

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

March 5, 1985

State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501

Attention: Mr. Michael E. Stogner

Re: Application of TXO  
Production Corp. for  
compulsory pooling and  
an unorthodox location,  
Lea County, New Mexico  
Case #8494

Gentlemen:

Enclosed please find two (2) extra sets of exhibits number 1 through 8 of the above referenced case as was requested for your files.

Also, enclosed is that certain Operating Agreement dated April 1, 1984 wherein TXO Production Corp. was designated as operator. Please note that on page three of the COPAS Agreement attached thereto as Exhibit III, the overhead rates that are charged to the joint account are as follows:

Drilling Well Rate: \$6802  
Producing Well Rate: \$680.

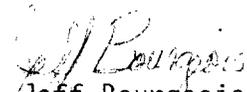
This Operating Agreement was used for our Mills "E" #1 well in Wheeler County, Texas. This Operating Agreement is the only other example, other than Exhibit VI, that I am able to furnish you with where TXO Production Corp. as operator has charged the above noted overhead rates. The rates listed above are the rates that our office charges for all wells drilled over 12,000 feet and since April 1st of last year, the examples that have been submitted to you are the only two examples in our office where TXO has had partners in the well and, therefore, the necessity of an Operating Agreement. The rates we use as TXO's West Texas district are set forth by the general accounting department in our Dallas office.

RECEIVED  
MAR 10 1985  
OIL CONSERVATION DIVISION  
SANTA FE, NM

March 5, 1985  
State of New Mexico  
Case #8494  
Page two

After you have reviewed the enclosed Operating Agreement, if you have any questions concerning our overhead rates or any of the other submitted exhibits, please do not hesitate to contact us. TXO is looking forward to hearing from you as to the Order of the Division in regard to case number 8494. Thank you very much for your attention to this matter and we look forward to hearing from you soon.

Very truly yours,

  
Jeff Bourgeois  
Landman

JB/dp  
Enclosures

cc: Mr. Chad Dickerson  
7th and Mahone, Suite E  
Artesia, NM 88210



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

March 21, 1985

The State of New Mexico  
Energy and Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501

Attention: Mr. R. L. Stamets

Re: Case #8494  
Order #R-7850

Gentlemen:

In compliance with the above referenced Order of the Division, enclosed please find one itemized schedule of estimated well cost for the drilling of TXO Production Corp.'s Sprinkle Federal #1 well. This Authority for Expenditure (AFE) is identical to the one that was submitted as Exhibit VII in Case # 8494 presented before Examiner Michael E. Stogner on February 27, 1985.

Should you have any questions or want to discuss this matter, please do not hesitate to contact me at the number shown above. Thank you very much for your cooperation in this matter.

Very truly yours,

  
Jeff Bourgeois  
Landman

JB/dp  
Enclosure

**AUTHORITY FOR EXPENDITURE**  
**DRILLING WELL**

Date Jan. 10, 1985 A      Co. Cd.     

District West Texas Well Name Sprinkle Federal Well No. 1  
Well Location 660' FNL & 660' FWL, Section 26, T-18-S, R-32-E Depth 13,300'  
Field Corbin South (Morrow) County Lea State New Mexico  
Prepared By: Mark Weideman Submitted By:                      Dallas      District     

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
<b>DRILLING</b>					
01	Casing 750' 13 3/8" 4500' 8 5/8"		90 000		90 000
02	Casinghead		15 000		15 000
03	Location, Road & Dirt Work <i>damages &amp; stake</i>		50 000		50 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 55 days @ \$4500		247 500		247 500
06	Drilling - Rig Support MI & MRT		25 000		25 000
07	Bits 1-17 1/2" 3-12 1/4" 8-7 7/8"		42 000		42 000
08	Supervision 57 days @ \$250		14 250		14 250
09	Overhead				
10	Mud & Chemicals & water		65 000		65 000
11	Cementing Services & Supplies & csg. crew		28 000		28 000
12	Testing & Logging & mudlogger		35 000		35 000
13	Rentals		12 000		12 000
14	Other IDC		10 000		10 000
15	Other Equipment		10 000		10 000
TOTAL DRILLING			643 750		643 750
<b>COMPLETION</b>					
17	Casing 13,300' 4 1/2"		125 000		125 000
18	Tubing 13,300' 2 3/8"		77 000		77 000
19	Wellhead		10 000		10 000
20	Subsurface Equipment		10 000		10 000
21	Supervision 18 days @ \$250		4 500		4 500
22	Mud & Chemicals & KCL water		4 500		4 500
23	Testing, Logging & Perforating		12 000		12 000
24	Stimulation		20 000		20 000
25	Overhead				
26	Rentals		8 500		8 500
27	Service Rig 18 days @ \$1500		27 000		27 000
28	Cementing Services & Supplies & csg crew		20 000		20 000
29	Other IDC		10 000		10 000
TOTAL COMPLETION			328 500		328 500
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines		2 500		2 500
36	Meters		6 500		6 500
37	Installation		2 000		2 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		10 000		10 000
TOTAL PRODUCTION EQUIPMENT			51 000		51 000
<b>TOTALS</b>			1023 250		1023 500

WI OWNER NAME

BILLING INT  
(7 decimals)

DATE  
APPROVED

APPROVED: (this space for approval only)

Earl H. Johnson, P.C.

Attorney at Law

Case No. 8494

1385 South Colorado Blvd. #720  
Denver, Colorado 80222

October 30, 1985

(303) 756-8624

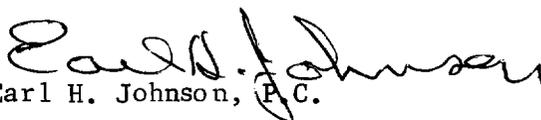
State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

Re: T18S, R32E  
Lea County, New Mexico

Gentlemen:

I am enclosing copy of letter which I have forwarded to TXO Production Corp. regarding the above-captioned property on behalf of my client Joseph S. Sprinkle.

Yours truly,

  
Earl H. Johnson, P.C.

EHJ/bb  
Enc.

*Earl H. Johnson, P.C.*

*Attorney at Law*

*1385 South Colorado Blvd. #720*

*Denver, Colorado 80222*

October 29, 1985

*(303) 756-8624*

TXO Production Corp.  
900 Wilco Building  
Midland, Texas 79701

Re: Sprinkle Federal No. 1 Well  
Sprinkle Federal No. 2 Well  
Sprinkle Federal No. 3 Well - Proposed  
T18S, R32E, Lea County, New Mexico

Gentlemen:

Mr. Joseph S. Sprinkle has delivered to me your correspondence regarding the above-captioned wells. It is evident therefrom that you have consistently refused to furnish him with any post-completion data on the two wells drilled. He finds it very difficult to make any type of evaluation as to whether or not to join in the drilling of the well or whether to farm out the acreage.

He again requests from you all of your post-completion data regarding the two wells drilled. He requests that no further wells be drilled until the data be furnished to him. In no event will he agree to the drilling of Federal No. 3 on the basis of TXO's rig schedule and development obligation. It is absolutely necessary that he be apprized of all of the development concerning this acreage.

If the above information is not received within ten days of the date of this letter, it will be necessary to commence the necessary legal action to prohibit any further drilling operation on the acreage.

Yours truly,

Earl H. Johnson, P.C.

EHJ/bb

cc: State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division

TXO PRODUCTION CORP.

900 WILCO BUILDING

MIDLAND, TEXAS 79701

October 31, 1985

*M.S.*

State of New Mexico  
Energy & Minerals Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, NM 87501

Attention: R. L. Stamets

Re: Sprinkle Federal #1 Well  
Township 18 South, Range 32 East, NMPM  
Section 26: N/2  
Lea County, New Mexico

Dear Sirs:

Please find attached, a detailed report of actual costs to date that have been charged to the Sprinkle Federal #1 well in Lea County, New Mexico. This report only includes costs that have been processed through September 30, 1985, and will not reflect subsequent costs for invoices still being processed for October, 1985.

This should fulfill TXO's obligation to provide you with actual well costs according to the Oil Conservation Division Case No. 8494, Order No. R-7850.

If you have any questions concerning these costs, please call.

Sincerely,

*Mark Roberts*

Mark Roberts

MR/cc

Attachment

cc: Jeff Bourgeois

REPORT NO: REPORT TITLE:  
 AFEREPA AFE COMPARISON REPORT FOR: 85/10  
 AFE: 851904 NAME: SPRINKLE FEDERAL #1

COMPANY: TXO PRODUCTION CORP.  
 REGION: SOUTHERN  
 DISTRICT: WEST TEXAS  
 TYPE: 011 TXO DEVELOPMENT DRLG

	CATEGORY	GROSS ESTIMATE	GROSS COST
DRILLING	SURFACE & INTERM CASING-1	90,000.00	90,148.74
	CASINGHEAD-104	15,000.00	2,091.77
	LOCATION WORK-243	50,000.00	24,972.30
	FOOTAGE/TURNKEY DRILLING-	0.00	0.00
	DAYWORK DRILLING-266	247,500.00	353,956.18
	RIG SUPPORT-267	25,000.00	351.20
	BITS-231	42,000.00	200.00
	SUPERVISION-204	14,250.00	11,997.57
	DRILLING OVERHEAD-227	0.00	11,252.71
	MUD & CHEMICALS-230	65,000.00	54,008.26
	CEMENTING SERV & SUPPLIES	28,000.00	66,231.92
	TESTING & LOGGING-234	35,000.00	35,496.56
	RENTALS-242	12,000.00	23,724.30
	OTHER IDC-244,245,246,290	10,000.00	0.00
	OTHER EQUIPMENT-120	10,000.00	0.00
LEGAL-213	0.00	5,202.02	
N/O INTANGIBLE COSTS-274	0.00	0.00	
DRILLING		643,750.00	679,633.53
COMPLETION	PRODUCTION CASING-102	125,000.00	117,155.42
	TUBING-103	77,000.00	34,587.29
	WELLHEAD EQUIPMENT-104	10,000.00	36,502.51
	SUBSURFACE EQUIPMENT-108	10,000.00	9,564.59
	SUPERVISION-204	4,500.00	11,269.99
	MUD & CHEMICALS-230	4,500.00	5,810.00
	TESTING, LOGGING & PERF-23	12,000.00	21,103.52
	STIMULATION-236	20,000.00	54,063.77
	COMPLETION OVERHEAD-227	0.00	8,353.08
	RENTALS-242	8,500.00	21,128.19
	SERVICE RIG-241	27,000.00	44,968.61
	CEMENTING SERV & SUPPLIES	20,000.00	4,089.13
	OTHER COMPLETION-246,290	10,000.00	3,611.08
N/O INTANGIBLE COSTS-274	0.00	0.00	
COMPLETION		328,500.00	372,207.18
PRODUCTION EQUIPMENT	PUMPING UNIT-105	0.00	0.00
	ENGINE & MOTORS-106	0.00	0.00
	SUCKER RODS-107	0.00	0.00
	FLOW LINES-110	2,500.00	1,132.88
	METERS-112	6,500.00	3,365.00
	INSTALLATION/OVERHEAD-111	2,000.00	0.00
	STORAGE-115	15,000.00	16,722.47
	SEPARATION & TREATING-117	15,000.00	12,147.21
	OTHER EQUIPMENT-120,152	10,000.00	4,221.18
PRODUCTION EQUIPMENT		51,000.00	37,588.74
PREPAYMENTS	PREPAYMENTS-291	0.00	0.00
	PREPAYMENTS	0.00	0.00
		1023,250.00	1089,429.45
		1023,250.00	1089,429.45