

September 4, 1985

Bass Enterprises Production Company
and Perry R. Bass
1st City Tower Bldg.
201 Main Street
Fort Worth, TX 76102

Attn: Mr. Louis Wilpitz

Re: Authority for Expenditure
and Operating Agreement
Delta Fee #1 Well
E/2 Section 2,
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

As you know, TXO Production Corp. has requested a farmout of your leasehold interest in the above referenced tract in Eddy County, New Mexico in order to drill the Delta Fee #1 well as an 11,800' Morrow test at a location 660' FEL and 660' FSL of Section 2, T-22-S, R-27-E, Eddy County, New Mexico. In our letter of March 26, 1985 we requested a farmout of your leasehold in those zones beneath the base of the Wolfcamp formation.

Presently, TXO has applied to the Oil Conservation Commission in Santa Fe for compulsory pooling, etc. in Case #8454 which is to be heard September 11, 1985 in Santa Fe, New Mexico.

Attached for your review is an Authority for Expenditure (AFE) for the Delta Fee #1 well, as well as a short form of Operating Agreement detailing how TXO normally prepares the model form Operating Agreement. These two (2) items are enclosed for your review should you elect to participate in the drilling of the Delta Fee #1 well. Please be advised that your working interest would pertain only to the Morrow formation, as we are seeking a non-standard proration unit for the Wolfcamp formation consisting of the SE/4 of Section 2.

Please give me a call should you have any questions regarding the AFE, etc. or the hearing in Santa Fe. Your assistance and cooperation are sincerely appreciated.

Very truly yours,

David M. Hundley
District Landman

DMH/bv
Enclosures

TXO PRODUCTION CORP.
Case No. 8699
9/11/85 Examiner Hearing
Exhibit No. 2

September 4, 1985

Gulf Oil Corporation
P. O. Box 1150
Midland, TX 79702

Attn: Mr. Mickey Cohlmaia

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and Operating Agreement
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