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BHP Petroleum, Inc.

TXO Production Corp.

Bass Enterprises Production Co.

Western Oil Producers, Inc.

EXHIBIT 3

COPIES OF CORRESPONDENCE AND WAIVERS

July 25, 1986

AUG - 7 1986

OIL CONSERVATION DIVISION
SANTA FF

Bass Enterprises Production Co. Pirst City Tower Building 201 Main Street Fort Worth, Texas 76102

CERTIFIED MAIL

Attention: Mr. Louis Wilpitz

Re: Application for Unorthodox

Drilling Permit

Exception to Rule 104C II (a)

Delta Fee "C" #1 well

W/2 Section 12, T-22-3, R-27-E

Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill a well 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. This well will be drilled to a depth of 10,100' or to a depth sufficient to test the Wolfcamp formation, and the W/2 Section 12 will be the acreage dedicated to the well.

The Pool Rules for the Carlsbad East (Wolfcamp Gas) Pool and the Statewide Rule 104 provide that the well must be located not closer than 660' to the nearest side boundary of a dedicated tract nor closer than 1980' to the nearest end boundary of the dedicated tract. Consequently, the proposed location will require an exception to the well location requirement rules.

TXO wishes to drill the Delta Fee "C" #1 well at this location because we feel it is necessary if we are to recover economic quantities of oil and gas reserves underlying our lease. We are also convinced the distance from the proposed location to other producing wells is sufficient to insure no harmful effect on other producers.

If you have no objection to this location, please date and execute the three attached Waivers of Objection and return two executed copies to our Midland office. A self-addressed envelope has been enclosed for your convenience and a third copy has been euclosed for your files. Please give me a call should you have any questions or want to discuss this matter further. Thank you for your assistance and cooperation.

Sincerely,

David M. Hundley District Landman

DMH/dlt Enclosures

SE& 855 PE4 9

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

5-014	Sention Enterprises Production						
★ U.S.G.P.O. 1984-446-014	Street and No. 1st City Tower Bldg. 201 Main Street						
P.O. 1	P.O., State and ZIP Code Fort Worth, TX 76102						
.S.G.	Postage	\$					
*	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						
PS Form 3800, Feb. 1982	TOTAL Postage and Fees	\$					
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79 (
SF	SENDER: Complete items 1, 2, 3 and 4.							
PS Form 3811, July 1983	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 service(s) requested. 1. Show to whom, date and address of delivery. 2. Restricted Delivery.							
	3. Article Addressed to: (Attn: Mr. Louis Wilpitz) Bass Enterprises Production Co. First City Tower 201 Main Street							
	Fort Worth, TX	76102						
	4. Type of Service:	Article Number						
	☐ Registered ☐ Insured ☐ Certified > ☐ COD ☐ Express Mail	P 139 228 832						
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CEIF	Jan	e						

July 25, 1986

Western Oil Producers, Inc. 1200 South Richardson P. O. Box 1498 Roswell, New Mexico 88201

CERTIFIED MAIL

Re: Application for Unorthodox Drilling Permit

Exception to Rule 104C II (a)

Delta Fee "C" #1 well

W/2 Section 12, T-22-S, R-27-E

Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill a well 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. This well will be drilled to a depth of 10,100' or to a depth sufficient to test the Wolfcamp formation, and the W/2 Section 12 will be the acreage dedicated to the well.

The Pool Rules for the Carlabad East (Wolfcamp Gas) Pool and the Statewide Rule 104 provide that the well must be located not closer than 660' to the nearest side boundary of a dedicated tract nor closer than 1980' to the nearest end boundary of the dedicated tract. Consequently, the proposed location will require an exception to the well location requirement rules.

TXO wishes to drill the Delta Fee "C" #1 well at this location because we feel it is necessary if we are to recover economic quantities of oil and gas reserves underlying our lease. We are also convinced the distance from the proposed location to other producing wells is sufficient to insure no harmful effect on other producers.

If you have no objection to this location, please date and execute the three attached Waivers of Objection and return two executed copies to our Midland office. A self-addressed envelope has been enclosed for your convenience and a third copy has been enclosed for your files. Please give me a call should you have any questions or want to discuss this matter further. Thank you for your assistance and cooperation.

Sincerely,

505/623-3131 11/6-2719 Shafe

David M. Hundley District Landman

DMH/dlt Enclosures

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SENDER: Complete items 1, 2, 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 service(s) requested. 1. X. Show to whom, date and address of delivery.							
2. Restricted Delivery.							
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Western Oil Producers, Inc.							
1200 South Richa	ardson						
Roswell, NM 88201							
4. Type of Service:	Article Number						
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RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

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* U.S.G.P.O. 1984-446-014	Postage	\$
*	Certified Fee	
	Special Delivery Fee	
	Restricted Delivery Fee	
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1982	Return receipt showing to whom, Date, and Address of Delivery	
Feb.	TOTAL Postage and Fees	\$
800,	Postmark or Date	
orm 3800, Feb. 1982		



July 25, 1986

BHP Petroleum Co., Inc. 1300 One First City Center 500 West Texas Midland, Texas 79701

CERTIFIED MAIL

Attention: Mr. Randall L. Davis

Re: Application for Unorthodox
Drilling Permit
Exception to Rule 104C II (a)
Delta Fee "C" \$1 well
W/2 Section 12, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

TXO Production Corp. plans to drill a well 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. This well will be drilled to a depth of 10,100' or to a depth sufficient to test the Wolfcamp formation, and the W/2 Section 12 will be the acreage dedicated to the well.

The Pool Rules for the Carlsbad East (Wolfcamp Gas) Pool and the Statewide Rule 104 provide that the well must be located not closer than 660' to the nearest side boundary of a dedicated tract nor closer than 1980' to the nearest end boundary of the dedicated tract. Consequently, the proposed location will require an exception to the well location requirement rules.

TXO wishes to drill the Delta Fee "C" #1 well at this location because we feel it is necessary if we are to recover economic quantities of oil and gas reserves underlying our lease. We are also convinced the distance from the proposed location to other producing wells is sufficient to insure no harmful effect on other producers.

If you have no objection to this location, please date and execute the three attached Waivers of Objection and return two executed copies to our Midland office. A self-addressed envelope has been enclosed for your convenience and a third copy has been enclosed for your files. Please give me a call should you have any questions or want to discuss this matter further. Thank you for your assistance and cooperation.

Sincerely,

David M. Hundley District Landman

	<u> </u>						
Š	SENDER: Complete items 1, 2, 3 and 4.						
PS Form 3811, July 1983	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 service(s) requested. 1. **Show.10.whom date **show* of delivery.** 2. Restricted Delivery.						
	3. Article Addressed to: "BHP Petroleum Co., Inc. 1300 One First City Center 500 West Texas Midland, Texas 79701 Attn: Mr. Randall I. Davis 4. Type of Service: Article Number Begistered Insured Certified COD P 139 228 831 Express Mail						
DOMESTIC RETURN RECEIL	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)						
PT							

P 139 228 831

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED NOT FOR INTERNATIONAL MAIL

(See Reverse)

3.014	Sent to BHP Petroleum Co., Inc.					
84.446	Street and No. 1300 One 1st City 500 West Texas					
★ U.S.G.P.O. 1984-446-014	P.O., State and ZIP Code Midland, Texas 79701					
.S.G.F	Postage	\$				
→	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					
S Form 3800, Feb. 1982	TOTAL Postage and Fees	\$				
800,	Postmark or Date					
rm 3						
S Fc						

Re: Application for Unorthodox
Drilling Permit
Exception to Statewide
Rule 104C. II (a)
TXO Production Corp.
Delta Fee "C" #1 Well
W/2 Section 12, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

BHP Petroleum Co., Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 10,100' Wolfcamp test at a location 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the boundaries of the dedicated unit than the rules specified for the Carlsbad East Wolfcamp Gas Pool as well as Statewide Rule 104C. II (a).

This is to advise that BHP Petroleum Co., Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

BHP PETROLEUM CO. INC.

Ву:	·	 	 	
Title:_		 	 	
Date:				

Re: Application for Unorthodox
Drilling Permit
Exception to Statewide
Rule 104C. II (a)
TXO Production Corp.
Delta Fee "C" #1 Well
W/2 Section 12, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Western Oil Producers, Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 10,100' Wolfcamp test at a location 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the boundaries of the dedicated unit than the rules specified for the Carlsbad East Wolfcamp Gas Pool as well as Statewide Rule 104C. II (a).

This is to advise that Western Oil Producers, Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

WESTERN OIL PRODUCERS, INC.

Ву:	 	· · · · · · · · · · · · · · · · · · ·	
Title:	 		
Date:			

Re: Application for Unorthodox
Drilling Permit
Exception to Statewide
Rule 104C. II (a)
TXO Production Corp.
Delta Fee "C" #1 Well
W/2 Section 12, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Bass Enterprises Production Co., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 10,100' Wolfcamp test at a location 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the boundaries of the dedicated unit than the rules specified for the Carlsbad East Wolfcamp Gas Pool as well as Statewide Rule 104C. II (a).

This is to advise that Bass Enterprises Production Co. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

BASS ENTERPRISES PRODUCTION CO.

Ву:	 	 	
Title:	 	 	
Date:			

Re: Application for Unorthodox
Drilling Permit
Exception to Statewide
Rule 104C. II (a)
TXO Production Corp.
Delta Fee "C" #1 Well
W/2 Section 12, T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

BHP Petroleum Co., Inc., as an offset operator or offset owner of operating rights, has been advised of the intention of TXO Production Corp. to drill the referenced 10,100' Wolfcamp test at a location 1980' FWL and 990' FNL of Section 12, T-22-S, R-27-E, Eddy County, New Mexico. We understand that this location is closer to the boundaries of the dedicated unit than the rules specified for the Carlsbad East Wolfcamp Gas Pool as well as Statewide Rule 104C. II (a).

This is to advise that BHP Petroleum Co., Inc. has no objection to the granting of a permit to drill at this location and hereby waives objection and notice of hearing on this application.

Very truly yours,

BHP PETROLEUM CO. INC.

Title: REGIONAL MANAGER

Date: July 28, 1986