

BASS ENTERPRISES PRODUCTION CO.

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

June 3, 1994

CERTIFIED MAIL/
Return Receipt Requested

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attention: Mr. Glenn Lanoue

(915) 368-1266
(915) 368-1522

Re: Farmout Request
N/2 SW/4 Section 12, T22S-R30E
James Ranch Unit No. 70
Livingston Ridge Prospect
Eddy County, New Mexico

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

Case No. 11022 Exhibit No. 4

Submitted by: Bass Enterprises Production Co.

Hearing Date: July 21, 1994

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 Phillips 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, Phillips 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
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5. In the event Bass and Phillips 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 Phillips 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 Phillips 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.

PHILLIPS PETROLEUM COMPANY

By: _____

Its: _____

BASS ENTERPRISES PRODUCTION COMPANY
AFE COST ESTIMATE

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WELL: JAMES RANCH UNIT #70 DEPTH: 14100
LOCATION: 660' FEL & 1990' FEL, SECTION 12, T22S-R30E, EDDY CO., NM

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COST CATEGORY ESTIMATED

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I. INTANGIBLE DRILLING COST	
A. SURFACE COST	40,500
B. RIG COST	351,400
C. SURFACE CASING SERVICES	17,500
D. PROTECTIVE CASING SERVICES	32,100
E. BIT COST	27,850
F. DRILLING FLUID COST	27,000
G. TRANSPORTATION COST	20,000
H. SUPERVISION	70,000
I. RENTALS	107,570
J. MISCELLANEOUS COST	17,870
TOTAL INTANGIBLE DRILLING COSTS	\$612,000
II. TANGIBLE DRILLING COST	
A. CONDUCTOR CASING	0
B. SURFACE CASING	17,265
C. PROTECTIVE CASING	157,176
D. SURFACE CASING HEAD	911
E. PROTECTIVE CASING HEAD	1,300
F. MISCELLANEOUS	2,358
TOTAL TANGIBLE DRILLING COST	\$179,000
III. EVALUATION	
A. LOGGING COST	41,000
B. DRILL STEM TEST COST	2
C. CORE SERVICES	2
D. MUD LOGGING COST	22,500
E. SUPERVISION (BASS)	1,850
F. RIG COST	17,184
G. MISCELLANEOUS COST	2,466
TOTAL EVALUATION COST	\$87,000
IV. INTANGIBLE COMPLETION COST	
A. RIG COST	31,584
B. PROD. CASING SERVICES	35,980
C. SUPERVISION	6,000
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	9,525
TOTAL INTANGIBLE COMPLETION COSTS	\$255,000

BASS ENTERPRISES PRODUCTION COMPANY
APE COST ESTIMATE

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

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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 \$108,000

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

Table with 3 columns: Description, DRY HOLE, COMPLETED. Rows include INTANGIBLE (I-IV), TANGIBLE (II-VI), and TOTAL.

PHILLIPS PETROLEUM COMPANY (25.00%)

By: _____

Its: _____

Date: _____

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:

4a. Article Number
P 859 379 862

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery
6/8/94

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attn: Mr. Glenn Lanoue

5. Signature (Addressee)

6. Signature (Agent)

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

PS Form 3811, November 1990 * U.S. GPO: 1991-287-066

DOMESTIC RETURN RECEIPT