



January 10, 2005

VIA HAND DELIVERY

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87506

2005 JAN 10 PM 3 52

Re: New Mexico Oil Conservation Division Case No. 13367: Application of Bass Enterprises Production Co. for an Order Authorizing the Drilling of a Well in the Potash Area, Eddy County, New Mexico.

Dear Mr. Stogner:

As you are aware, in the above referenced case, Bass Enterprises Production Co. is seeking an order authorizing the drilling of a well in the R-111-P Potash Area to test all formations from the surface to the base of the Morrow formation. The well is proposed at a standard location on a 40-acre fee tract. The oil and gas rights have been leased to Bass. There is no potash lease on this property. At the hearing, a representative of the fee owners appeared and testified that, as the owner of the potash rights under this tract, they had reached a mutual agreement with Bass and preferred to have the oil and gas developed prior to the development, if any, of their potash reserves.

At the conclusion of the December 2, 2004 examiner hearing on this application, you recommended that the parties meet and attempt to reach agreement on an alternative location for the proposed Bass James Ranch Unit Well No. 93 in the NE/4 NE/4 of Section 7, Township 23 South, Range 31 East, NMPM, Eddy County, New Mexico.

Pursuant to your suggestion, representatives of Bass traveled to the offices of Mosaic Potash Carlsbad Inc. located south of Carlsbad on December 14, 2005 to review possible alternative well locations with the representatives of Mosaic Potash Carlsbad. Bass met with Dan Morehouse and his supervisor. After reviewing information on the acreage at issue in this case and the Division's request that we meet to discuss alternative locations, we were advised that there was no suitable alternative location acceptable to Mosaic.

Holland & Hart LLPPhone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com

110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

Aspen Billings Boise Boulder Cheyenne Colorado Springs Denver Denver Tech Center Jackson Hole Salt Lake City Santa Fe Washington, D.C. ♻



We therefore request that the Division honor the mutual agreement between the owner of the oil and gas rights and the owners of the potash mineral rights under the NE/4 NE/4 of Section 7, Township 23 South, Range 31 East, NMPM, and enter an order approving the application of Bass Enterprises Production Co. to drill its proposed James Ranch Unit Well No. 93 in the R-111-P Potash Area.

Your attention to this matter is appreciated.

Very truly yours,

William F. Carr

cc: Mr. J. Wayne Bailey
Division Landman
Bass Enterprises Production Co.

Mr. Dan Morehouse
Charles C. High, Jr., Esq.
Kemp, Smith, Duncan & Hammond, P.C.
Mosaic Potash Carlsbad Inc.