleen

Harold J. Kleen
Vice President
Minerals Exploration

HJK-ew

cc: Belco Petroleum Corporation
2000 Wilco Building
Midland, Texas 79701

El Paso Natural Gas Company

El Paso, Texas 79701

June 1, 1973

A. M. DUNICK
V. P. PRESIDENT

Belco 1972 Oil and Gas Fund, Ltd.
c/o Belco Petroleum Corporation
Belco Petroleum Building
630 Third Avenue
New York, New York 10017

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. 5193	Exhibit No. 7
Submitted by <u>Belco</u>	
Hearing Date <u>3-15-74</u>	

Re: Emergency Limited-Term Gas Purchase Contract--
Belco Operated Bass Federal No. 1 Well
All Section 30, T-20-S, R-33-E
Lincoln County, New Mexico

*Bass No 1
N/2 of Sec 30*

Gentlemen:

This Letter Agreement evidences the understanding reached between Belco 1972 Oil and Gas Fund, Ltd., as "Seller," and El Paso Natural Gas Company, as "Buyer," regarding the sale and purchase of gas-well gas (as so classified by the New Mexico Oil Conservation Commission) on an emergency limited-term basis from subject well, attributable to Seller's interest therein, as follows:

1.

Buyer is in need of emergency and limited-term gas supplies to aid it in assuring the maintenance of adequate natural gas service on its pipeline system and to thereby minimize curtailment of service to its customers.

2.

Seller will use its best efforts to deliver and sell and Buyer will use its best efforts to receive and purchase all gas Seller shall have available for delivery hereunder attributable to Seller's interest in subject well. The initial daily volume of gas available hereunder is estimated to be approximately five thousand

(5,000) MCF. Buyer represents that it shall at all times during the term hereof maintain sufficient pipeline capacity to receive volumes of gas hereunder which are at least ratable with the production of gas from wells belonging to others completed in the same reservoirs in which subject well is completed, whether such other wells be connected to Buyer's field gathering system or to a field gathering system or another purchaser. Determination of whether or not production is ratable shall be in accordance with the applicable rules and regulations established by duly constituted governmental authorities having jurisdiction thereof, or, in the absence of such rules and regulations, on the basis of gas reserves.

3.

The point of delivery of gas delivered hereunder shall be at the inlet of Buyer's gas measurement facilities to be located adjacent to subject well.

4.

Seller will deliver gas hereunder at a pressure sufficient to enter Buyer's gathering system against the working pressure maintained therein from time to time at the point of delivery, provided such working pressure shall not exceed seven hundred (700) psig, and further provided that neither Seller nor Buyer shall be obligated to install compression facilities in order to deliver gas hereunder, but either may do so at its option.

5.

The gas delivered hereunder shall be merchantable natural

gas and shall have a total gross heating value of not less than one thousand (1,000) BTU per cubic foot. Such gas shall not contain more than one-quarter ($1/4$) grain of hydrogen sulphide nor more than five (5) grains total sulphur (mercaptans) per one hundred (100) cubic feet; two per cent (2%) by volume of carbon dioxide nor more than two-tenths (0.2) of one per cent (1%) by volume of oxygen. Seller shall install, at its sole cost and expense, all separators and/or other devices which may be found necessary to prevent hydrocarbons and water in their liquid state from entering Buyer's gathering system at the point of delivery hereunder. If any gas delivered hereunder fails to meet any one of said quality requirements, then Buyer shall have the right, at its option, to refuse to accept such gas.

6.

Buyer shall pay Seller fifty-five cents (55¢) for each one thousand (1,000) cubic feet of gas delivered hereunder from said well, adjusted upward or downward as the total gross heating value of such gas varies from one thousand (1,000) BTU per cubic foot. On or before the tenth (10th) day of each calendar month, Buyer shall render to Seller a statement showing the total volume of gas measured in Buyer's meter station during the preceding calendar month, and on or before the twenty-fifth (25th) day of the calendar month in which such statement is rendered, shall tender its check for payment for all gas purchased hereunder during such calendar month. The statement and check shall be mailed to Seller:

Palco 1972 Oil and Gas Fund, Ltd.
New York, New York 10017

-4-

Palco 1972 Oil and Gas Fund, Ltd.
Palco Petroleum Building
630 Third Avenue
New York, New York 10017

Each party hereto shall have the right at all reasonable times to examine the books and records of the other party to the extent necessary to verify the accuracy of any statement or computation made under or pursuant to this Letter Agreement. Any statement shall be final as to all parties unless questioned within one (1) year after payment thereof has been made.

7.

Any expense incurred in connection with the purchase and receipt of gas shall be borne by Buyer, and any expenses incurred in making the delivery and sale shall be borne by Seller, including, without limitation, the payment of any and all taxes levied on such gas prior to the delivery thereof to Buyer.

8.

The sale and purchase of gas hereunder shall begin as soon as practicable after execution hereof as an emergency sale in accordance with Federal Power Commission Order No. 418, issued December 10, 1970, and pursuant to Section 157.29 of the Commission's Regulations Under the Natural Gas Act for a period of sixty (60) days from the date of first delivery. In order that the sale and purchase of gas hereunder may be continued for a further period of time upon conclusion of said sixty (60) day period, Seller agrees that it will timely file and prosecute with diligence an application with the Commission for a limited-term certificate with a pre-granted

abandonment provision for a limited-term of twenty-four (24) months from the date of first delivery of gas under said certificate. Such application shall be made by Seller pursuant to the Commission's Order No. 431 and 431-A issued April 15, 1971 and July 31, 1972, respectively. In the event the Commission fails to issue such certificate or fails to issue such certificate in terms satisfactory to Seller prior to sixty (60) days after the date of first delivery of gas hereunder, then sales shall be terminated forthwith and this agreement may be terminated at any time and by written notice to Buyer. Upon issuance by the Commission of a final nonappealable limited-term certificate in terms (including pre-granted abandonment) satisfactory to Seller, the sale and purchase of gas hereunder shall resume or continue, as the case may be, for the limited-term authorized.

9.

Measurement of gas delivered hereunder and related activities will be performed by Buyer in facilities installed by Buyer in accordance with the American Gas Association Gas Measurement Committee Report No. 3, Revised 1969, as amended from time to time.

10.

Except for the determination of the total gross heating value, the unit of volume for purposes of measurement of gas delivered hereunder shall be one (1) cubic foot of gas at a temperature base of sixty degrees (60°) F. and at a pressure base of fourteen and sixty-five hundredths pounds (14.65#) per square inch absolute. Atmospheric pressure shall be assumed to be thirteen and two-tenths

pounds (13.2//) per square inch absolute. Volumes shall be determined in accordance with American Gas Association Gas Measurement Committee Report No. 3, Revised 1969, as amended from time to time. The unit of volume for the determination of the total gross heating value of the gas delivered hereunder shall be the amount of gas, on a dry basis, which would occupy a volume of one (1) cubic foot at a temperature of sixty degrees (60°) F. and under a pressure equivalent to thirty inches (30") of mercury at thirty-two degrees (32°) F. Gas delivered hereunder shall be sampled by Buyer and tested by appropriate laboratory analyses promptly upon first delivery of gas and at three (3) month intervals thereafter during the term hereof for purposes of determining the total gross heating value thereof.

11.

Unless earlier terminated in accordance with paragraph 8 hereof, this Letter Agreement shall continue in full force and effect for a term ending upon the expiration of the twenty-four (24) month delivery period referred to in said paragraph 8. At the end of said term, all obligations of both Buyer and Seller hereunder shall terminate, except as to the payment for any gas delivered during the term hereof.

12.

Seller warrants title to all gas delivered hereunder and its right to sell same and warrants that such gas shall be free and clear of all liens and adverse claims. Title to all gas delivered hereunder shall pass from Seller to Buyer at the point of delivery

hereunder.

13.

Buyer shall be deemed to be in possession of gas sold hereunder and responsible for any loss, damages or injury caused thereby after such gas is delivered to Buyer at the point of delivery. Seller shall be deemed to be in possession of the gas sold hereunder and responsible for any loss, damages or injury caused thereby prior to delivery of same to Buyer at the point of delivery.

14.

Each party hereto shall be excused from performing under this agreement, other than to make payments for gas delivered hereunder, to the extent it is rendered unable to perform by a force majeure situation, but only for the period of time such force majeure situation continues. The term "force majeure" as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of the public enemy, wars, blockade, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, storms, floods, washouts, arrests, breakage or accident to machinery or lines of pipe, freezing of wells or lines of pipe, partial or entire failure of wells or plant operations, breakage of gathering or transmission lines; and other causes, whether of the kind herein enumerated or otherwise, not within the control of the party claiming suspension and which by the exercise of due diligence such party is unable to prevent or overcome.

15.

This agreement shall be subject to all valid applicable state and local laws, rules and regulations. Both Buyer and Seller shall be entitled to treat all laws, orders, rules and regulations issued by any Federal or State regulatory body as valid at such time and may act in accordance therewith until such time as the same may be invalidated by final judgement in a court of competent jurisdiction.

16.

This agreement shall bind and benefit the parties hereto and their respective successors and assigns.

17.

Any notice provided for or permitted in this Letter Agreement shall be deemed sufficiently given and served when and if deposited in the United States mail, postage prepaid and registered, addressed to Seller at the address referred to in paragraph 6 hereof, or to Buyer at P. O. Box 1492, El Paso, Texas 79978, as the case may be, or to such other address as either party shall respectively hereafter designate in writing. Routine communications, including monthly statements and payments, shall be considered as duly delivered when mailed by either registered mail or ordinary first class mail, postage prepaid.

If the foregoing correctly states Seller's understanding concerning the matters covered herein, it is requested that Seller indicate its acceptance hereof and agreement hereto by executing

Belco 1972 Oil and Gas Fund, Ltd.
New York, New York 10017

..9-

this letter in the space provided below.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By *A. M. Derrick*
A. M. Derrick, Vice President

Accepted and Agreed to this
27th day of May, 1973:

BELCO 1972 OIL AND GAS FUND, LTD.

By *[Signature]*

Belco Petroleum Corporation,
General Partner

El Paso Natural Gas Company

El Paso, Texas 79978

A. M. DERRICK
VICE PRESIDENT

September 21, 1973

Belco 1972 Oil and Gas Fund, Ltd.
Belco Petroleum Building
630 Third Avenue
New York, New York 10017

Re: Emergency Limited-Term Gas Purchase
Contract--Belco Operated Bass Federal
No. 1 Well, All Section 30, T 20 S, R 33 E
Lea County, New Mexico

Gentlemen:

Reference is made to that certain Letter Agreement between us dated June 1, 1973, captioned as per the above.

In accordance with the provisions thereof, first deliveries of gas from all wells covered thereunder occurred September 12, 1973, and thus establishes the commencement date for the sixty day emergency delivery period referred to in paragraph 8 thereof.

In view of the Federal Power Commission's Order No. 491 issued September 14, 1973, the parties hereto now desire to amend and supplement said Letter Agreement in the following respects:

1.

In accordance with said Order, Belco will file a notice of withdrawal with the Federal Power Commission of its limited-term certificate applicable to said Letter Agreement subject to the refiling thereof as referred to below.

2.

Pursuant to said Order, it is agreed that, upon the conclusion of the said sixty (60) day emergency delivery period, being November 11, 1973, the purchase and sale of gas shall continue for an additional emergency delivery period of one hundred eighty (180) days, which such additional delivery period will conclude May 10, 1974.

September 21, 1973

3.

It is agreed that Belco shall timely refile its application for a limited-term certificate prior to the conclusion of said additional one hundred eighty (180) day delivery period; however, for a limited term of eighteen (18) months rather than the twenty-four (24) month period now provided.

4.

All other terms and provisions of said Letter Agreement shall remain fully effective insofar as the same are not inconsistent with the foregoing.

If the foregoing correctly states your understanding concerning the matters covered herein, it is requested that you indicate your acceptance hereof and agreement hereto by executing this letter in the space provided below.

Very truly yours,

EL PASO NATURAL GAS COMPANY

By A. M. Derrick
A. M. Derrick, Vice President

Accepted and Agreed to this
24TH day of SEPTEMBER, 1973:

BELCO 1972 OIL AND GAS FUND, LTD.

By [Signature]
Belco Petroleum Corporation,
General Partner

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

5. LEASE DESIGNATION AND SERIAL NO.
NM-03023A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
None

7. UNIT AGREEMENT NAME
None

8. FARM OR LEASE NAME
Bass-Federal

9. WELL NO.
2

10. FIELD AND POOL, OR WILDCAT
South Salt Lake

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 30, T-20-S, R-33-E

12. COUNTY OR PARISH | 13. STATE
Lea | New Mexico

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Belco Petroleum Corporation

3. ADDRESS OF OPERATOR
2000 Wilco Building, Midland, Texas 79701

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface
660' FSL & 1300' FEL Section 30, T-20-S, R-33-E Lea County
At proposed prod. zone
Same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
33 Miles East of Carlsbad, New Mexico

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
660'

16. NO. OF ACRES IN LEASE
320

17. NO. OF ACRES ASSIGNED TO THIS WELL
320

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
None

19. PROPOSED DEPTH
13,600'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
3598.9 GR

22. APPROX. DATE WORK WILL START*
11-15-73

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
16'	13 3/8"	48#	1,000'	350sx (To Circulate)
12 1/4	10 3/4"	40.50#	3,100'	650sx (To Circulate)
9 1/2	7 5/8"	26.40 & 29.70#	10,300'	3000sx to surface in 2 stages
6 1/2	5 1/2"	17#	13,600'	750sx 1st 800sx + 200 2nd 200sx weight & follow same heat

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
Case No. 5193 Exhibit No. 8
Submitted by Belco
Hearing Date 3-15-74

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE District Engineer DATE 10-18-73

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Belco Petroleum Corporation

Belco

October 18, 1973

United States Geological Survey
Post Office Box 1157
Hobbs, New Mexico 88240

Re: Belco Petroleum Corporation
Bass Federal Well No. 2
660' FSL & 1300' FEL
Section 30, T-20-S, R-33-E
Lea County, New Mexico

Gentlemen:

1. Existing Roads - Highway 128 is the nearest existing road.
2. Planned Access Road - It is planned to extend the caliche road straight south from the Bass-Federal No. 1 to a point directly east of the proposed location and then build a road directly east to the proposed location.
3. Location of Wells - This is the second Belco Petroleum Corporation well in the field, being a southeast offset to the Belco Petroleum Corporation Bass Federal No. 1.
4. Lateral Roads to Well Locations - The roads to the wells are shown on the attached plat.
5. Location of Tank Batteries and Flowlines - In case of production, any tank battery or necessary producing facility would be placed upon the drilling pad.
6. Location and Types of Water Supply - There is no ground water available in the area and water will have to be purchased from a commercial source and trucked to the location.
7. Methods for Handling Waste Disposal - It is planned to build an 8' X 4' X 4' waste pit next to the reserve pit in which to dispose of all waste.
8. Proposed Disposition of Produced Brine Water - Subject well is a gas prospect and no water production is anticipated; however, any produced brine water would be disposed of by hauling to a commercial water disposal well.

United States Geological Survey
Belco #2 Bass Federal
October 18, 1973

Page -2-

9. Disposition of Casinghead Gas - There is a ready market in the area for casinghead gas and the low pressure casinghead gas will be sold.
10. Location Layout - Attached is a diagram of the location showing the position of the various components of the system.
11. Plans for Restoration of the Surface - In case of a dry hole or upon abandonment of the well, all pits and cellars will be filled and leveled. The location will be leveled as nearly as possible to original top ground contour with all dead men removed, all junk and trash disposed.

Very truly yours,

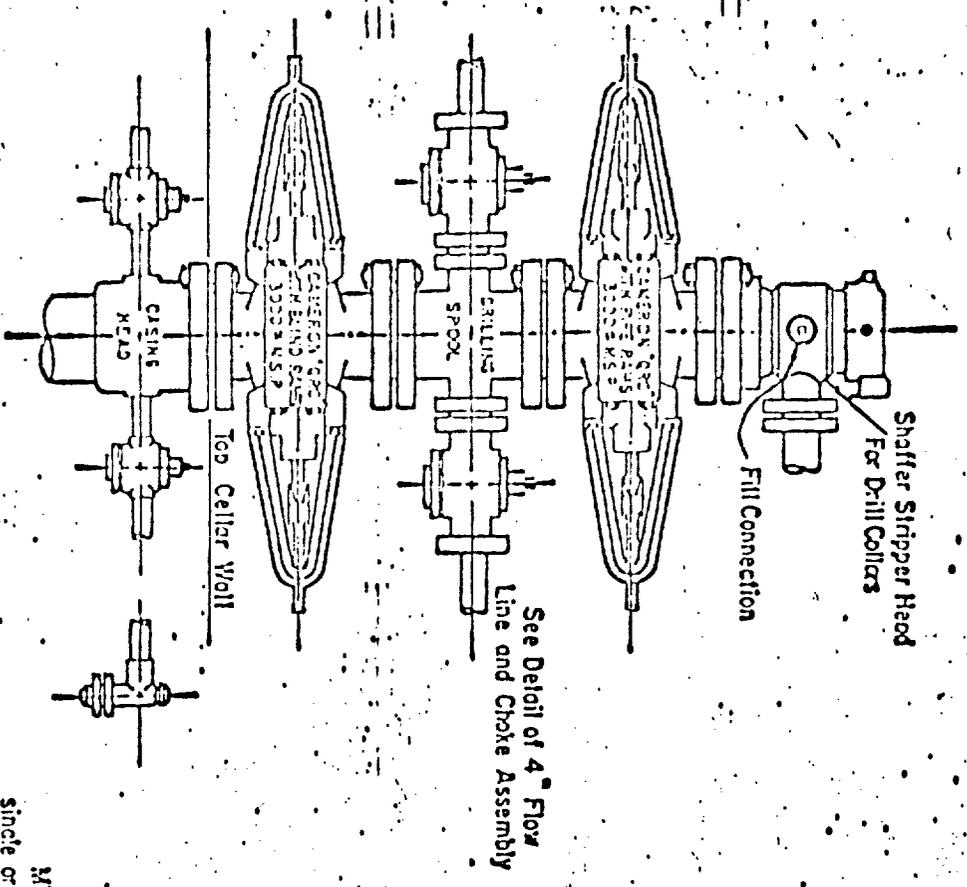
BELCO PETROLEUM CORPORATION

Original Signed
By GLENN COPE

Glenn Cope
District Engineer

GC/s1

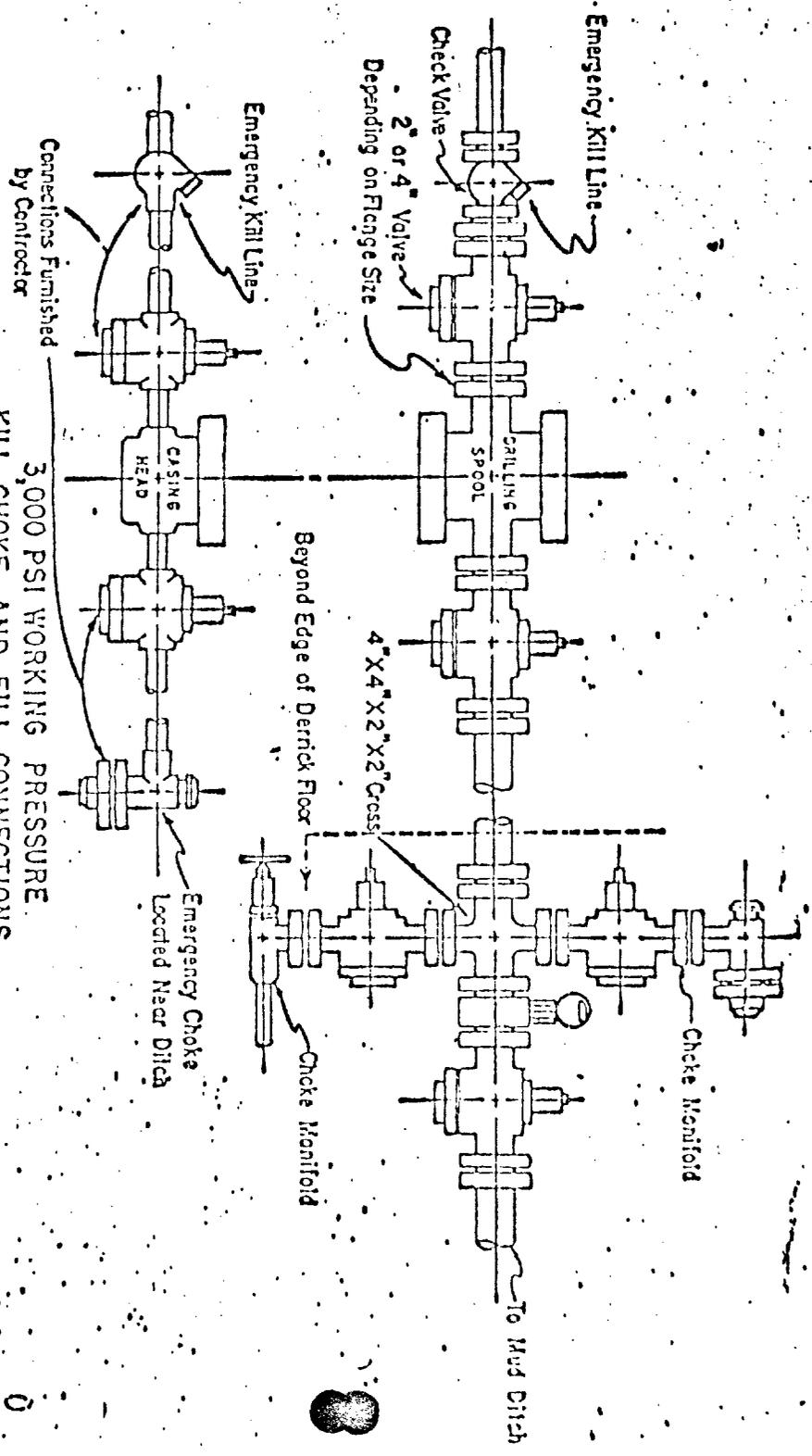
Attachments



See Detail of 4" Flow Line and Choke Assembly

3,000 PSI WORKING PRESSURE BLOWOUT PREVENTER HOOK-UP

Series 900 Flanges, or Better



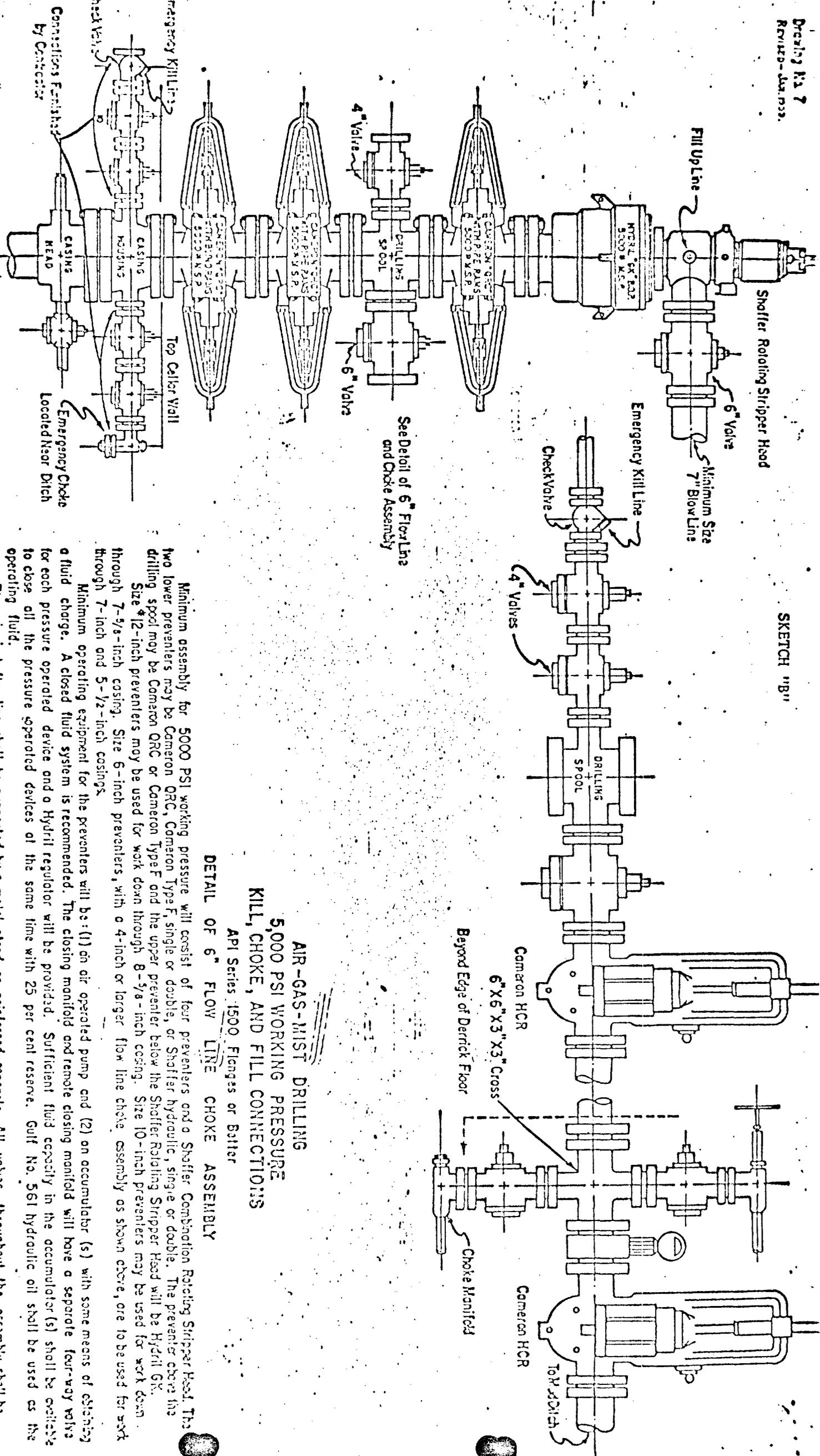
3,000 PSI WORKING PRESSURE KILL, CHOKE, AND FILL CONNECTIONS
 API Series 900 Flanges or Better
 DETAIL OF 4" FLOW LINE CHOKE ASSEMBLY

Minimum assembly for 3000 PSI working pressure will consist of two preventers which may be Cameron QRC, Cameron Type F, single or double, Cameron Space-Sever or Shaffer Hydraulic, single or double. If double preventers are provided, the drilling spool shall be placed below the preventers and the blind rams placed in the upper preventer. With this arrangement it will not be necessary to provide a kill end choke line to Gulf's casing-head housing. In lieu of the drilling spool, the flanged outlets of the double Shaffer, the Space-Sever or double F, if they are the correct size, and provided the preventers can be installed to meet Gulf's requirements, may be used for the four-inch flow line and the two-inch kill line.

Size 12-inch preventers may be used for work down through 8-5/8-inch casing. Size 10-inch preventers may be used for work down through 7-5/8-inch casing. Size six-inch preventers are to be used for work through 7-inch and 5-1/2-inch casings.

Minimum operating equipment for the preventers will be: (1) An air operated pump and (2) An accumulator (s) with some means of obtaining a fluid charge. A closed fluid system is recommended. The closing manifold and remote closing manifold will have a separate four-way valve for each pressure operated device. Sufficient fluid capacity in the accumulator (s) shall be available to close all the pressure operated devices at the same time with 25 per cent reserve. Gulf No. 551 hydraulic oil shall be used as the operating fluid.

The four-inch flow line from the preventers shall be supported by a metal stand or reinforced concrete. All valves throughout the assembly shall be selected for operation in both gas and fluids. Sufficient substructure height is to be provided in the event Gulf should request installation of a rotating type blowout preventer. The preventers will be provided with stem extensions, universal joints, if needed, and operating wheels.



**AIR-GAS-MIST DRILLING
 5,000 PSI WORKING PRESSURE
 KILL, CHOKE, AND FILL CONNECTIONS**

DETAIL OF 6" FLOW LINE CHOKE ASSEMBLY
 API Series 1500 Flanges or Better

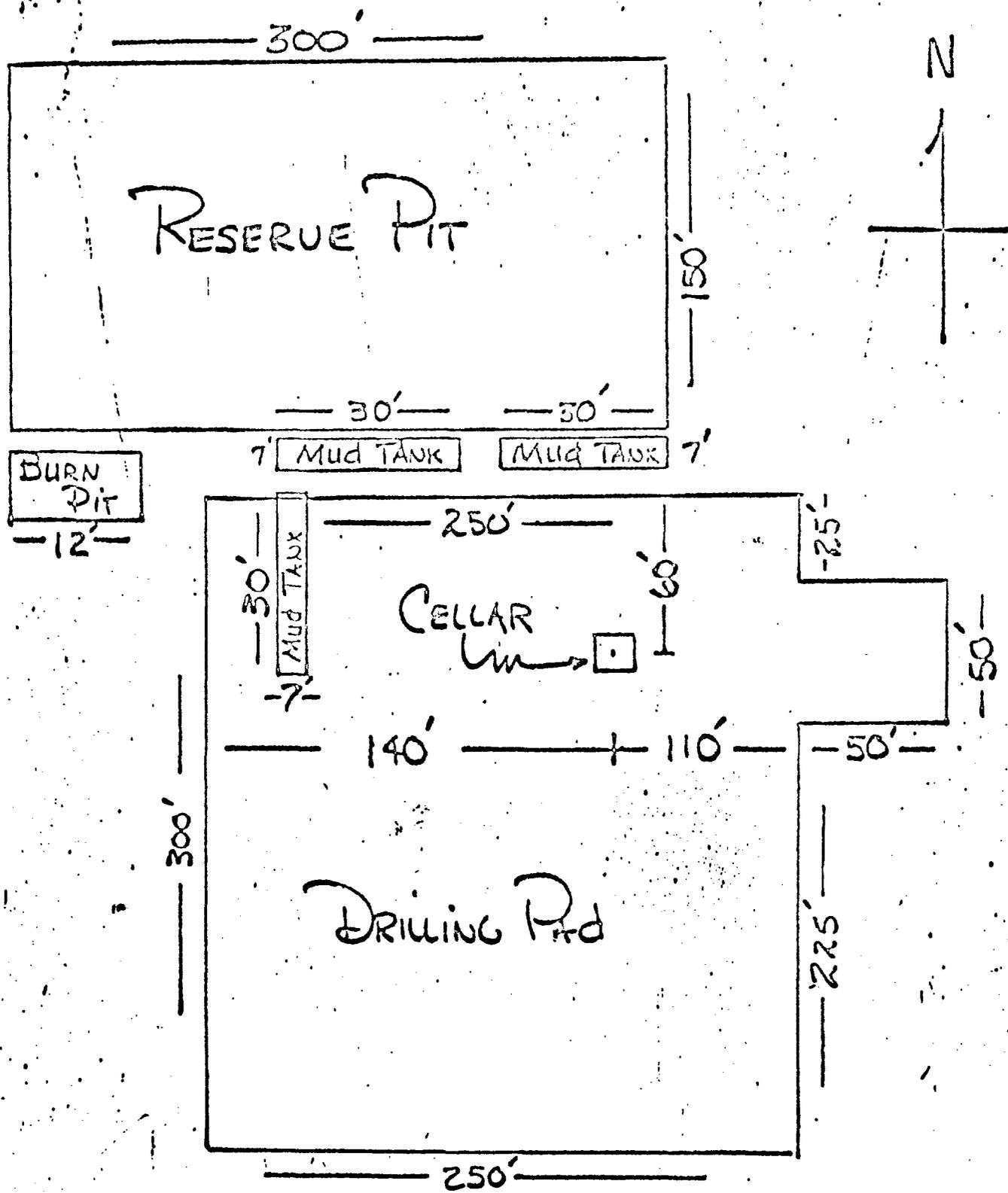
Minimum assembly for 5000 PSI working pressure will consist of four preventers and a Shafter Combination Rotating Stripper Head. The two lower preventers may be Cameron QRC, Cameron Type F, single or double, or Shafter hydraulic, single or double. The preventer above the drilling spool may be Cameron QRC or Cameron Type F and the upper preventer below the Shafter Rotating Stripper Head will be Hydril GK. Size 12-inch preventers may be used for work down through 8-7/8-inch casing. Size 10-inch preventers may be used for work down through 7-7/8-inch casing. Size 6-inch preventers, with a 4-inch or larger flow line choke assembly as shown above, are to be used for work through 7-inch and 5-1/2-inch casings.

Minimum operating equipment for the preventers will be: (1) an air operated pump and (2) an accumulator (s) with some means of charging a fluid charge. A closed fluid system is recommended. The closing manifold and remote closing manifold will have a separate four-way valve for each pressure operated device and a Hydril regulator will be provided. Sufficient fluid capacity in the accumulator (s) shall be available to close all the pressure operated devices at the same time with 25 per cent reserve. Gulf No. 561 hydraulic oil shall be used as the operating fluid.

The six-inch flow line shall be supported by a mast stand or reinforced concrete. All valves throughout the assembly shall be selected for operation in both gas and fluids.

The ram type preventers and the Cameron HCR valves will be provided with stem extensions, universal joints, if needed, and operating shafts.

**AIR-GAS-MIST DRILLING
 5,000 PSI WORKING PRESSURE
 BLOWOUT PREVENTER HOOK-UP**



BELCO PET. CO. - NEW DRILLING PAD