

TXO PRODUCTION CORP.
Case No. 8755
11/21/85 Examiner Hearing
Exhibit No. 12

October 1, 1984

Mr. Joseph S. Sprinkle
Box 6483
Denver, Colorado 80206

Re: Farmout Request
NW/4 Section 26,
T-18-S, R-35-E,
Lea County, New Mexico

Dear Mr. Sprinkle:

Pursuant to our conversation of this date, TXO Production Corp. respectfully requests a farmout on the above referenced tract. TXO would be agreeable to farmin on the following terms:

1. By drilling a well at a legal location in the W/2 of Section 26, T-18-S, R-35-E, Lea County, New Mexico to a depth of 13,500' or a depth sufficient to test the Morrow formation, TXO would earn an assignment from you of all its right, title and interest in the proration unit on said acreage to 100 feet below the deepest depth drilled.
2. 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.
3. You would agree to furnish TXO with whatever title information you have in your files in connection with this property.

This offer is subject to a mutually acceptable farmout agreement and TXO management approval.

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I want to thank you for offering to forward a copy of this proposal to your partners. Your consideration of this request at your earliest convenience is greatly appreciated. I look forward to hearing from you soon.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp