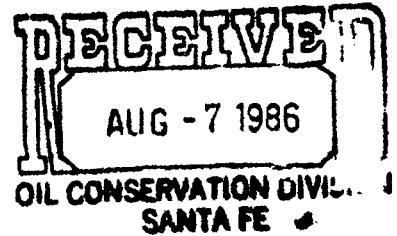


TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

August 5, 1986



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

Case 8988

Attention: Mr. David Catanach

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:

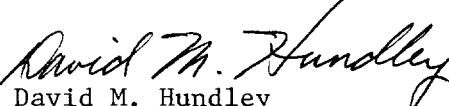
- Exhibit 1: Geologic interpretation and discussion.
- Exhibit 2: Land Plat showing the offset operators to the dedicated tract.
- Exhibit 3: Copies of certified letters and return receipts to the offset operators notifying them of TXO's intention to drill the Delta Fee "C" #1 well at an unorthodox location.

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

Oil Conservation Division
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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

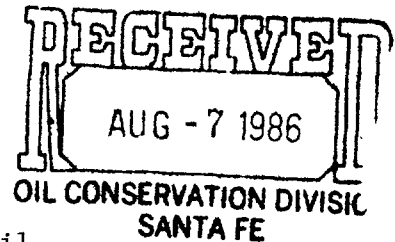
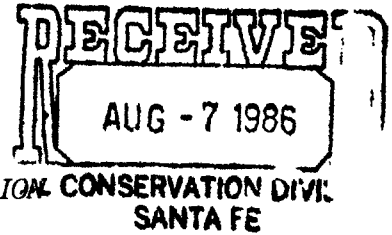


EXHIBIT #1



GEOLOGICAL INTERPRETATION & DISCUSSION CONSERVATION DIVISION
SANTA FE

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 MCFGPD. 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.

A handwritten signature in cursive script that reads "Russell P. Richards".

Russell P. Richards

Geologist

RPR:rp