

DANIEL S. NUTTER

REGISTERED PETROLEUM ENGINEER

PETROLEUM CONSULTATION AND STATE AND FEDERAL REGULATORY SERVICES

105 EAST ALICANTE

SANTA FE, NEW MEXICO 87501

PHONE (505) 982-0757

September 10, 1986

RECEIVED

SEP 10 1986

OIL CONSERVATION DIVISION

Hand Delivered

Mr. Richard L. Stamets, Director
Oil Conservation Division
Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico

Re: Application of TXO Production
Corp. for an Unorthodox Gas Well
Location, Eddy County, New Mexico

Dear Mr. Stamets:

As an offset operator, Bass Enterprises Production Co. received notice of the application of TXO Production Corp. for administrative approval for the unorthodox gas well location for its proposed Delta Fee "C" Well No. 1, a Wolfcamp test well to be drilled at a point 990 feet from the North line and 1980 feet from the West line of Section 12, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, the W/2 of said Section 12 to be dedicated to the well.

On August 26, 1986, Bass filed with your office an objection to the proposed unorthodox location and requested that the application be set for hearing. This was done, and the matter is presently set for hearing on OCD Docket No. 28-86 as Case No. 8988.

By Letter Agreement dated September 3, 1986, Bass and TXO have agreed to certain terms covering the drilling and production of the proposed well. Therefore, and under the terms of the agreement, Bass no longer objects to the unorthodox location and hereby withdraws its request for hearing, provided however, that we do request that the Letter Agreement be incorporated in the administrative order approving the unorthodox location.

R. L. Stamets
September 10, 1986
Page 2

A copy of the Letter Agreement is attached.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Daniel S. Nutter".

Daniel S. Nutter, P.E.

DSN:ms

cc: Mr. David Catanach
Oil Conservation Division
P.O. Box 2088
Santa Fe, NM 87501

Mr. David M. Hundley
TXO Production Corp.
900 Wilco Building
Midland, TX 79701

Mr. Steve Rowland
Bass Enterprises Production Co.
P.O. Box 2760
Midland, TX 79702

Mr. Louis W. Wilpitz
Bass Enterprises Production Co.
First City Bank Tower
201 Main St.
Fort Worth, TX 76102

RECEIVED

BASS ENTERPRISES PRODUCTION CO.

FIRST CITY BANK TOWER
201 MAIN ST.
FORT WORTH, TEXAS 76102
817/390-8400

SEP 03 1986

TEXAS OIL GAS CORP.

September 3, 1986

TXO PRODUCTION CORP.
900 Wilco Building
Midland, Texas 79701

Attention: Mr. David Hundley

RE: TXO Production Corp. - Delta Fee "C" No.
1 Well
W/2 Section 12, T22S-R27E
Eddy County, New Mexico

Gentlemen:

Under letter of August 5, 1986, TXO Production Corp. (TXO) filed an application for administrative approval of unorthodox location for the drilling of the subject well at a location of 1980' FWL and 990' FNL of Section 12, T22S-R27E, Eddy County, New Mexico. TXO desires to drill the well to a depth of 10,100' as a Wolfcamp test and to dedicate the W/2 of Section 12 to the well.

Due to the concern of confiscation of hydrocarbons, Perry R. Bass, Trustee, Sid R. Bass, Inc., Thru Line Inc., Robert M. Bass Group, Inc. and Lee M. Bass, Inc. (Bass) filed its opposition to the granting of your application for administrative approval of unorthodox location within the time period allowed. At that time the New Mexico Oil Conservation Division set a date for hearing.

In an effort to prevent TXO's lease from expiring, Bass, an offset oil and gas lease owner, is agreeable to rescind its objection to TXO's application to drill and produce the subject well at the requested location if TXO will drill and produce the well in accordance with the following terms and provisions:

- RULE 1. These rules shall apply to the Delta Fee "C" No. 1 well, located 1980 feet from the West line and 990 feet from the North line of Section 12, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, which well's Production Limitation Factor of 0.70 shall be applied to the well's deliverability (as determined by the hereinafter set forth procedure) to determine its maximum allowable rate of production.
- RULE 2. The allowable period for the subject well shall be six months.
- RULE 3. The year shall be divided into two allowable periods commencing at 7:00 o'clock a.m. on January 1 and July 1.
- RULE 4. Immediately upon connection of the well, the operator shall determine the open flow capacity of the well in accordance with the Division "Manual for Back-Pressure Testing of Natural Gas Wells" then current, and the well's initial deliverability shall be calculated against average pipeline pressure.

- RULE 5. The well's "subsequent deliverability" shall be determined twice a year, and shall be equal to its highest single day's production during the months of April and May or October and November, whichever is applicable. Said subsequent deliverability, certified by the pipeline, shall be submitted to the appropriate District Office of the Division not later than June 15 and December 15 of each year.
- RULE 6. The Division Director may authorize special deliverability tests to be conducted upon a showing that the well has been worked over or that the subsequent deliverability determined under Rule 5 above is erroneous. Any such special test shall be conducted in accordance with Rule 4 above.
- RULE 7. The operator shall notify the appropriate district office of the division and all offset operators of the date and time of initial or special deliverability tests in order that the Division or any such operator may at their option witness such tests.
- RULE 8. The well's allowable shall commence upon the date of connection to a pipeline and when the operator has complied with all appropriate filing requirements of the Rules and Regulations and any special rules and regulations.
- RULE 9. The well's allowable during its first allowable period shall be determined by multiplying its initial deliverability by its production limitation factor.
- RULE 10. The well's allowable during all ensuing allowable periods shall be determined by multiplying its latest subsequent deliverability, as determined under provisions of Rule 5, by its production limitation factor. If the well shall not have been producing for at least 60 days prior to the end of its first allowable period, the allowable for the second allowable period shall be determined in accordance with Rule 9.
- RULE 11. Revision of allowable based upon special well tests shall become effective upon the date of such test provided the results of such tests are filed with the Division's district office within 30 days after the date of the test; otherwise the date shall be the date the test report is received in said office.
- RULE 12. Revised allowables based on special well tests shall remain effective until the beginning of the next allowable period.
- RULE 13. In no event shall the well receive an allowable of less than 500 thousand cubic feet of gas per day.
-

- RULE 14. January 1 and July 1 of each year shall be known as the balancing dates.
- RULE 15. If the well has an underproduced status at the end of a six-month allowable period, it shall be allowed to carry such underproduction in addition to its regularly assigned allowable. Any underproduction carried forward into any allowable period which remains unproduced at the end of the period shall be cancelled.
- RULE 16. Production during any one month of an allowable period in excess of the monthly allowable assigned to the well shall be applied against the underproduction carried into the period in determining the amount of allowable, if any, to be cancelled.
- RULE 17. If the well has an overproduced status at the end of a six-month allowable period, it shall be shut in until such overproduction is made up.
- RULE 18. If, during any month, it is discovered that the well is overproduced in an amount exceeding three times its average monthly allowable, it shall be shut in during that month and during each succeeding month until it is overproduced in an amount three times or less its monthly allowable, as determined hereinabove.
- RULE 19. The Director of the Division shall have authority to permit the well, if it is subject to shut-in pursuant to Rules 17 and 18 above, to produce up to 500 MCF of gas per month upon proper showing to the Director that complete shut-in would cause undue hardship, provided however, such permission shall be rescinded for the well if it has produced in excess of the monthly rate authorized by the Director.
- RULE 20. The Division may allow overproduction to be made up at a lesser rate than permitted under Rules 17, 18 or 19 above upon a showing at public hearing that the same is necessary to avoid material damage to the well.
- RULE 21. Failure to comply with the provisions of this order or the rules contained herein or the Rules and Regulations of the Division shall result in the cancellation of allowable assigned to the well. No further allowable shall be assigned to the well until all rules and regulations are complied with. The Division shall notify the operator of the well and the purchaser, in writing, of the date of allowable cancellation and the reason therefor.
-

TXO Production Corp.
September 3, 1986
Page 4

That jurisdiction of the cause is retained for the entry of such further orders as the Division may deem necessary.

Should TXO be in agreement to drill and produce the referenced well in accordance with the terms and provisions of this letter, please signify by executing three (3) originals of this letter in the space provided below.

AGREED TO AND ACCEPTED THIS 5TH DAY OF SEPTEMBER, 1986.



PERRY R. BASS, TRUSTEE



SID R. BASS, INC.
THRU LINE INC.
ROBERT M. BASS GROUP, INC.
LEE M. BASS, INC.

By 

Vice President of above named corporations

AGREED TO AND ACCEPTED THIS 4 DAY OF SEPTEMBER, 1986.

TXO PRODUCTION CO.

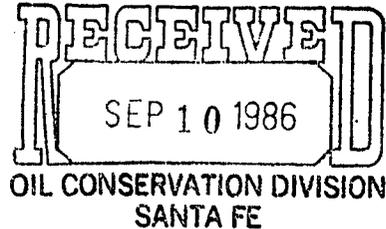
By 

Frank Kieffer
Attorney-In-Fact

BASS ENTERPRISES PRODUCTION CO.

FIRST CITY BANK TOWER
201 MAIN ST.
FORT WORTH, TEXAS 76102
817/390-8400

September 8, 1986



TXO PRODUCTION CORP.
900 Wilco Building
Midland, Texas 79701

Attention: Mr. David M. Hundley

RE: TXO - Delta Fee "C" No. 1 Well
W/2 Section 12, T22S-R27E
Eddy County, New Mexico
Production Limitation Letter Agreement

Gentlemen:

Enclosed please find one fully executed original of Letter Agreement dated September 3, 1986, regarding the drilling and production of the subject wells.

Bass has also notified the New Mexico Oil Conservation Division that pursuant to our letter agreement Bass no longer objects to the granting of TXO's application for administrative approval of an unorthodox location for the subject well.

Sincerely,

A handwritten signature in black ink, appearing to read "Louis W. Wilpitz". The signature is written in a cursive style with a large, sweeping flourish at the end.

LOUIS W. WILPITZ
Landman

LWW:jh
Enclosure

cc: Mr. David Catanach
New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Mr. Daniel S. Nutter
105 East Alicante
Santa Fe, New Mexico 87501

Administrative Order NSL-
TXO Production Corp.
Delta Fee "C" Well No. 1
Page 2

Very truly yours,

Richard L. Stamets
Director

RLS:

cc: Mr. Steve Rowland
Bass Enterprises Production Co.
P.O. Box 2760
Midland, TX 79702

Mr. Louis W. Wilpitz
Bass Enterprises Production Co.
First City Bank Tower
201 Main St.
Fort Worth, TX 76102

OCD - Artesia

September 4, 1986

P R O P O S E D
D R A F T

TXO Production Corp.
900 Wilco Building
Midland, TX 79701

Attn: Mr. David M. Hundley

Administrative Order NSL-

Gentlemen:

Reference is made to your application received in this office on August 7, 1986, requesting administrative approval for an unorthodox gas well location for your proposed Delta Fee "C" Well No. 1, a Wolfcamp test to be drilled at a point 990 feet from the North line and 1980 feet from the West line of Section 12, Township 22 South, Range 27 East, NMPM, East Carlsbad-Wolfcamp Gas Pool, Eddy County, New Mexico, the W/2 of said Section 12 to be dedicated to the well.

On August 26, 1986, this office received an objection to the proposed unorthodox location from Bass Enterprises Production Co., an offset operator, together with a request for a hearing on the matter, and your application was set for hearing as Case 8988 on Docket No. 28-86, to be heard on September 17, 1986.

We are now in receipt of the Letter Agreement between TXO Production Corp. and the Bass companies, as well as Bass's letter withdrawing their objection to the proposed unorthodox location, provided that the Letter Agreement is incorporated into the administrative order approving the unorthodox location.

Pursuant to the authority vested in me by Rule 104 F. I of the Division Rules and Regulations, TXO Production Corp. is hereby granted an exception to the well location requirements of Rule 104 C II (a) and is authorized to drill its Delta Fee "C" Well No. 1 to the Wolfcamp formation at the location described above provided, however, that production from the subject well shall be limited in accordance with the above-referenced Letter Agreement for so long as the well is in a non-prorated pool, and provided further, that if the well is in a prorated gas pool, it shall receive an acreage factor of 0.70 for allowable purposes.

The Letter Agreement between TXO Production Corp. and the Bass companies is attached hereto and made a part hereof as Exhibit "A" to this order.

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

September 4, 1986

Bass Enterprises Production Company
First City Bank Tower
201 Main Street
Fort Worth, Texas 76102

Attention: Mr. Jens Hansen

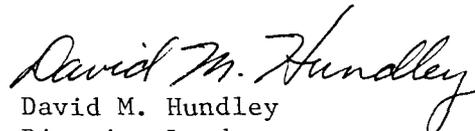
Re: Production Limitation
Letter Agreement
Delta Fee "C" #1 well
W/2 Section 12
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

Enclosed please find three executed copies of that certain Letter Agreement dated September 3, 1986, which you had prepared and mailed to TXO. The Letter Agreement has been executed by Mr. Frank Kieffer as Attorney-In-Fact for TXO Production Corp.

We would appreciate your having the proper Bass representatives execute this Letter Agreement and returning an executed copy to us at your earliest convenience. In addition, we would appreciate your notifying the Oil Conservation Division of TXO's execution of this Letter Agreement and that you have no further objection to the granting of TXO's application for administrative approval of an unorthodox location for the Delta Fee "C" #1 well.

Sincerely,


David M. Hundley
District Landman

DMH/dlt

cc: Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501
Attention: Mr. David Catanach

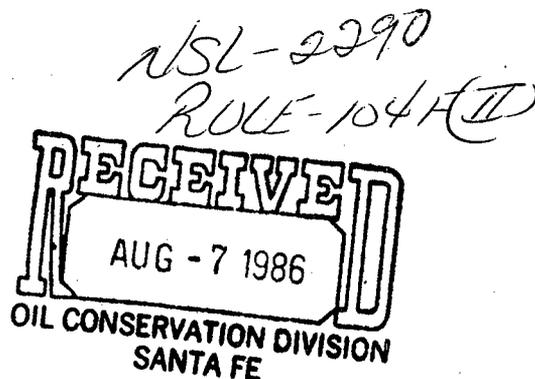
Mr. Daniel S. Nutter
Registered Petroleum Engineer
105 East Alicante
Santa Fe, New Mexico 87501

Release Sept 15 1986

By DEC

TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

August 5, 1986



Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. David Catanach

~~Case 9988~~

RE: Application for Administrative
Approval of Unorthodox Location
TXO Production Corp.
Delta Fee "C" #1 Well
W/2 Section 12
T-22-S, R-27-E
Eddy County, New Mexico

Gentlemen:

In accordance with Rule 104F of the Oil Conservation Rules and Regulations, TXO Production Corp. hereby requests administrative approval of its unorthodox location to drill the TXO Production Corp. Delta Fee "C" #1 well. Our proposed location is 1980' FWL and 990' FNL Section 12, T-22-S, R-27-E. The well is being planned as a 10,100' Wolfcamp test and the W/2 Section 12 will be dedicated to the well.

Both the Carlsbad East (Wolfcamp) Pool Rules and OCD Rule 104C II.(a) require that Wolfcamp gas wells shall be located not closer than 660' to the nearest side boundary of the dedicated tract nor closer than 1980' to the nearest end boundary of the dedicated tract. As a result, TXO Production Corp.'s proposed location for the Delta Fee "C" #1 well will require Oil Conservation Division approval of the location prior to drilling.

Attached please find the following exhibits as required in the rules and regulations:

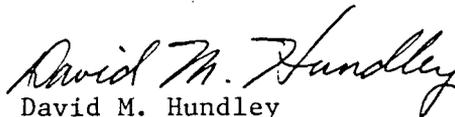
- Exhibit 1: Geologic interpretation and discussion.
- Exhibit 2: Land Plat showing the offset operators to the dedicated tract.
- Exhibit 3: Copies of certified letters and return receipts to the offset operators notifying them of TXO's intention to drill the Delta Fee "C" #1 well at an unorthodox location.

We have received a waiver from one of the offset operators (BHP Petroleum) and this waiver is attached to Exhibit 3.

Oil Conservation Division
August 5, 1986
Page 2.

It is our understanding that if there are no objections to TXO Production Corp.'s proposed location within 20 days after receipt of this application, then the Division Director may approve the unorthodox location. Please let me know should you require any additional information in order to review our application for this unorthodox location. Thank you for your assistance and cooperation and we shall look forward to hearing from you in the near future.

Sincerely,


David M. Hundley
District Landman

DMH/dlt
enclosures

cc: Oil Conservation Division
District II
P. O. Drawer DD
Artesia, New Mexico 88210

Bass Enterprises Production Co. - Certified Mail
First City Tower
201 Main Street
Fort Worth, Texas 76102
Attn: Mr. Louis Wilpitz

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

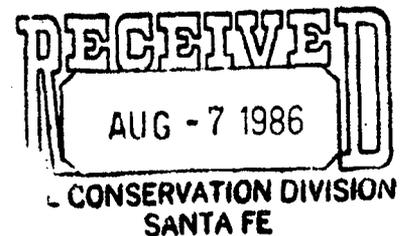


EXHIBIT #1

GEOLOGICAL INTERPRETATION & DISCUSSION

The TXO #1 Delta Fee 'C' is a proposed 10,100' Lower Wolfcamp test. The Lower Wolfcamp in the immediate area was deposited as a north-south trending carbonate bank. The pay zone is a limestone with average porosity of 4%. Oil & Gas is trapped stratigraphically within carbonate leases.

The unorthodox location is requested, as to position the well in the area of best developed reservoir porosity. The performance of three nearby wells (see attached cross section) would indicate the highest quality reservoir would be encountered by positioning the well as far north in the proration unit as possible. One well, the Champlin Pecos Federal #1 in the NW/4 Section 1 22S-27E has produced 1 BCFG and 100 MBO and is now producing 150 MCFGPD from 20' of porosity TXO's recently drilled #1 Delta Fee located in the SE/4 of Section 2 encountered 45' of Wolfcamp porosity, IP'd for CAOF 3.7 MMCFGPD. We anticipate reserves of 1 BCFG and 50 MBO. The third nearby offsetting well is Western Oil Producers #1 Bass in the NE/4 Section 11 has 42' of Wolfcamp porosity and has produced .7 BCF and 47 MBO. The Champlin #1 Pecos Federal and the TXO #1 Delta Fee are the better wells because of the presence of a massive carbonate zone with more continuous porosity than is seen in the Western #1 Bass well.

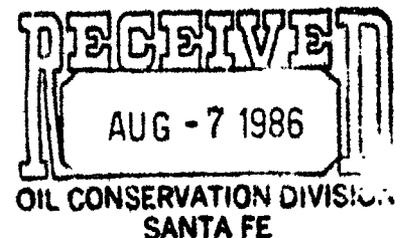
Included for your review are the above mentioned cross section as well as a Wolfcamp structure map and porosity isopach.

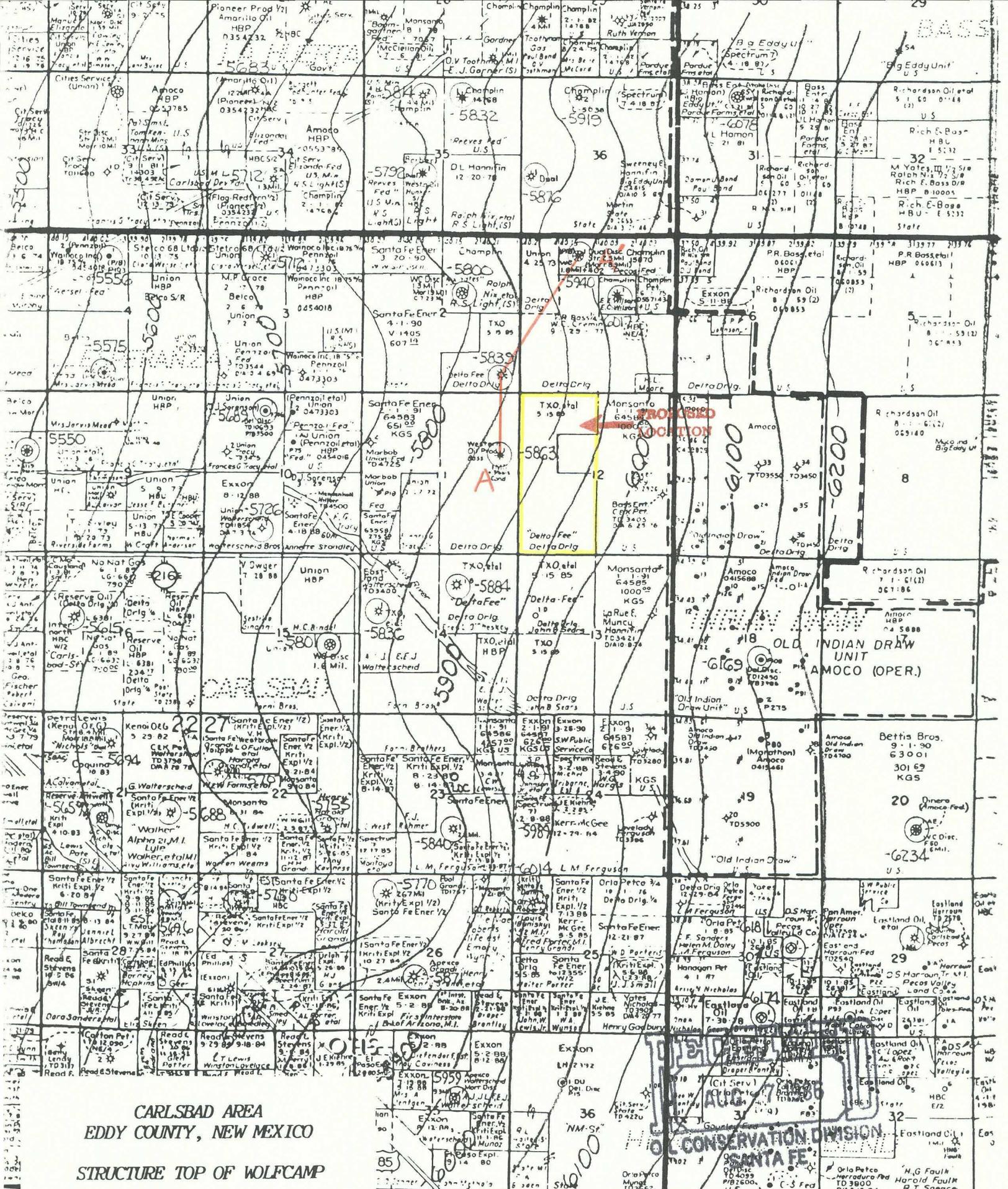
Russell P. Richards

Russell P. Richards

Geologist

RPR:rp





**CARLSBAD AREA
EDDY COUNTY, NEW MEXICO**

STRUCTURE TOP OF WOLFCAMP

CI = 50'

RPR

7186

CONSERVATION DIVISION
SANTA FE

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

5959

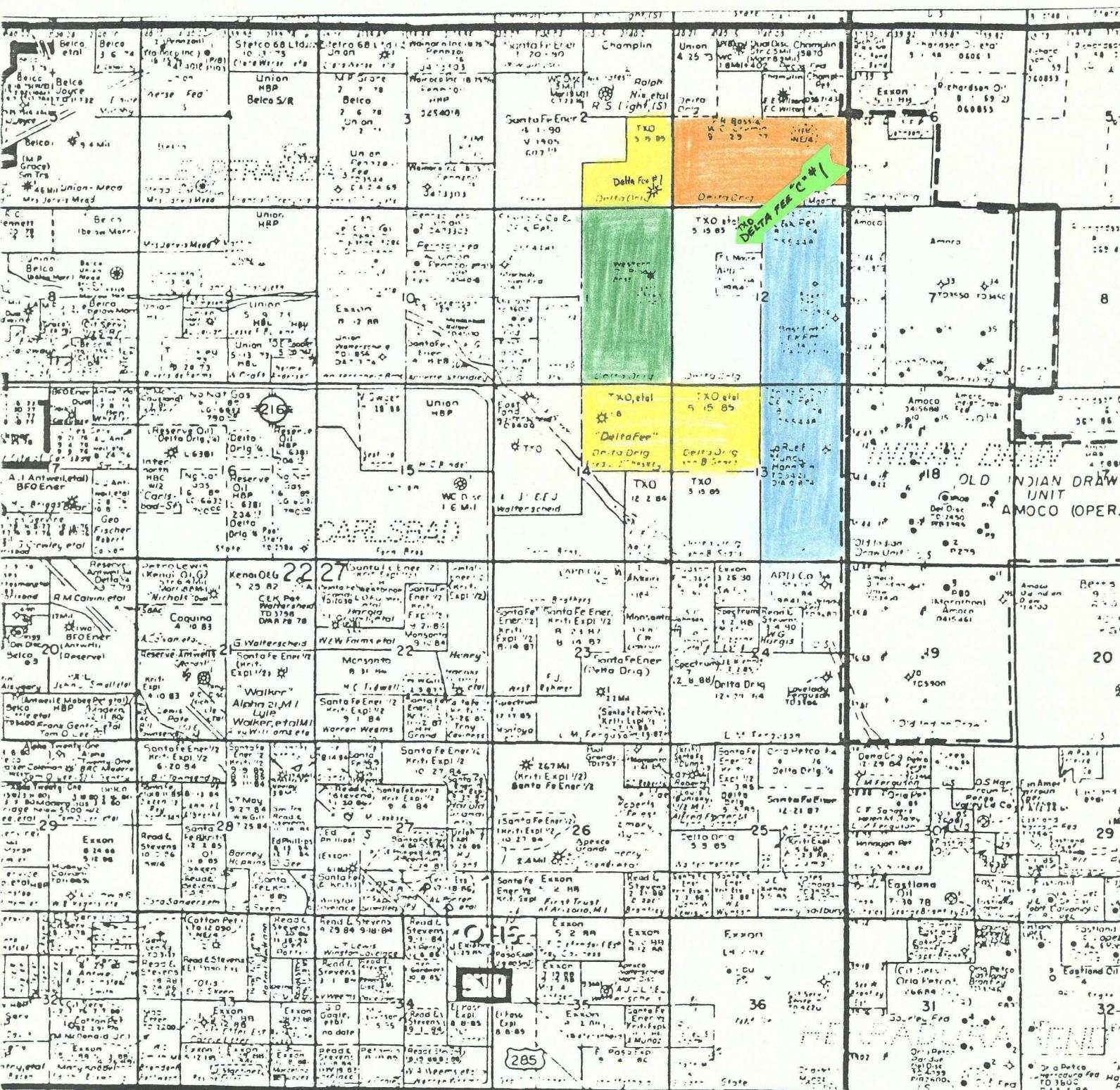
5959

5959

5959

5959

LAND PLAT SHOWING
OFFSET OPERATORS



-  BHP Petroleum, Inc.
-  TXO Production Corp.
-  Bass Enterprises Production Co.
-  Western Oil Producers, Inc.

DECEITVEN
INVESTMENT

COPIES OF CORRESPONDENCE
AND WAIVERS

July 25, 1986

Bass Enterprises Production Co.
First 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-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.

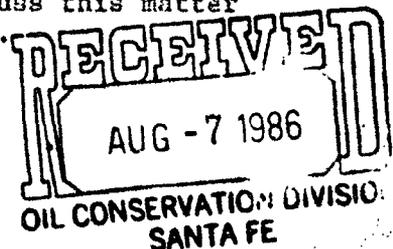
The Pool Rules for the Carlsbad East (Wolfcamp Gas) Pool and the Statewide Rule 104 provide that the well must be located not closer than 660' to the nearest side boundary of a dedicated tract nor closer than 1980' to the nearest end boundary of the dedicated tract. Consequently, the proposed location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



DMH/dlt
Enclosures

P 139 228 832

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, Feb. 1982

★ U.S.G.P.O. 1984-446-014

Sent to Bass Enterprises Production	
Street and No. 1st City Tower Bldg. 201 Main Street	
P.O., State and ZIP Code Fort Worth, TX 76102	
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 ~~will~~ 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 other details for service(s) requested.

1. Show to whom, date and address of delivery.

2. Restricted Delivery.

3. Article Addressed to:
(Attn: Mr. Louis Willpitz)
Bass Enterprises Production Co.
First City Tower
201 Main Street
Fort Worth, TX 76102

4. Type of Service: Article Number:
 Registered Insured
 Certified COD P 139 228 832
 Express Mail

Always obtain signature of addressee or agent and
DATE DELIVERED.

5. Signature - Addressee
X

6. Signature - Agent
X *Sam Steward*

7. Date of Delivery JUL 28 1985

8. Addressee's Address (ONLY if requested and fee paid)
Same

DOMESTIC RETURN RECEIPT

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 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

505/623-3131
746-2719 Shope

DMH/dlt
Enclosures

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.

1. Show to whom, date and address of delivery.

2. Restricted Delivery.

3. Article Addressed to:
 Western Oil Producers, Inc.
 1200 South Richardson
 P. O. Box 1498
 Roswell, NM 88201

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	P 139 228 833

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee
 X

6. Signature - Agent
 X *Keila Brown*

7. Date of Delivery
7-28-86

8. Addressee's Address (ONLY if requested and fee paid)
P.O. Box 1498

DOMESTIC RETURN RECEIPT

P 139 228 833

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
 NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1984-446-014

Sent to <i>Western Oil Producers</i>	
Street and No. <i>1200 S. Richardson</i> <i>P.O. Box 1498</i>	
P.O., State and ZIP Code <i>Roswell, NM 88201</i>	
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 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

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.

1. Show to whom, date and address of delivery. *free not paid*

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 L. Davis

4. Type of Service: Article Number

<input type="checkbox"/> Registered	<input type="checkbox"/> Insured	P 139 228 831
<input checked="" type="checkbox"/> Certified	<input type="checkbox"/> COD	
<input type="checkbox"/> Express Mail		

Always obtain signature of addressee or agent and **DATE DELIVERED.**

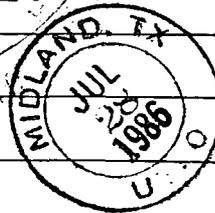
5. Signature - Addressee
 X *[Signature]*

6. Signature - Agent
 X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and see paid)

DOMESTIC RETURN RECEIPT



P 139 228 831

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

* U.S.G.P.O. 1984-446-014

Sent to BHP Petroleum Co., Inc.	
Street and No. 1300 One 1st City Cen 500 West Texas	
P.O., State and ZIP Code Midland, Texas 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	

PS Form 3800, Feb. 1982

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Sante Fe, New Mexico

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.

By: _____

Title: _____

Date: _____

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Sante Fe, New Mexico

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.

By: _____

Title: _____

Date: _____

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Sante Fe, New Mexico

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.

By: _____

Title: _____

Date: _____

State of New Mexico
Oil Conservation Division
P. O. Box 2088
Sante Fe, New Mexico

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.

By: 

Title: REGIONAL MANAGER

Date: July 28, 1986