

BASS ENTERPRISES PRODUCTION CO.

FIRST CITY BANK TOWER

201 MAIN ST.

FORT WORTH, TEXAS 76102

817/390 8400

November 9, 1988

Sante Fe Energy Operating Partners, L. P.
500 W. Illinois
Suite 500
Midland, Texas 79701

BEFORE EXAMINER STOCNER

OIL CONSERVATION DIVISION

BASS EXHIBIT NO. 1
CASE NO. 9528

Attention: Mr. Gary Green, Landman

Re: Pure Gold Federal No.-2
N/2 Section 17, T23S-R31E
Eddy County, New Mexico
Bass Lease No. 3850-Federal

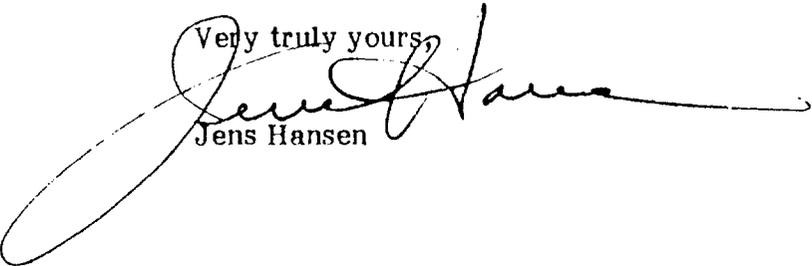
Dear Sir:

This letter will acknowledge receipt of your letter dated October 31, 1988, transmitting a pooling application seeking an order from the New Mexico Oil Conservation Division to pool Bass' interest in the N/2 of Section 17 for the drilling and spacing unit for the drilling of the referenced well. We want you to be aware that Sante Fe failed to either contact or consult Bass regarding the proposed well prior to filing the pooling application.

Bass is evaluating your well proposal for possible participation. However, at this time Bass is not supporting Sante Fe as operator, inasmuch as Bass owns a full interest in the oil and gas lease covering the NW/4, which is a 50% working interest in the drilling and spacing unit. According to a 1983, title opinion, Sante Fe's record title in the oil and gas lease covering the NE/4 of Section 17 is 32%, or a 16% working interest in the drilling and spacing unit.

It would be appreciated if you would advise us of any additional interest you have acquired to support your request to be named operator. Should Sante Fe own less than a 50% working interest in the N/2 of Section 17 prior to the date of the pooling hearing (November 22, 1988), Bass will seek to be named operator of the well. In this regard, an operating agreement and AFE are being prepared and will be sent to you in the very near future for your consideration.

Very truly yours,


Jens Hansen

JH:ca

cc: Victor Lyon
New Mexico Oil of Conservation Division
Sante Fe, New Mexico