

March 28, 1994



CERTIFIED MAIL - RETURN
RECEIPT REQUESTED

Bass Enterprises Production Co.
201 Main St., Suite 2900
Fort Worth, Texas 76102

Attn: Jens Hansen

Re: Farmout Request
NW/4 NW/4, S/2 NW/4, SW/4 of
Section 19, W/2 Section 30,
NW/4, W/2 SW/4 Section 31,
T-23-S, R-30-E, NMPM,
Gold Rush Prospect (NM-241)
Eddy County, New Mexico

RECEIVED
OIL CONSERVATION DIVISION
MARCH 30 1994
2C
Gentlemen:

This letter will serve as Maralo Inc.'s formal request for a farmout of Bass' leasehold interest in the captioned acreage. The following terms and conditions are requested for a farmout:

1. Maralo will drill or cause to be drilled a test well to adequately test the Morrow formation at a depth of approximately 14,800' on or before June 30, 1994 at a legal location in the SW/4 NE/4 of Section 30, T-23-S, R-30-E, NMPM, Eddy County, New Mexico. Said well's proration unit shall be a communitized N/2 of Section 30, which includes a portion of the captioned farmout lands.
2. Upon establishment of commercial production from said well, Maralo proposes to earn the following:
 - a. One hundred percent (100%) of Bass' leasehold interest in the NW/4 of said Section 30, and seventy-five percent (75%) of Bass' leasehold interest in the remainder of the captioned acreage, with Bass delivering Maralo an eighty percent (80%) Net Revenue Interest Lease.
 - b. After payout of the costs of said well, Bass shall have a one-time option to convert said reserved ORRI to a twenty-five percent (25%) working interest in said well and its proration unit, proportionately reduced.
3. In the event the drilling of said well results in a dry hole, and no acreage is earned, Maralo will have the option to drill a similar test on the captioned farmout acreage, within one hundred eighty (180) days of the plugging of the initial well. If the drilling of said second well results in the establishment of commercial production, Maralo shall earn the same interest outlined above.

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4. All rights earned by Maralo shall be limited in depth from the surface down to one hundred feet (100') below the deepest perforation in said well made by Maralo.

5. In order for Maralo to maintain its earned acreage outside of the proration unit established for the initial test well, Maralo must commence a continuous development program which would allow no more than one hundred eighty (180) days to elapse between the completion or plugging of the previous well and the commencement of actual drilling operations on the next succeeding well.

6. There shall be no obligation upon Maralo to commence operations on said well pursuant to the terms of the formal agreement, and the only penalty for failure to commence said operations will be the forfeiture of all rights that might be earned by said operations.

We have also enclosed herein for Bass' review and possible execution two copies of Maralo's AFE to drill the Gold Rush "30" Fed Com #1 well. If Bass desires to participate in this well instead of farming out its interest as detailed herein, please execute said AFE at your earliest convenience.

Please advise as soon as possible if the foregoing terms meet with your approval and begin preparation of a formal agreement. Should you have any questions concerning this request, please feel free to contact the undersigned.

Yours very truly,



Mark Wheeler, CPL
District Landman

MW/pjd:A.022(50)

xc: Joe Pulido
John Thoma

MARALO INC. AFE

WELL Gold Rush "30" Fed Com #1 PRO.DEPTH 14,800' PROSPECT Gold Rush DATE 3/8, 1991
 CO Eddy STATE NM LOCATION 1980' FNL & 1980' FEL, Sec 30, T-32-S, R-30-E
 Morrow FIELD AFE #

WELL COST

INTANGIBLES	240-XXX CODE	COMPLETED	DRY HOLE
LOCATION, ROADWAY, DAMAGES	001	\$ 30,000	\$ 30,000
RIG MOBLIZATION	002	-0-	-0-
DRILLING: FTG 14,800' @ \$ 22.00 /FT	003	325,600	325,600
DAYWORK 6 DAYS @ \$ 4,700 /DAY	004	28,200	28,200
TURNKEY -0-	018	-0-	-0-
FUEL & WATER	005	25,000	25,000
MUD & CHEMICALS	006	40,000	40,000
CEMENT & CEMENTING SERVICES	007	75,000	65,000
FORMATION TESTING	008	7,500	7,500
ELECTRICAL LOGGING + MUD LOGGING	009	100,000	100,000
PERFORATING & TREATING SERVICES	010	30,000	-0-
SPECIAL SERVICES, (INSPECTION, RENTAL)	011	40,000	35,000
WELL SERVICE UNIT	012	12,000	-0-
SUPPLIES (BITS, REAMERS, ETC)	013	18,000	15,000
SUPERVISION	014	18,000	15,000
LABOR & TRUCKING	015	20,000	15,000
LEGAL	019	7,000	7,000
OVERHEAD	040	14,000	14,000
MISC AND 10 % CONTINGENCY	017	79,000	72,000
TOTAL WELL INTANGIBLES		\$ 869,300	\$ 794,300

TANGIBLES	230-XXX CODE		
WELLHEAD ASSEMBLY	001	\$ 45,000	\$ 20,000
CASING:	002	175,800	66,400
CONDUCTOR 20 "OD 40 ' \$ 3,000			
SURFACE 13 3/8 "OD 650 ' \$ 11,600			
1ST INTERMEDIATE 9 5/8 "OD 3800 ' \$ 51,800			
2ND INTERMEDIATE "OD ' \$			
PRODUCTION/LINER 5 1/2 "OD 14800 ' \$ 109,400			
TUBING 2 7/8 "OD 14800 ' \$ 59,400	003	59,400	-0-
MISC.EQUIPMENT (PACKERS, DOWNHOLE, ETC)	004	8,000	-0-
ARTIFICIAL LIFT + ELECTRIC MOTOR FOR PU	005	-0-	-0-
SUCKER RODS + PUMP	006	-0-	-0-
TOTAL WELL TANGIBLES		\$ 288,200	\$ 86,400

PRODUCTION & LEASE FACILITIES

TANGIBLES	230-XXX CODE		
STORAGE TANKS	010	\$ 20,000	\$ -0-
HEATER TREATER	011	-0-	-0-
SEPARATOR	012	-0-	-0-
GAS PRODUCTION UNIT	013	25,000	-0-
FLOW LINE & LINE PIPE	014	10,000	-0-
MISC EQUIPMENT	015	10,000	-0-
TOTAL FACILITY TANGIBLES		\$ 65,000	\$ -0-
TOTAL TANGIBLES		\$ 353,200	\$ 86,400
TOTAL EXPENDITURE		\$ 1,222,500	\$ 880,700

COMPANY _____
 BY: _____ DATE: _____
 APPROVED _____ DISAPPROVED _____ W.I. _____

MARALO INC. *[Signature]*
 BY: _____
 APPROVED _____ DISAPPROVED _____ W.I. _____