

November 11, 1985

SEE ADDRESSEE LIST

Re: Well Proposal
Sprinkle-Federal #4 Well
SE/4 NW/4 Section 26,
T-18-S, R-32-E
Lea County, New Mexico

Gentlemen:

TXO Production Corp. hereby proposes the drilling of the Sprinkle-Federal #4 well, an 8700' Bone Spring test, at a location 2310' FNL and 1650' FWL Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two (2) 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 (1) 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 farm in your interest on the following terms:

- 1) By drilling a well at the above referenced legal location to a depth of 8700' or a depth sufficient to test the Bone Spring formation, TXO would earn an assignment from you of all your right, title, and interest in the proration unit on said acreage to 100' 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 any option at payout to convert your overriding royalty to a 25% working interest proportionately reduced.

If you elect to join in the drilling of this well or alternatively, farmout under the aforementioned farmout terms, please advise and the respective agreements will be prepared and forward for your execution. TXO would be appreciative of an answer as soon as possible.

Due to TXO's rig schedule and continuous development obligations, TXO is filing a compulsory pooling application with the New Mexico Oil Conservation Commission to include all uncommitted interests in the proration unit of

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
19-86	EXHIBIT NO. 2
CASE NO.	8783

Well Proposal
Sprinkle-Federal #4 Well
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the Sprinkle-Federal #4 well. TXO regrets the necessity of including your interest in the compulsory pooling application, but it is necessary due to the above noted circumstances.

Should you need any additional information regarding this proposal, please do not hesitate to contact me at the above address or call (915) 682-7992.

Very truly yours,

Jeff Bourgeois
Landman

JB/bv
Enclosure

ADDRESSEE LIST

Mr. Joseph S. Sprinkle
P. O. Box 6483
Denver, CO 80206

Mr. J. Cecil Rhodes
511 W. Texas
Midland, TX 79701

Mr. Lewis B. Burleson
P. O. Box 2479
Midland, TX 79702

AUTHORITY FOR EXPENDITURE

DRILLING WELL

Date 9-24-85

Co. Cd.

District West Texas Well Name Sprinkle-Federal Well No. 4
Well Location 2310' FNL and 1650' FWL Section 26, T-18-S, R-32-E Depth 8700'
Field Querecho Plains (Upper Bone Springs) County Lea State NM
Prepared By: Randall S. Cate Submitted By: WLD Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING					
01	Casing 350' 11 3/4", 2600' 8 5/8"		31 000		31 000
02	Casinghead		8 000		8 000
03	Location, Road & Dirt Work		28 000		28 000
04	Drilling - Footage/Turnkey @ \$14/ft		121 800		121 800
05	Drilling - Daywork				
06	Drilling - Rig Support				
07	Bits				
08	Supervision 25 days @ \$250		6 250		6 250
09	Overhead				
10	Mud & Chemicals & wtr		32 000		32 000
11	Cementing Services & Supplies & csg crew		16 000		16 000
12	Testing & Logging & mud logger		20 000		20 000
13	Rentals		8 000		8 000
14	Other IDC		10 000		10 000
15	Other Equipment		5 000		5 000
TOTAL DRILLING			286 050		286 050
COMPLETION					
17	Casing 8700' 5 1/2"		79 000		79 000
18	Tubing 8700' 2 7/8" N-80		32 000		32 000
19	Wellhead & pmp tree		8 000		8 000
20	Subsurface Equipment		5 000		5 000
21	Supervision 8 dyas @ \$250		2 000		2 000
22	Mud & Chemicals & wtr		3 000		3 000
23	Testing, Logging & Perforating		20 000		20 000
24	Stimulation acid & sand frac		45 000		45 000
25	Overhead				
26	Rentals		5 000		5 000
27	Service Rig 8 days @ \$1400/day		12 000		12 000
28	Cementing Services & Supplies		21 000		21 000
29	Other IDC		5 000		5 000
TOTAL COMPLETION			237 000		237 000
PRODUCTION EQUIPMENT					
32	Pumping Unit		32 000		32 000
33	Engine & Motor		12 000		12 000
34	Roads		13 500		13 500
35	Flow Lines		2 000		2 000
36	Meters		6 000		6 000
37	Installation		3 000		3 000
38	Storage		10 000		10 000
39	Separation & Treating		9 000		9 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			92 500		92 500
TOTALS			615 550		615 550

W/OWNER NAME

BILLING INT
(7 decimals)DATE
APPROVED

APPROVED: (this space for approval only)

Joseph S. Sprinkle

.3125000

Joseph S. Sprinkle

Date:

AUTHORITY FOR EXPENDITURE

DRILLING WELL

Date 9-24-85

Co. Cd.

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15	Other Equipment		5 000		5 000
TOTAL DRILLING			286 050		286 050
COMPLETION					
17	Casing 8700' 5½"		79 000		79 000
18	Tubing 8700' 2 7/8" N-80		32 000		32 000
19	Wellhead & pmp tree		8 000		8 000
20	Subsurface Equipment		5 000		5 000
21	Supervision 8 dyas @ \$250		2 000		2 000
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OWNER NAME

BILLING INT
(7 decimals)DATE
APPROVED

APPROVED: (this space for approval only)

J Cecil Rhodes

.0390625

J. Cecil Rhodes

Date:

AUTHORITY FOR EXPENDITURE

DRILLING WELL

Date 9-24-85

Co. Cd.

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W/ OWNER NAME

BILLING INT
(7 decimals)DATE
APPROVED

APPROVED: (this space for approval only)

Lewis B. Burleson

.0130209

Lewis B. Burleson
Date:

P 652 045 045

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

PS Form 3800, Feb. 1982

Sent to Mr. J. Cecil Rhodes	
Street and No. 511 W. Texas	
P.O., State and ZIP Code Midland, TX 79701	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

m 3811, July 1983

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.

- ☒ Show to whom, date and address of delivery.
- ☐ Restricted Delivery.

3. Article Addressed to:
Mr. J. Cecil Rhodes
511 W. Texas
Midland, TX 79701

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☒ Certified ☐ COD ☐ Express Mail	P 652 045 045

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)

DOMESTIC RETURN RECEIPT

Sprinkle-Fed. #4 Well Proposal

P 652 045 044

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

PS Form 3800, Feb. 1982

Sent to Mr. Lewis B. Burleson	
Street and No. P. O. Box 2479	
P.O., State and ZIP Code Midland, TX 79702	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date	

PS Form 3811, July 1983

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.

- ☒ Show to whom, date and address of delivery.
- ☐ Restricted Delivery.

3. Article Addressed to:
Mr. Lewis B. Burleson
P. O. Box 2479
Midland, TX 79702

4. Type of Service:	Article Number
☐ Registered ☐ Insured ☒ Certified ☐ COD ☐ Express Mail	P 652 045 044

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)

11

P 652 045 046

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

Sent to Mr. Joseph S. Sprinkle	
Street and No. P. O. Box 6483	
P.O., State and ZIP Code Denver, CO 80206	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$

PS Form 3800, Feb. 1982

Postmark or Date

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3. Article Addressed to:
Mr. Joseph S. Sprinkle
P. O. Box 6483
Denver, CO 80206

- | | |
|--|----------------|
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| ☒ Certified ☐ COD | |
| ☐ Express Mail | |

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X *J Sprinkle*
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Sprinkle - Fed. #4 Well Proposal