TXO PRODUCTION CORP.
Case No. 8698
9/11/85 Examiner Hearing
Exhibit No. 2

			$\lambda \vee \gamma$
PS Form 3811, July 1983 447-845	Put your addressin the "TET reverse side. Failure to do this being returned to you. The re you the name of the person delivery. For additional fees to available. Consult postmaster for service(s) requested. 1. A Show to whom, date at 2. Restricted Delivery.	URN TO" space on the will prevent this card from turn receipt fee will provide elivered to and the dete of he following services are for fees and check box(es)	🚽 Sprinkle Feder
8	3. Article Addressed to:		ral
	O. H. Berry One Marienfeld Pl Midland, Texas 7		#2
	4. Type of Service:	Article Number	
	Registered Insured Certified COD Express Mail	P 547 296 593	
	Always obtain signature of ac DATE DELIVERED.	idressee <u>or</u> agent and	
DOM	5. Signature – Addressee X	TOLAN	,
DOMESTIC	6. Signature Agent X D Kahendo	AUG O	
RETURN	7. Date of Delivery	7935	
RN RECEIP	8. Addressee's Address (ONL Same as	Y if requested and fee paid)	

P 547 296 593

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

	(,		
3.517	Sent to O. H. Berry		
* U.S.G.P.O. 1983-403-517	Street and No. One Marienfeld Plac	e, Ste	88
3.0.18	P.O., State and ZIP Code Midland, Texas 797	01	
.s.G.1	Rostage	\$	
*	Certified Fee		
,	Special Delivery Fee		1
	Restricted Delivery Fee		
	Return Receipt Showing to whom and Date Delivered		
1982	Return receipt showing to whom, Date, and Address of Delivery		
Feb. 1982	TOTAL Postage and Fees	\$	
3800,	Postmark or Date		
E	August 14, 1985		

August 14, 1985

O. H. Berry One Marienfeld Place, Suite 188 Midland, Texas 79701

Re: Well Proposal

Sprinkle Federal #2 Well

NW/4 Section 26 T-18-S, R-32-E

Lea County, New Mexico

Dear Mr. Berry:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

At this time, TXO seeks your election to join in the well. If, after you have reviewed the AFE, you decide you would like to participate in the well, please sign one copy of the AFE and return it to the attention of the undersigned at the letterhead address.

As an alternative to joining in this well, TXO would be willing to farmin your interest on the following terms:

- 1. By drilling a well at the above referenced legal location in the NW/4 of Section 26, T-18-S, R-32-E, Lea County, New Mexico to a depth of 8700' or a depth sufficient to test the Bone Springs formation, TXO would earn an assignment from you of all of your right, title and interest in the proration unit on said acreage to 100' below the deepest depth drilled.
- You would retain an overriding royalty interest equal to the difference between 25% of all the oil and gas produced and the total of all existing lease burdens of record to the extent that TXO shall be delivered a 75% net revenue lease. You would have an option at payout to convert your overriding royalty to a 25% working interest proportionately reduced.

August 14, 1985 O. H. Berry Page two

If you elect to join in the drilling of this well or alternatively farmout under the aforementioned general farmout terms, please advise and the respective agreements will be prepared and forwarded for your execution. TXO is putting this well in line on our rig schedule and therefore, if within two weeks after the receipt of this letter you have failed to confirm in writing of your decision to join or farmout, a Compulsory Pooling Application will be filed with the New Mexico Oil Conservation Commission. If you would like to discuss this well further, please do not hesitate to contact me at the above address or call (915) 682-7992.

Very truly yours,

Jeff Bourgeois Landman

JB/dp

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TXO PRODUCTION CORP

AUTHORITY FOR EXPENDITURE (DRILLING WELL

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Tate	8-12-85	⊈a. C
Jare	0 - 0	

FORM 24 Rev 8 81 2 (Re-entry) Sprinkle Federal West Texas ____ Well Name __ ___ Weli No._ District ____ Well Location 660' FNL & 1980' FWL, Sec 26, T-28-S, R-32-E _ Depth ____8700 ' WM,M, _ State <u>New Mexi</u>co Querecho Plains (Bone Springs) Lea WILL Submitted By: Randy Cate Dallas _ District. Prepared By: . ESTIMATED COST CAT. QUANTITY NATURE OF EXPENDITURE CASH MAT.LON HAND TOTAL DRILLING 01 15 000 15 |000| 02 Casinghead Location, Road & Dirt Work 20 | 000 | 20 |000i 03 Drilling - Footage/Turnkey 67 | 500 Drilling - Davwork 15 days @ \$4500 67 | 500 | 05 20 0000 Drilling - Rig Support MI & MORT 20 |000| 06 22 000 22 | 000 4-7 7/811 07 4 250 4 250 17 days @ \$250 08 Supervision i 09 Overhead Mud & Chemicals 30 000 10 30 000 & water Cementing Services & Supplies 11 12 Testing & Logging 25 000 25 000 Rentais 12 000 13 12 000 14 Other IDC 10 000 10 000 Other Equipment 15 10 | 000 10:000 | | TOTAL DRILLING 235 750 235 750 COMPLETION 4½" 8700° H 96 | 000 96 | 000 | Casing 18 Tubing 2 3/8" 8700" 34 | 0001 34 000 10 000 19 Wellhead 10 000 20 Subsurface Equipment 10 000 10 000 21 3 000 3 000 Supervision 12 days @ \$250 Mud & Chemicals 22 & KCL water 4 000 4 000 Testing, Logging & Perforating 12 000 12 000 24 Stimulation 1 45 000 45 | 000 25 Overhead i 26 Rentals 8 000 8 000 27 Service Rig 18 000 12 days @ \$1500 18 000 28 Cementing Services & Supplies & CSg Crew 20:000 20 | 000 29 10:000 10 000 Other IDC TOTAL COMPLETION 270 000 270:000 PRODUCTION EQUIPMENT Pumping Unit 32 | 000 32:000 33 Engine & Motor 6 000 6:000 34 Rods 13 500 13;500 35 Flow Lines 2!000 2 000 36 Meters 6:000 6:000 10:000 10 000 37 Installation 38 Storage 20 000 20 000 Separation & Treating 15 000 15:000 40 Other Equipment 5:000 5 000 TOTAL PRODUCTION EQUIPMENT 109 500 109 | 500 TOTALS 615 250 615 | 250 DATE BILLING INT APPROVED: (this space for approval only) WI OWNER NAME APPROVED _(7_decimals)

O. H. Berry

.0130208

. . . .

P 547 296 592

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

3.517	Sent to Lewis Burleson	
+ U.S.G.P.O. 1983-403-517	Street and No. P. O. Box 2479	
P.O. 18	P.O., State and ZIP Code Midland, Texas 797()2
.S.G.I	Postage	s
n *	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt Showing to whom and Date Delivered	
1982	Return receipt showing to whom, Date, and Address of Delivery	
Feb.	TOTAL Postage and Fees	\$
800,	Postmark or Date	
PS Form 3800, Feb. 1982	August 14, 1985	

PS Form 3811	Put your address in the "RET preverse side. Failure to do this being returned to you. The re you the name of the person d	URN TO" space on the will prevent this cald from turn receipt fee will provide blivered to and the date of	
Ant	available. Consult postmaster for service(s) requested	for fees and check box(es)	7
82		nd address of delivery.	- -
447-8	2. A Restrict Delivery	Fee Mittaid	000
	3. Asticle Addressed to		-
:•	Lewis Burleson P. O. Box 2479 Midland, Texas 7	9702	
	4. Type of Service:	Article Number	
	Registered Insured Certified COD Express Mail	P 547 296 592	
	Always obtain signature of ad DATE-DELIVERED.	drassee or agent and	
MOM	5. Signature - Agaressee	July	
DOMESTIC RETURN	6. (Signature – Agent X	MICLAND	
RETU	7. Date of Delivery	JUG X	
RN R	8. Addressee's Address (ON)	Show to whom, date and address of delivery. Restricts Delivery Selected Delivery Selected Delivery Article Number Insured Delivery Selected Delivery Article Number P 547 296 592 Insured Delivery August Delivery	
RECEIP	``	770	ŀ

August 14, 1985

Lewis Burleson P. O. Box 2479 Midland, Texas 79702

Re: Well Proposal

Sprinkle Federal #2 Well

NW/4 Section 26 T-18-S, R-32-E

Lea County, New Mexico

Dear Mr. Burleson:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

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August 14, 1985 Lewis Burleson Page two

If you elect to join in the drilling of this well or alternatively farmout under the aforementioned general farmout terms, please advise and the respective agreements will be prepared and forwarded for your execution. TXO is putting this well in line on our rig schedule and therefore, if within two weeks after the receipt of this letter you have failed to confirm in writing of your decision to join or farmout, a Compulsory Pooling Application will be filed with the New Mexico Oil Conservation Commission. If you would like to discuss this well further, please do not hesitate to contact me at the above address or call (915) 682-7992.

Very truly yours,

Jeff Bourgeois Landman

JB/dp

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TVO	PRODUCTION	CORP
	1 2 2 2 2 2 3 3 1	

(AUTHORITY FOR EXPENDITURE (

FORM 24	Rev 8 81	DRILLI	NG WELL		Da	ate <u>8-12-85</u>	<u> </u>	.a. Ca.
	West Texas	Well Name	Sprink	le Feder				-entr
	tion 660' FNL & 1980' FN						'00'	
Field	Querecho Plains (Bone S	WILL WM.	m,			State		
Prepared 6	By: Randy Cate M	Submitted B	iy:			———— Dallas .	District	
CAT.	NATURE OF EXPENDITUR	•	QUANTITY			ESTIMATED COST		
NO.				CASH	T .	MAT.L ON HAND	TOTAL	 -
	DRILLING				-		· · · · · · · · · · · · · · · · · · ·	
01	Casing			1.5	1000		1.5	1000
02	Casinghead				000			000
03	Location, Road & Dirt Work				1000			000
04	Drilling - Footage/Turnkey	0 84500		67	500		67	500
05	Drilling - Davwork 15 days Drilling - Rig Support MI 8				000			000
06	Bits 4–7 7/8"	MORI			000			000
07	Supervision 17 days @ \$	250			250			250
09	Overhead 17 days e s	7230			1230		·	
10				30	000		30	000
11	Mud & Chemicals & water Cementing Services & Supplies				000			1
12	Testing & Logging			25	000		25	000
13	Rentals				000			000
14	Other IDC				000			000
15	Other Equipment				000			000
15	Other Equipment				1			1000
	тот	AL DRILLING		235	750		235	750
 	COMPLETION		j		1			
17	Casing 4½" 8700'			96	000		96	000
18	Tubing 2 3/8" 8700'				000	• • • • • • • • • • • • • • • • • • • •		000
19	Wellhead				000			000
20	Subsurface Equipment	*			000			000
21	Supervision 12 days @ \$2.	50		3	000		3	000
22	Mud & Chemicals & KCL			4	000		4	000
23	Testing, Logging & Perforating			12	000		12	000
24	Stimulation .		j	45	000)	45	000
25	Overhead		1		! •			
26	Rentals			8	000		8	000
27	Service Rig 12 days @	\$1500	:	18	000).	18	000
28	Cementing Services & Supplies	& csg crew			000	· · · · · · · · · · · · · · · · · · ·		1000
29	Other IDC		1	10	000)	10	000
 	TOTAL	COMPLETION	,	270	: 000)	270	000
-	PRODUCTION EQUIPME	NT	!					!
32	Pumping Unit				000			000
33	Engine & Motor				000			000
34	Rods				500			500
35	Flow Lines				: 000			1000
36	Meters				000			000
37	Installation				000			000
38	Storage		- !		000			000
39	Separation & Treating		!		000		<u> </u>	000
40	Other Equipment		!		000			000
	TOTAL PRODUCTION		<u> </u>		500			500
		TOTALS		615	250	<u> </u>	615	5 25(
		BILLING INT	DATE	APPE	OVE	D: (this space for a	ipproval only	v)

(7 decimals) Lewis Burleson .0130209

P 547 296 594

RECEIPT FOR CERTIFIED MAIL

NC*INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

1-517	^{Sent to} Joseph S. Sprinkle	!
83.403	Street and No. Box 6483	
* U.S.G.P.O. 1983-403-517	P.O., State and ZIP Code Denver, Colorado	
S.G	Postage	\$
*	Certified Fee	
į	Special Delivery Fee	
	Restricted Delivery Fee	
,	Return Receipt Showing to whom and Date Delivered	
1982	Return receipt showing to whom, Date, and Address of Delivery	
m 3800, Feb. 1982	TOTAL Postage and Fees	\$
ġ	Postmark or Date	
m 38	August 14, 1985	

. 3	SENDER: Complete items 1, 2, 3 and 4.	L
31		-322
. ₹ 🖥	Put your address in the "RETURN TO" space on the	
3 8	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	Spr 1
1	available Consuit postmaster for fees and check box(es)	
्र्र	for service(s) dequested.	릇
1983	Show to whom, date and address of delivery.	nk le
	NT I A	ı
447-845	2. Restricted Delivery.	+eder
<u>.</u>		Je.
5	3 Article Addressed to	۲ą
	Joseph & Sprinkle	1
is, lat	1. 0. Box 6483	#2
,	Denver, Colorado 80206	ľ
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	A Tunn of Position	
	4. Type of Service: Article Number-	
	Begistered Insured DE 47, 200 FOA	
	Registered I Insured P547 296 594	-
f.	Begistered Insured DE 47, 200 FOA	
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	Begistered Insured 547 296 594 Express Mail	
	Begistered Insured P547 296 594 Continue COD P547 296 594 Express Mail Always ebtain signature of addresses of agent and DATE DELIVERED.	
	Begistered Insured P547 296 594 Continue COD P547 296 594 Express Mail Always ebtain signature of addresses of agent and DATE DELIVERED.	
	Begistered Insured 547 296 594 Express Mail Afrians Obtain signature of addresses of agent and DATE DELIVERED. B. Signature Addresses	
ESTIC	Begistered Insured 547 296 594 Express Mail Afrians Obtain signature of addresses of agent and DATE DELIVERED. Signature Addresses 6. Signature Agent	
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ESTIC	Registered Insured COD 547 296 594 Afrians Statin signature of addresses of agent and DATE DELIVERED. Signature Addresses Signature Agent X	
IESTIC RETURN	Registered Insured 547 296 594 Cortified COD	
IESTIC RETURN	Registered Insured 547 296 594 Cortified COD	7
ESTIC	Registered Insured 547 296 594 Cortified COD	7

1

August 14, 1985

Joseph S. Sprinkle P. O. Box 6483 Denver, Colorado 20206

Re: Well Proposal
Sprinkle Federal #2 Well
NW/4 Section 26
T-18-S. R-32-E

Lea County, New Mexico

Dear Mr. Sprinkle:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

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Very truly yours,

Jeff Bourgeois Landman

JB/dp

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TXO PRODUCTION CORP	
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(AUTHORITY FOR EXPENDITURE (

DRILLING WELL

Nate 8-12-85

Co. Cd.

eil Locat	on 660' FNL & 1980' FWL, Sec 26, T-	28-S. R-32-	E		Depth870	00'	
al <i>a</i> i	Querecho Plains (Bone Springs)	_ CountyI	.ea		StateNew_N	lexico_	
	Querecho Plains (Bone Springs) y: Randy Cate	<i>M ,</i>			Dallas	District	
eoared B	y:	7					
CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	CASH		MAT.L ON HAND	TOTAL	
	DRILLING			Г			
01	Casing						
01	Casinghead		15	000		15	000
03	Location, Road & Dirt Work			000			000
04	Drilling - Footage/Turnkey	•					
05	Drilling Davwork 15 days @ \$4500		67	500		67	500
06	Drilling - Rig Support MI & MORT			000			000
07	Bits 4-7 7/8" ·			000			000
08	Supervision 17 days @ \$250		4	250		4	250
09	Overhead						
10	Mud & Chemicals & water	<u> </u>	30	000		30	000
11	Cementing Services & Supplies						
12	Testing & Logging		25	000		25	000
13	Rentals			000			000
14	Other IDC			000		10	000
15	Other Equipment			000		10	000
		·					
	TOTAL DRILLING		235	750		235	750
	COMPLETION						
17	Casing 4½" 8700'		96	000		96	000
18	Tubing 2 3/8" 8700"		34	000		34	000
19	Wellhead		10	000		10	000
20	Subsurface Equipment		10	000		10	000
21	Supervision 12 days @ \$250		3	000		3	000
22	Mud & Chemicals & KCL water	•	4	000		4	000
23	Testing, Logging & Perforating		12	000		12	000
24	Stimulation		45	000		45	000
25	Overhead			! •			
26	Rentals		8	000		 -	000
27	Service Rig 12 days @ \$1500		18	000		18	00
28	Cementing Services & Supplies & CSg crew			000			00
29	Other IDC			000			000
	TOTAL COMPLETION		270	000		270	000
	PRODUCTION EQUIPMENT			·			
32	Pumping Unit			000			00
33	Engine & Motor			000			00
34	Rods			500			50
35	Flow Lines			000	·		00
36	Meters			000			00
37 38	Installation		 				100
	Storage Separation & Treating	1		000			00
40	Other Equipment			000			00
70		l l	 				
<u></u>	TOTAL PRODUCTION EQUIPMENT			500		109	
	TOTALS		615	250	<u> 1 i </u>	615	<u> 125</u>