

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

October 6, 1987

Bass Enterprises Production Co.  
First City Bank Tower, Suite 2900  
210 Main Street  
Fort Worth, Texas 76102

ATTN: Mr. Jens Hansen

Re: La Huerta Prospect  
E/2 Sec. 24 & E/2 Sec. 25.  
T-21-S, R-27-E; W/2 Sec. 19  
& W/2 Sec. 30, T-21-S, R-28-E,  
Eddy County, New Mexico  
Working Interest Unit Proposal

Gentlemen:

Santa Fe Energy Operating Partners, L.P. hereby proposes the formation of a 1280 acre Working Interest Unit containing the captioned lands, as shown on the attached plat, for the drilling of a 12,200' Morrow test to be located at a location of 990' FWL and 1980' FSL of Section 30, T-21-S, R-28-E, Eddy County, New Mexico. The well would be drilled under the terms of a mutually acceptable A.A.P.L. Form 610-1982 Model Form Operating Agreement.

Santa Fe has acquired 720 gross and 671 net leasehold acres within the proposed unit boundary, Santa Fe acreage is shown in yellow on the attached plat. Our records show Bass has approximately 520 gross and net acres within the proposed unit boundary.

The Unit Working Interest ownership would be based on current net acre holdings between Santa Fe (56.34% WI) and Bass (43.66% WI), with any additional leasehold acquired to be shared on the same basis.

Santa Fe will make available for your review pertinent geophysical and geological data upon your commitment to either join in the drilling of the test well or farming out your leasehold interest to the Working Interest Unit.

Enclosed for your review and approval is the drilling cost estimate in duplicate. If you participate in the drilling of the well, please return one executed original, along with an executed copy of this letter at your earliest convenience.

Should you elect to farmout your leasehold interest to the Working Interest Unit, Santa Fe would request the following general terms:

Exhibits 1 through 10  
Complete set

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915.687-3551

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
<i>Santa Fe</i> EXHIBIT NO. <u>2</u>
CASE NO. <u>9372</u>

Page 2  
Bass Enterprises Prod. Co.  
October 6, 1987

Bass Enterprises Production Co.

1. Bass would farmout 100% of their leasehold interest in Lots 1, 2 & 3 & E/2W/2 Section 30, Lots 1 & 2 & E/2W/2 Section 19, T-21-S, R-28-E, Eddy County, New Mexico from the surface to 100' below total depth drilled.
2. Bass would retain an overriding royalty interest equal to the difference between existing lease burdens and 25% (proportionately reduced), delivering a 75% NRI lease to the Farmees.
3. At payout of the test well, Bass would have the option to convert the retained overriding royalty interest to a 25% (proportionately reduced) working interest.
4. Bass would participate in subsequent wells in the Working Interest Unit with their, proportionately reduced, back-in working interest.
5. Subject to Management approval of the formal agreements.

Santa Fe would propose this well be drilled in 1988.

Return one copy of this letter to indicate your election. If you should have any questions, please let me know.

Sincerely yours,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

By   
Gary Green, Landman

GG/efw  
Encl a/s

BASS ENTERPRISES PRODUCTION CO. \_\_\_\_\_ does, \_\_\_\_\_ does not desire to participate in the drilling of the Test well.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Page 3  
Bass Enterprises Prod. Co.  
October 6, 1987

Attached to and made a part of Letter Agreement between Bass Enterprises Production Company and Santa Fe Energy Operating Partners, L.P., dated October 6, 1987.

BASS ENTERPRISES PRODUCTION CO. \_\_\_\_\_ does, \_\_\_\_\_ does not desire to farmout its leasehold interest in Lots 1, 2 & 3 & E/2W/2 Section 30; Lots 1 & 2 & E/2W/2 Section 19, T-21-S, R-28-E, Eddy County, New Mexico to the Working Interest Unit for the drilling of the Test Well.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

06-Oct-87

SANTA FE ENERGY COMPANY  
GENERALIZED WELL COST ESTIMATE

NAME: LaHuerta Prospect  
 LOC: 990' FWL, 1980' FSL, Sec. 30-21S-28E, Eddy County, N.M.  
 DESC: Drill and complete a 12,200' Morrow Well

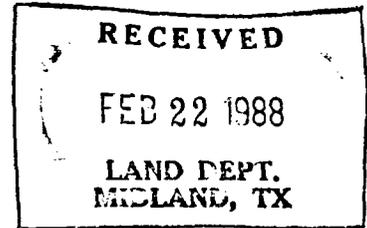
ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
501-000	TANGIBLE WELL COSTS		
-41	CONDUCTOR CSG 20" @ 40'	3,000	3,000
-41	SURFACE CSG 13-3/8" 48.0 ppf H-40 1000'	18,550	18,550
-41	PROTECTION CSG 9-5/8" 40.0 ppg K-55 @ 2800'	42,220	42,220
-41	DRILLING LINER		
-41	PROD CSG 5-1/2" 20.0 ppf N-80 @ 12,200'		121,268
-41	PROD LINER		
-42	TUBING 2-3/8" 4.7 ppf		42,930
-43	WELLHEAD	2,000	25,000
-44	PMPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		5,000
-50	RODS		
-50	SUBSURFACE PMPG		
-55	CSC EQUIP Liner hanger		6,500
-55	ELECTRICAL		
-55	MISC. TANGIBLES		
-55	ROD EQUIP		
-55	TUBING EQUIP		
	TOTAL TANGIBLE COSTS	65,770	264,468
541-000	LEASE FACILITY COSTS		
-50	FLOW LINES		14,100
-50	LABOR		17,900
-50	OTHER PROD EQUIP		36,850
-50	TANK FACILITIES		16,630
	TOTAL LEASE FACILITY COSTS	0	85,480
511-000	INTANGIBLE WELL COSTS		
-21	LOCATION	25,000	25,000
-22	FENCING	1,000	1,000
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP		
-32	CONT FOOTAGE OR TURNKEY 12,200' @ \$16/ft	195,200	195,200
-32	CONTRACTOR DAY WORK 5 @ \$4300/d	21,500	21,500
-33	DRLG FLUID & ADDITIVES	50,000	50,000
-34	BITS & REAMERS		
-36	CORING & CORE ANALYSES		
-37	CEMENT	20,000	35,000
-39	INSPECTION & TSTG OF TANG	5,000	7,000
-41	DIRECTIONAL DRLG SURVEYS	2,000	2,000
-42	DRILLING EQUIP RENTAL	15,000	15,000
-43	OPEN HOLE LOGGING	30,000	30,000
-44	DRILL STEM TSTG	8,000	8,000
-45	MUD LOGGING	9,000	9,000
-51	TRANSPORTATION	5,000	5,000
-52	COMPLETION UNIT		20,000
-53	COMPLETION TOOL RENTAL		5,000
-54	CASED HOLE LOGS & PERFING		5,000
-55	STIMULATION		15,000
-56	RIG SITE SUPERVISION	13,500	18,000
-72	ADMINISTRATIVE OVERHEAD	5,000	5,000
-99	FSHG TOOLS & EXPENSES		
-99	TESTING: BHP, GOR, 4 PT.POT		
	ABANDONMENT COST	10,000	
	OTHER INTANGIBLES		
0	CONTINGENCY (5%)	20,760	23,585
	TOTAL INTANGIBLES	435,960	495,285
	TOTAL COSTS	501,730	845,233

Estimated By: \_\_\_\_\_ Date: \_\_\_\_\_  
 SFEC Approved By: James E. Bentley for HLB Date: 10-6-87  
 Non Operator Approval By: \_\_\_\_\_ Date: \_\_\_\_\_



# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner



February 22, 1988

Bass Enterprises Production Co.  
210 Main Street, Suite 2900  
Ft. Worth, Texas 76102

Attn: Mr. Jens Hansen

1 2/23  
PB  
SD  
2/23 FILE

*Bass Enterprises file*

Re: La Huerta Prospect  
Eddy County, New Mexico

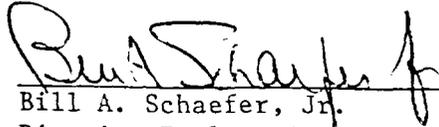
Gentlemen:

As requested during our meeting of February 16, 1988, Santa Fe Energy Operating Partners, L.P. would appreciate your consideration of our La Huerta Working Interest Unit proposal dated October 6, 1987 (copy enclosed). We believe the proposed unit is equitable to both parties. In addition, we would be happy to form an AMI to protect our mutual interests outside of the proposed unit.

Should you have any questions, please give me a call.

Yours truly,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

  
Bill A. Schaefer, Jr.  
District Exploration Manager

sbh808

cc: Vernon Dyer

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551

BASS ENTERPRISES PRODUCTION CO.

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

March 18, 1988

Santa Fe Energy Operating Partners, L.P.  
Permian Basin District  
500 West Illinois  
Suite 500  
Midland, Texas 79701

Attention: Bill A. Schafer, Jr., District Exploration Manager

RE: Your La Huerta Prospect  
Bass' Fenton Draw Prospect  
Eddy County, New Mexico  
Proposed Working Interest Unit

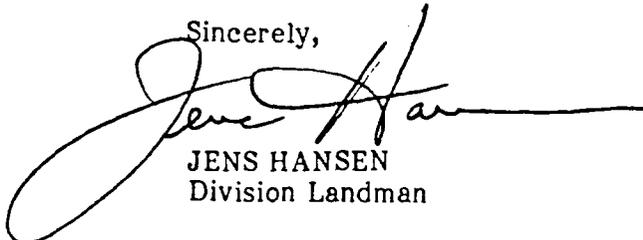
Dear Sir:

Regarding your letter dated February 22, 1988, requesting Bass' consideration for the working interest unit proposed under Gary Green's letter of October 6, 1987, Bass has given serious and considerable consideration to your proposal. Our geological evaluation of the available data for the Strawn formation places the prospective acreage for the Strawn formation in Sections 19 and 30 of T21S-R28E. As a result, the E/2 of Section 24 and 25 of T21S-R27E would not represent an acreage contribution to the working interest unit of equal prospective value. For this reason the only basis in which Bass could form a working interest unit with Santa Fe would be to reduce the size of the proposed unit with Santa Fe owning not more than a 25% working interest. As a result, Bass must respectfully decline the offer to form a working interest unit on the basis outlined in your October 6, 1987 letter. Should you be interested in pursuing a working interest unit on the basis hereinabove mentioned, we would certainly work with you to form a unit on this basis.

Notwithstanding the above, and with regard to your leasehold interest in Lot 4 of Section 30, T21S-R28E, Bass hereby proposes the drilling of a 12,100' Morrow test well to be drilled 1980' FW&SL for a S/2 proration unit. We are currently preparing an AFE to reflect the anticipated drilling and completion costs for this well and will forward same to you along with a proposed joint operating agreement for your review and signature. We anticipate commencing the drilling of this well at such time as certain gas contract matters are resolved which hopefully will occur in the second quarter of this year. We will keep you apprised of these developments.

Should you have any questions regarding our position or should you wish to discuss these matters further, please call me at your convenience.

Sincerely,



JENS HANSEN  
Division Landman

JH:jh

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

April 7, 1988

Bass Enterprises Production Co.  
First City Bank Tower, Suite 2900  
201 Main Street  
Fort Worth, Texas 76102

Attention: Mr. Jens Hanson

Re: La Huerta Prospect  
W/2 Section 30,  
T-21-S, R-28-E,  
Eddy County, New Mexico  
Well Proposal

Gentlemen:

Santa Fe Energy Operating Partners, L.P. hereby proposes the drilling of a 12,200' Strawn/Morrow test to be located at a location of 990' FWL and 1980' FNL of Section 30, T-21-S, R-28-E, Eddy County, New Mexico with the proration unit being the W/2 of Section 30. The well would be drilled under the terms of a mutually acceptable A.A.P.L. Form 610-1982 Model Form Operating Agreement.

Santa Fe request that Bass join in the drilling of the above referenced well with its leasehold interest in the W/2 of Section 30 or farmout its leasehold interest in the W/2 of Section 30 under the following general terms:

1. Bass would farmout 100% of their leasehold interest in Lots 1, 2 & 3 and E/2W/2 Section 30, T-21-S, R-28-E, Eddy County, New Mexico from the surface to 100' below total depth drilled.
2. Bass would retain an overriding royalty interest equal to the difference between existing lease burdens and 25% (proportionately reduced), delivering a 75% NRI lease to the Farmees.
3. At payout of the test well, Bass would have the option to convert the retained overriding royalty interest to a 25% (proportionately reduced) working interest.
4. Subject to Management approval of the formal agreements.

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551

Bass Enterprises Production  
Company

-2-

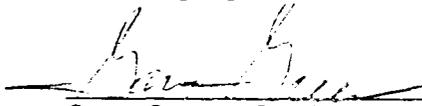
April 7, 1988

Enclosed for your review and approval is the drilling cost estimate in duplicate. If you elect to participate in the drilling of the well, please return one executed original, along with an executed copy of this letter at your earliest convenience.

Santa Fe would propose this well be drilled in 1988.

Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

  
\_\_\_\_\_  
Gary Green, Landman

GG:pr

Enclosures a/s

BASS ENTERPRISES PRODUCTION CO. \_\_\_\_\_ does, \_\_\_\_\_ does not desire to participate in the drilling of the Test Well.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Attached to and made a part of Letter Agreement between Bass Enterprises Production Company and Santa Fe Energy Operating Partners, L.P., dated April 7, 1988.

BASS ENTERPRISES PRODUCTION CO. \_\_\_\_\_ does, \_\_\_\_\_ does not desire to farmout its leasehold interest in Lots 1, 2 & 3 and E/2W/2 Section 30, T-21-S, R-28-E, Eddy County, New Mexico for the drilling of the Test Well.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

pr460

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery.	3. Article Addressed to: Bass Enterprises Prod. Co. First City Bank Tower, Suite 2900 201 Main Street Fort Worth, Texas 76102 ATTN: Mr. Jens Hanson	4. Article Number P-566 806 560	Type of Service: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature - Addressee X	6. Addressee's Address (ONLY if requested and fee paid)		
6. Signature - Agent X	7. Date of Delivery		

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

**SENDER INSTRUCTIONS**  
Print your name, address, and ZIP Code  
in the space below.  
• Complete items 1, 2, 3, and 4 on  
the reverse.  
• Attach to front of article if space  
permits, otherwise affix to back of  
article.  
• Endorse article "Return Receipt  
Requested" adjacent to number.



PENALTY FOR PRIVATE  
USE, \$300

RETURN   
TO

Print Sender's name, address, and ZIP Code in the space below.

Gary Green - Santa Fe Energy Company  
500 West Illinois, 5th Floor  
Midland, Texas 79701



07-Apr-88

SANTA FE ENERGY COMPANY  
GENERALIZED WELL COST ESTIMATE

NAME: LaHuerta Prospect  
LOC: 990' FWL, 1980' FSL, Sec. 30-21S-28E, Eddy County, N.M.  
DESC: Drill and complete a 12,200' Morrow Well

ACCOUNT	DESCRIPTION OF COSTS	DRY HOLE	PRODUCER
<b>501-000 TANGIBLE WELL COSTS</b>			
-41	CONDUCTOR CSG 20" @ 40'	3,000	3,000
-41	SURFACE CSG 13-3/8" 48.0 ppf H-40 1000'	18,550	18,550
-41	PROTECTION CSG 9-5/8" 40.0 ppg K-55 @ 2800'	42,220	42,220
-41	DRILLING LINER		
-41	PROD CSG 5-1/2" 20.0 ppf N-80 @ 12,200'		121,268
-41	PROD LINER		
-42	TUBING 2-3/8" 4.7 ppf		42,930
-43	WELLHEAD	2,000	25,000
-44	PMPG UNIT		
-45	PRIME MOVER		
-50	OTHER DWN HOLE EQUIP		5,000
-50	RODS		
-50	SUBSURFACE PMPS		
-55	CSG EQUIP Liner hanger		6,500
-55	ELECTRICAL		
-55	MISC. TANGIBLES		
-55	ROD EQUIP		
-55	TUBING EQUIP		
	TOTAL TANGIBLE COSTS	65,770	264,468
<b>541-000 LEASE FACILITY COSTS</b>			
-50	FLOW LINES		14,100
-50	LABOR		17,900
-50	OTHER PROD EQUIP		36,850
-50	TANK FACILITIES		16,630
	TOTAL LEASE FACILITY COSTS	0	85,480
<b>511-000 INTANGIBLE WELL COSTS</b>			
-21	LOCATION	25,000	25,000
-22	FENCING	1,000	1,000
-26	WTR & FUEL FOR RIG		
-31	CONTRACTOR MOVING EXP		
-32	CONT FOOTAGE OR TURNKEY 12,200' @ \$16/ft	195,200	195,200
-32	CONTRACTOR DAY WORK 5 @ \$4300/d	21,500	21,500
-33	DRLG FLUID & ADDITIVES	50,000	50,000
-34	BITS & REAMERS		
-36	CORING & CORE ANALYSES		
-37	CEMENT	20,000	35,000
-39	INSPECTION & TSTG OF TANG	5,000	7,000
-41	DIRECTIONAL DRLG SURVEYS	2,000	2,000
-42	DRILLING EQUIP RENTAL	15,000	15,000
-43	OPEN HOLE LOGGING	30,000	30,000
-44	DRILL STEM TSTG	8,000	8,000
-45	MUD LOGGING	9,000	9,000
-51	TRANSPORTATION	5,000	5,000
-52	COMPLETION UNIT		20,000
-53	COMPLETION TOOL RENTAL		5,000
-54	CASED HOLE LOGS & PERFING		5,000
-55	STIMULATION		15,000
-56	RIG SITE SUPERVISION	13,500	18,000
-72	ADMINISTRATIVE OVERHEAD	5,000	5,000
-99	FSHG TOOLS & EXPENSES		
-99	TESTING: BHP, COR, 4 PT.POT		
	ABANDONMENT COST	10,000	
	OTHER INTANGIBLES		
0	CONTINGENCY (5%)	20,760	23,585
	TOTAL INTANGIBLES	435,960	495,285
	TOTAL COSTS	501,730	845,233

Estimated By: Michael R. Benton Date: 4/7/88  
 SFEC Approved By: Thomas J. Denton Date: 4-7-88  
 Non Operator Approval By: \_\_\_\_\_

KELLAHIN, KELLAHIN AND AUBREY

W. Thomas Kellahin  
Karen Aubrey  
  
Jason Kellahin  
Of Counsel

*Attorneys at Law*  
El Patio - 117 North Guadalupe  
Post Office Box 2265  
Santa Fe, New Mexico 87504-2265  
  
April 7, 1988

RECEIVED  
APR 11 1988  
LAND DEPT.  
MIDLAND, TX

Telephone 982-4285  
Area Code 505

MAIL ROOM  
BB  
PT  
IB  
SD  
GG  
FILE

Mr. William J. LeMay  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Bass Enterprises Production Co.  
for Compulsory Pooling  
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Bass Enterprises Production Company, we would appreciate you setting the enclosed application for a public hearing on the Division's Examiner docket now scheduled for May 11, 1988.

By copy of this letter to all parties to be pooled, we are notifying them by certified mail-return receipt, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the application. Those parties are directed to contact the Division or the applicant's attorney to determine what additional rights they may have. In addition, they are advised that the entry of a compulsory pooling order will affect their rights to share in the production from the subject well.

Very truly yours,

*W. Thomas Kellahin*  
W. Thomas Kellahin

WTK:ca  
Enc.

cc: Mr. Jens Hansen  
Bass Enterprises Production Co.  
First City Bank Tower  
201 Main Street  
Ft. Worth, Texas 66102

"Certified Return-Receipt Requested"  
Santa Fe Energy Corporation  
500 W. Illinois, Suite 500  
Midland, Texas 79701  
Attn: Bill A. Schaefer, Jr.

RECEIVED  
APR 11 1988  
EXPLORATION DEPT.

STATE OF NEW MEXICO  
DEPARTMENT OF ENERGY AND MINERALS  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION  
OF BASS ENTERPRISES PRODUCTION  
COMPANY FOR COMPULSORY POOLING AND  
UNCRTHODOX WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

CASE:

A P P L I C A T I O N

COMES NOW, BASS ENTERPRISES PRODUCTION COMPANY, by and through its attorneys, Kellahin, Kellahin & Aubrey and in accordance with Section 7-2-17(c) NMSA (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests underlying the following described acreage in Section 30, T21S, R28E, Eddy County, New Mexico, in the following described manner:

W/2 to form a 316.44 acre, more or less, gas spacing and proration unit for any and all formations and/or pools within said vertical limits developed on 320-acre gas well spacing.

The above described unit is to be dedicated to its Big Eddy Well No. 102 to be drilled to a depth of approximately 12,100 feet at standard well location 1980 feet from the South line and 1980 feet from the West line of said Section 30.

1. Applicant is a working interest owner and the operator of the Big Eddy Unit which includes all of Section 30 with the exception of the SW/4SW/4 of Section 30 for which Santa Fe Energy Company has the working interest.

2. Applicant, with approximately 87.7% interest, has sought a voluntary agreement with Santa Fe Energy Company for its approximately 12.5% interest for the formation of a W/2 section unit for the drilling of the subject well but has been unable to obtain a voluntary agreement from Santa Fe Energy Company.

3. Pursuant to the Division notice requirements, applicant has notified Santa Fe Energy Company of this application for compulsory pooling and the applicant's request for a hearing before the Division to be set on May 11, 1988.

4. In order to obtain its just and equitable share of the potential production underlying the above tract, applicant needs an order pooling the mineral interests involved in order to protect applicant's correlative rights and prevent waste.

WHEREFORE, applicant prays that this application be set for hearing before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described herein. Applicant further prays that

it be named operator of the well, and that the order make provisions for applicant to recover out of production its costs of drilling, completing and equipping the subject well, costs of operation, including costs of supervision, and a risk factor in the amount of 200% for the drilling and completing of the well, for such other and further relief as may be proper.

Respectfully submitted,



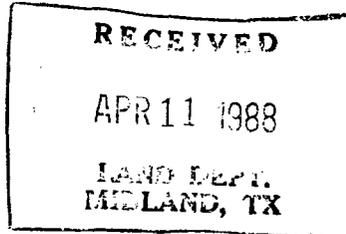
By  
W. Thomas Kellahin  
Kellahin, Kellahin & Aubrey  
P. O. Box 2265  
Santa Fe, New Mexico 87504

(505) 982-4285

BASS ENTERPRISES PRODUCTION CO.

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

April 7, 1988



Bill A. Schaefer, Jr., District Exploration Manager  
Santa Fe Energy Operating Partners, L.P.  
Permian Basin District  
500 West Illinois  
Suite 500  
Midland, Texas 79701

RE: Big Eddy Unit Well #102  
1980' FW&SL, Section 30, T21S-R28E  
Eddy County, New Mexico  
Bass Lease No. 4788-Federal

Dear Bill:

This letter will confirm our conversations of yesterday and this morning regarding the drilling of the referenced well.

The proposal that you made pursuant to my March 18, 1988 letter is the same working interest proposal as set out in Gary Green's letter dated October 6, 1987, with the exception that Bass and Santa Fe Energy would each own a 50% working interest. Under your proposal, the two section working interest unit would be comprised of the W/2 Section 19, and W/2 Section 30 in T21S-R28E, and the E/2 Section 24 and E/2 Section 25, T21S-R27E, Eddy County, New Mexico. Your offer to reduce your working interest from a 56.34% to a disproportionate 50% does not adequately balance the equities between the parties due to the amount of non-productive acreage you would be contributing to the working interest unit. As a result, Bass must respectfully decline your offer.

Bass intends to proceed with the drilling of a test well in the S/2 of Section 30, T21S-R28E, as proposed under our letter to you dated March 18, 1988. It is my understanding from our telephone conversations that Santa Fe Energy intends to form a drilling and spacing unit comprised of the W/2 of said Section 30 for the drilling of a Morrow test well to be located 900' FWL and 1980' FSL. It is also my understanding that you will not participate in the drilling of a Morrow test well as we have proposed in the S/2 of said Section 30, and that you are prepared to file an application with the New Mexico Oil Conservation Division to establish a W/2 drilling and spacing unit with a 12.5% working interest in the unit.

Inasmuch as Santa Fe Energy will not participate in the well we have proposed for the S/2 of said Section 30, and is not interested in farming out its interest, Bass is proceeding to file an application with the New Mexico Oil Conservation Division to have the matter set for hearing on the May 11, 1988 docket. Due to the anticipated hearing, we are reluctant, and believe it would be inappropriate to examine your geological maps or other data that might be offered as evidence in this case. As a result, the map you sent us has not been examined and is being returned to you herewith.

*[Handwritten signature]*  
4/11/88  
EXPLORATION DIV.

Santa Fe Energy Operating Partners, L.P.

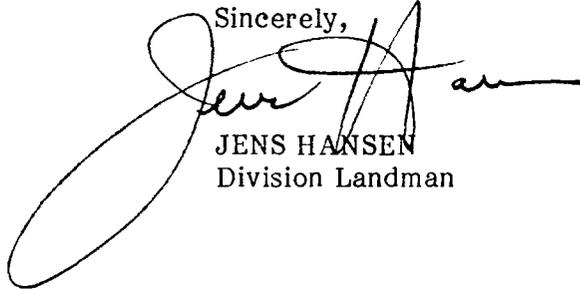
April 7, 1988

Page 2

Should you change your mind and agree to either (1) participate in the drilling of our well, or (2) farmout your interest to us, please advise us at your earliest opportunity and our application for hearing will be dismissed.

The estimated dry hole cost of our well is \$560,000, and the completed well cost is estimated to be \$995,000. An AFE reflecting the tangible, intangible and facilities is enclosed for your review and use should you decide to participate in our proposed well. Our division office in Midland is sending you a more detailed breakdown of these estimated well costs.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jens Hansen', with a large, sweeping loop on the left side.

JENS HANSEN  
Division Landman

JH:jh

PRB Form 476 - AFE

PRB TR 25%; SRBI 18.75%; LMBI 18.75%; RMBGI 18.75%; TLI 18.75%

(Company)

Division West Texas	Department Production	District West Texas	Outside Operator AFE No.
AFE TYPE CODE <input type="checkbox"/> <input checked="" type="checkbox"/> Drilling <input type="checkbox"/> Plug & Abandon <input type="checkbox"/> Leasehold Purchase <input type="checkbox"/> Wildcat <input type="checkbox"/> Construction <input type="checkbox"/> Geophysical <input checked="" type="checkbox"/> Development <input type="checkbox"/> Workover <input type="checkbox"/> Prod. Equip. <input type="checkbox"/> Recompletion			AFE #
API Classification <u>6</u>		Est. Total Depth <u>12,100'</u>	
Proj. Well Type <u>Gas</u>			

Co. Land Lease No. \_\_\_\_\_ Lease Name Big Eddy Unit Well No. 102  
 State New Mexico County Eddy Area or Field East Carlisbad  
 Location 1980' FSI & 1980' FWL Section 30, T21S-R28E, Eddy County, New Mexico

Formation Horror Type Well (Oil/Gas) or Activity Gas  
 Reason for Expenditure \_\_\_\_\_  
 Obligations \_\_\_\_\_  
 Location Meets:  Statewide Rules     Field Rules    Field Spacing Pattern 320 Acres This Well 316.44 Acres  
 If Joint Interest, Project Subject to:  Carried Int.     Net Profit Int.     Right to Convert to W.I.

Operating Owner & W.I. Bass 87.93137% Joint Owners' Agreement No. \_\_\_\_\_  
 Other Joint Owners & W.I. Santa Fe Energy 12.06863%  
 Company Working Interest 87.93137% Revenue Interest 82.5%

	COMPLETED COST			DRY HOLE COST			
	Total	Joint Owners	Co. Net	Total	Joint Owners	Co. Net	
Intangible .....	\$713,913	\$86,160	\$627,753	Intangible .....	\$515,436	\$62,206	\$453,230
Tangible .....	246,087	29,700	216,387	Tangible .....	44,564	5,378	39,186
Leq. Equip & Instll. . .	35,000	4,224	30,776	Total .....	560,000	67,584	492,416
TOTAL .....	\$995,000	\$120,084	\$874,916	Less: Dry Hole			
				Contribution .....			
				TOTAL .....	\$560,000	\$67,584	\$492,416
				RETIREMENT COST			
				Cost of Removal .....			
				Salvage/Recovery .....			
				Total Net Cost or (Recovery) .....			

Proposed Starting Date Upon approval Estimated Completion Date 75 days following spud.  
 Lease Expiration Date HBU Drilling Obligation Date None

Net Reserves: \_\_\_\_\_ BBLs \_\_\_\_\_ MMCF \_\_\_\_\_ NEB. Avg. Price: \$ \_\_\_\_\_ /BBL \$ \_\_\_\_\_ /MMCF  
 Economic Parameters (Risk ADJ. APIT): P.W. Profit @ 8% \$ \_\_\_\_\_ % \_\_\_\_\_ ROR(%) \_\_\_\_\_  
 Payout (YRS) \_\_\_\_\_, Project Life (YRS): \_\_\_\_\_ Success Prob. (%) \_\_\_\_\_ Investment: \$/NEB \_\_\_\_\_  
 Avg. Net Producing Rate During Payout: \_\_\_\_\_ B/D \_\_\_\_\_ MCF/D

REMARKS	APPROVALS	DATE
DISTRICT		
DIVISION <u>HBU</u>	<u>George R. [Signature]</u>	<u>4-7-88</u>
LAND		
ACCOUNTING		
PRODUCTION <u>Gas</u>		
EXPLORATION		
FORT WORTH OFFICE		

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

April 18, 1988

CERTIFIED MAIL #P-566 806 489

Ralph Nix  
101 S. Seventh  
Artesia, New Mexico 88210

Re: Application of Santa Fe  
Energy Operating Partners, L.P.  
For Compulsory Pooling  
Eddy County, New Mexico

Gentlemen:

Please be advised that Santa Fe Energy Operating Partners, L.P. has made application to the New Mexico Oil Conservation Division for Compulsory Pooling of the W/2 Section 30, T-21-S, R-28-E, N.M.P.M., Eddy County, New Mexico.

Attached for your review is a copy of Santa Fe's application. Should you have any questions, please call the undersigned at (915) 687-3551.

Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

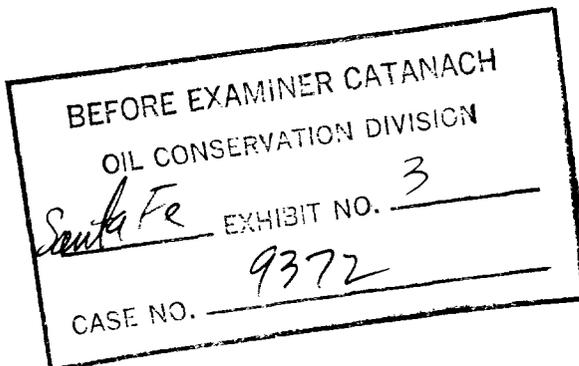
  
\_\_\_\_\_  
Gary Green, Landman

GG:pr

Attachment a/s

pr477

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915/687-3551



● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery.

3. Article Addressed to:

*Rafael Ruiz  
101 S. Leonard  
Anaheim, CA 92820*

4. Article Number

*P-566 806 489*

Type of Service:

Registered  
 Certified  
 Express Mail

Insured  
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

5. Signature - Addressee

*[Signature]*

6. Signature - Agent

7. Date of Delivery

*9-19-88*

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

SENDER INSTRUCTIONS

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  - Endorse article "Return Receipt Requested" adjacent to number.

RETURN TO



Print Sender's name, address, and ZIP Code in the space below.

66/Post Post

PTC

500 W. Blaine, Apt 500

Minneapolis MN 55401



PENALTY FOR PRIVATE USE, \$300

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

April 18, 1988

CERTIFIED MAIL #P-566 806 490

Bureau of Land Management  
P. O. Box 1397  
Roswell, New Mexico 88201

Re: Application of Santa Fe  
Energy Operating Partners, L.P.  
For Compulsory Pooling  
Eddy County, New Mexico

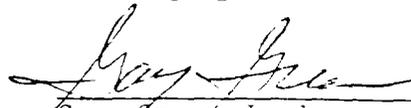
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Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

  
\_\_\_\_\_  
Gary Green, Landman

GG:pr

Attachment a/s

pr478

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915 687-3551

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1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery

3. Article Addressed to:

*BLM  
Box 1397  
Rosedale, N.M. 88201*

4. Article Number

*P-566 806 430*

Type of Service:

Registered  
 Certified  
 Express Mail  
 Insured  
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

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

5. Signature - Addressee

X

6. Signature - Agent

X

7. Date of Delivery

*Spalding  
4-19-88*

PS Form 3811, Feb. 1986

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OFFICIAL BUSINESS



PENALTY FOR PRIVATE  
USE, \$300

SENDER INSTRUCTIONS

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- Endorse article "Return Receipt Requested" adjacent to number.

RETURN  
TO

Print Sender's name, address, and ZIP Code in the space below.

*66/Pres Pool*  
*RFEC*  
*500 W. Williams, Suite 500*  
*Midland, TX 79701*

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

April 18, 1988

CERTIFIED MAIL #P-566 806 491

Bureau of Land Management  
P. O. Box 1449  
Santa Fe, New Mexico 87501

Re: Application of Santa Fe  
Energy Operating Partners, L.P.  
For Compulsory Pooling  
Eddy County, New Mexico

Gentlemen:

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Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

  
\_\_\_\_\_  
Gary Green, Landman

GG:pr

Attachment a/s

pr479

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915.687-3551

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1.  Show to whom delivered, date, and addressee's address. 2.  Restricted Delivery.

3. Article Addressed to:  
 Bureau of Land Management  
 P. O. Box 1449  
 Santa Fe, New Mexico 87501

4. Article Number  
 P-566 806 491 1

Type of Service:  
 Registered  
 Certified  
 Insured  
 Express Mail  
 COD

Always obtain signature of addressee or agent and DATE DELIVERED.

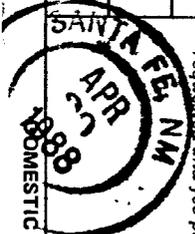
5. Signature -- Addressee  
 X

6. Signature -- Agent  
 X

7. Date of Delivery

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

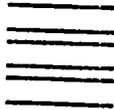
PS Form 3811, Feb. 1986



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the reverse.  
• Attach to front of article if space  
permits, otherwise affix to back of  
article.  
• Endorse article "Return Receipt  
Requested" adjacent to number.



PENALTY FOR PRIVATE  
USE, \$300

**RETURN**   
**TO**  
GG/Force Pool

Print Sender's name, address, and ZIP Code in the space below.

SANTA FE ENERGY

500 W. ILLINOIS, SUITE 500

MIDLAND, TX 79701

# Santa Fe Energy Operating Partners, L.P.

Santa Fe Pacific Exploration Company  
Managing General Partner

April 15, 1988

CERTIFIED MAIL #P-566 806 488

Bass Enterprises Production Company  
First City Bank Tower  
201 Main Street  
Forth Worth, Texas 66102

Attention: Mr. Jens Hanson

Re: Application of Santa Fe  
Energy Operating Partners, L.P.  
For Compulsory Pooling  
Eddy County, New Mexico

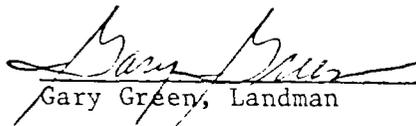
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Sincerely,

SANTA FE ENERGY OPERATING PARTNERS, L.P.  
By Santa Fe Pacific Exploration Company  
as Managing General Partner

  
\_\_\_\_\_  
Gary Green, Landman

GG:pr

Attachment a/s

pr469

Permian Basin District  
500 W. Illinois  
Suite 500  
Midland, Texas 79701  
915-687-3551

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete item 3 if delivery is desired. Put your address in the "RETURN TO" space on the reverse side. Failure to do this will result in the return card from being returned to you. The return receipt fee will provide you the name of the publisher and the date of delivery. For additional fees the following services are available:  Registered Mail,  Insured,  COD,  Express Mail,  Restricted Delivery.  Show to whom delivered, date, and addressee's address.

3. Article Addressed to: Bass Enterprises Production Co. First City Bank Tower 210 Main Street Ft. Worth, TX 66102		4. Article Number P-566806 488
5. Signature - Addressee <input checked="" type="checkbox"/> <i>[Signature]</i>		Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD
6. Name of Agent <input checked="" type="checkbox"/> <i>[Signature]</i>		Always obtain signature of addressee or agent and DATE DELIVERED.
7. Name of Publisher 9-22		8. Addressee's Address (ONLY if requested and fee paid) SMC

PS Form 3811, Feb. 1986

DOMESTIC RETURN RECEIPT

UNITED STATES POSTAL SERVICE  
OFFICIAL BUSINESS

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PENALTY FOR PRIVATE  
USE: \$300

RETURN  
TO

GG/Bass Pool

Print Sender's name, address, and ZIP Code in the space below.

Santa Fe Energy Operating Partners, L.P.

500 W. Illinois, Suite 500

Midland, Texas 79701

