

Exhibits 1 through 4
Complete Set

PENNZOIL COMPANY

PENNZOIL PLACE • P O BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

April 27, 1988

TXO Production Corp.
900 Wilco Building
Midland, Texas 79701

Re: Farmout Agreement
Lovington North Area
Lea County, New Mexico

Gentlemen:

The following letter sets forth the terms and conditions of an agreement between Pennzoil Exploration and Production Company and Chevron U.S.A. Inc. (hereinafter referred to as "Farmor") and TXO Production Corp. (hereinafter referred to as "Farmee"). In consideration of the benefits to accrue to the parties hereto and the covenants and obligations to be kept by Farmee it is hereby mutually agreed as follows:

I.

FARMOUT ACREAGE

Pennzoil Exploration and Production Company represents without warranty of title of any kind or character, either express or implied, that it is the record owner of the following oil, gas and mineral leases:

1. Oil & Gas Lease dated September 24, 1984, Ronald J. Byers, Lessor, Pennzoil Company, Lessee, insofar as said lease covers S/2 SE/4 of Section 3, T17S-R37E, Lea County, New Mexico, containing 80 acres, more or less, said lease being recorded in Book 377, Page 581, Oil & Gas Records of Lea County, New Mexico. (Pennzoil Lease No. 63995-00)

Chevron U.S.A. Inc. represents without warranty of title of any kind or character either express or implied, that it is the owner of certain contractual rights pertaining to said oil and gas lease as specified in that certain Operating Agreement dated May 1, 1987, between Pennzoil Company, as Operator, and Chevron U.S.A. Inc. as Non-Operator and any amendments thereto.

Said acreage shall hereinafter be referred to as the "Farmout Acreage".

TXO PRODUCTION CORP.
Case No. 9454
8/17/88 Examiner Hearing
Exhibit No. 2

II.

INITIAL TEST WELL

At no cost, risk or expense to Farmor, Farmee agrees to commence or cause to be commenced on or before May 8, 1988, actual drilling of an initial test well (hereinafter referred to as the "Initial Test Well") in search of oil and/or gas at a legal, standard location on the Farmout Acreage and shall continue to drill said well with due diligence and in a prudent manner to a depth sufficient to adequately test to Farmor's satisfaction the Atoka Sands formation as found at the interval 11,600' to 11,615' subsurface in the Pennzoil No. 1 Simmons Estate well located 1980' FWL and 1310' FSL of Section 3-17S-37E, Lea County, New Mexico. Farmee agrees that the exact bottom hole location will be determined in said well by the radius of curvature method using directional survey points taken from total depth drilled to the surface at a minimum of one point per 100 feet measured depth. All directional survey results will be supplied to Farmor.

Said "Initial Test Well" shall be completed without unnecessary delay as a commercial producer of oil and/or gas or as a dry hole within ninety (90) days from commencement. Commencement date of any well drilled under the provisions of this agreement shall mean the date actual drilling is commenced using a drilling rig capable of reaching the formation and depth provided for herein. Completion date shall mean the date the drilling rig is released.

III.

SUBSTITUTE WELL

If a formation and/or some other condition is encountered while drilling any well hereunder which renders further drilling by ordinary tools or methods impracticable, Farmee shall have the right at its option for a period of thirty (30) days from the abandonment of said well to commence drilling of a substitute well (hereinafter referred to as the "Substitute Well") at a mutually agreeable location. Said "Substitute Well" shall be drilled to the same depth and in the same manner as provided for the abandoned well and all reference herein to the well abandoned shall apply with equal force and effect to the "Substitute Well" to the extent that the "Substitute Well" will replace the abandoned well for all purposes hereunder.

IV.

EARNING

Upon written request within thirty (30) days after completion of said "Initial Test Well" as a producer of oil and/or gas in commercial quantities, and upon Farmee's strict compliance with all the terms and conditions hereof to Farmor's satisfaction, Farmor agrees to assign to Farmee all of its leasehold interest in and to and only to the "Farmout Acreage" contained within the proration unit assigned to the "Initial Test Well". Neither Farmor (Pennzoil Exploration and Production Company and Chevron U.S.A. Inc.) will have an ORI before payout since the lease being farmed out is burdened with a 1/4 royalty. Farmee shall be delivered a 75% net revenue interest. If the exact bottom hole location, as determined by the directional survey method as defined above in Article II, ends up being closer than 250 feet from the proration unit

line, said proration unit line being defined as the outer boundary of the S/2 SE/4 of Section 3-17S-37E, Lea County, New Mexico, containing 80 acres, more or less, then Farmor shall have the option at casing point to back-in for a 40% working interest (20% Pennzoil Exploration and Production Company, 20% Chevron U.S.A. Inc.). If the exact bottom hole location is further than 250 feet from the proration unit line, as defined herein, then Farmor will have no casing point election; but will have the option to back-in for a 40% working interest (20% Pennzoil Exploration and Production Company, 20% Chevron U.S.A. Inc.) at payout, as defined herein, in the "Farmout Acreage" earned by the "Initial Test Well" and all personal property used in connection therewith and production therefrom.

Once the bottom hole location is determined, should said bottom hole location be closer than 250 feet from the proration unit line, as herein defined, then Farmee shall have the option before Farmor exercises its casing point election to go back up the hole and redrill said hole to a bottom hole location further than 250 feet from the proration unit line. If Farmee exercises this option then another directional survey, as stipulated in Article II, will be run by Farmee to determine the subsequent bottom hole location. At casing point or at payout, if Farmee elects to back-in for its working interest, Pennzoil Exploration and Production Company's NRI will be based on a 31.25% NRI, and Chevron U.S.A. Inc.'s NRI will be based on a 43.75% NRI. In the event that any of the leases referred to in Article I expire and Farmee enters into a new lease with the lessor(s) within one (1) year of the expiration of such lease, Farmor shall have the election to join in the lease as to its interest determined on an after payout basis under the terms of the new lease.

Farmor's contingent working interest reserved herein shall be subject to proportionate reduction in proportion to Farmor's acreage contained in the proration unit established for the "Initial Test Well". In the event the interest conveyed to Farmee should cover less than the entire leasehold interest, the contingent working interest reserved herein shall be reduced proportionately to accord with the interest owned by Farmor and Farmor's lands included in the proration unit of the well.

Any assignment earned hereunder will be without warranty of title, either express or implied, and Farmor will reserve all of the leasehold rights below the stratigraphic equivalent of one hundred feet (100') below the total depth drilled in the "Initial Test Well".

In the event Farmee decides to drill a subsequent well to a different formation on the proration unit assigned to the "Initial Test Well", but prior to payout of said well, Farmee shall notify Farmor in writing of such intention and Farmor shall have the right, but not the obligation, to participate in the drilling of and the revenue and production from such subsequent well on an after payout basis regardless of the payout status of the "Initial Test Well". If a well is proposed and Farmor elects not to participate, the provisions of this agreement granting Farmee an optional 40% working interest at payout (20% Pennzoil Exploration and Production Company, 20% Chevron U.S.A. Inc.) shall apply. Should any subsequent well be drilled to a different formation on the same proration unit assigned to the "Initial Test Well" then all provisions and terms of this agreement regarding the "Initial Test Well" bottom hole location, directional survey requirements and casing point election shall apply with equal force and effect to the subsequent well.

This farmout is made subject to all of the terms of that certain Operating Agreement dated May 1, 1987, between Pennzoil Company, as Operator and Chevron U.S.A. Inc, as Non-Operator, and any subsequent amendments thereto, as identified as Exhibit "B" attached hereto, and it is understood that any rights and interests which may be earned pursuant to the terms of said farmout agreement are expressly limited to the S/2 SE/4 Section 3-17S-37E, Lea County, New Mexico. In the event the terms and conditions of the above referenced Operating Agreement are different from the terms and conditions of this agreement, the terms and conditions of this agreement shall control.

V.

PAYOUT

Payout shall occur when Farmee has recovered from the net production attributable to the "Initial Test Well" (being gross production less all taxes, royalties, overriding royalties, and other interests payable out of or measured by production from said well existing and of record on or before the first date written above or created hereunder) all of the costs incurred in drilling, equipping, completing and operating of said well. Farmee shall furnish to Farmor as soon as possible after completion of the "Initial Test Well" a statement itemized in reasonable detail showing the cost and expense incurred in drilling, completing, and equipping said well and shall also furnish Farmor on or before the end of each successive quarter following the date of completion of said well with a statement itemized in reasonable detail showing the kind and amount of production from said well during the next preceding quarter, the market value of the production therefrom sold or utilized off the premises during such quarter, the reasonable operating expenses for said well and the amount of net proceeds applicable as a credit toward the hereinabove provided sums. Farmor shall have the right, at Farmor's sole expense, to inspect and audit any and all such statements within a period of two (2) years after payout; however, such audit shall be conducted during normal business hours. Upon receipt by Farmor of written notice stating the payout as herein defined has occurred, Farmor shall have thirty (30) days from the date of receipt of said notice to exercise its option to convert its overriding royalty interest to a working interest as provided above. In the event Farmor's decision is to convert, the effective date of said conversion shall be 7:00 a.m. the day after payout has occurred. The payout status of any subsequent well drilled on acreage earned by the "Initial Test Well" in which Farmor has elected not to participate shall be calculated and maintained under separate accounting, and there shall not be any accumulation of costs from any other wells drilled under this agreement.

VI.

TAKE OVER

In the event Farmee elects to plug and abandon any well located on the "Farmout Acreage" in which Farmor is not an active working interest participant or is a non-consenting party, Farmee shall so notify Farmor and Farmor shall have the right to take over at Farmor's sole cost, risk, and expense by notifying Farmee in writing of Farmor's election to do so within twenty-four (24) hours after receipt of notice. If Farmor elects to take over said well, Farmor agrees to pay the value of the well's salvable material and equipment, less the estimated cost of salvaging said material and equipment and Farmor shall, at the time of its notice, become

liable for the rig time costs. In the event such completion or deepening attempt does not result in a commercially productive oil and/or gas well, Farmor shall plug and abandon the well at its sole cost, risk, and expense. If such completion and/or deepening results in a commercially productive oil and/or gas well, Farmor shall own the well, the operating rights, and working interest therein, the material and equipment in and pertaining thereto and the production therefrom. If the well taken over by Farmor is the "Initial Test Well" then except for the duty of Farmor to pay for the well's salvable material and equipment as discussed above and the obligations pursuant to Article X, this Agreement shall terminate upon receipt by Farmee of Farmor's election to take over the "Initial Test Well".

VII.

TESTING AND WELL INFORMATION

Farmee agrees to keep an accurate log of each well, to drill the same in a good faith effort to discover oil and/or gas, and to test adequately to Farmor's satisfaction all oil and gas shows encountered. Farmee will specifically comply with all requirements set out in Exhibit "A" entitled "Geological Requirements" attached hereto and made a part hereof for all purposes. Any notices and correspondence other than as required in Exhibit "A" attached hereto shall be sent to the above captioned letterhead address, Attention: Land Department.

VIII.

ASSUMPTION OF LEASE OBLIGATIONS

During the term of this agreement, Farmee shall assume all obligations of Lessee, express or implied, under the provisions of the lease subject to this agreement and Farmee further agrees to indemnify and hold Farmor harmless from any and all claims and demands of all persons which have as their basis the breach of Lessee's obligations under said lease insofar as they relate to the interest covered by such assignments. Farmee agrees at its expense to effect settlement with surface owners for damages, if any.

Farmor agrees to pay any delay rentals which may become due on the "Farmout Acreage" during the term of this agreement and Farmee agrees to reimburse Farmor for one hundred percent (100%) of such payments within thirty (30) days of receipt of Farmor's billing. Farmor shall never incur any liability for any failure to make, or mispayment of delay rentals.

Any shut-in payments to be made on any well completed as a gas well shall be Farmee's responsibility, and in the event it is necessary that such shut-in payments be made, Farmee shall furnish Farmor evidence that such payments were timely made. Farmee agrees to notify Farmor before shutting-in any gas well drilled hereunder whether such shut-in occurs before or after initial production from a well.

Farmee agrees to render and pay all ad valorem taxes, if any as to any acreage earned hereunder and all equipment appurtenant thereto. In the event oil and/or gas is produced from said land or lease, Farmee agrees to pay to the royalty owners all royalties on account thereof and shall save,

indemnify, and hold Farmor harmless from all liability on account of obligations accruing to the royalty owners and account of the production of oil or gas from said land as to the depth earned under the terms of this agreement.

Any assignment made to Farmee under the terms of this agreement shall provide that in the event Farmee should elect to surrender, let expire, abandon or release (by failure to pay rentals or otherwise) all or any part of Farmee's rights in the "Farmout Acreage", or any part thereof, Farmee shall notify Farmor not less than ninety (90) days in advance of such surrender, expiration, abandonment or release, and if requested within thirty (30) days to do so by Farmor, Farmee shall immediately reassign to Farmor all rights previously conveyed to Farmee under the terms of this agreement. If production from any lease covered hereby ceases at any time during the primary term thereof, and Farmee or any assignee of Farmee's is then operating such lease, Farmee shall promptly notify Farmor thereof in writing within sixty (60) days.

IX.

ASSIGNMENT

It is expressly understood that the terms of this agreement shall be binding upon the parties hereto, their heirs, successors and assigns, provided, however, that this agreement shall not be assigned by Farmee without first obtaining Farmor's written consent thereto.

X.

INDEMNITY AND APPLICATION OF LAWS

All operations which may be conducted by Farmee hereunder, whether drilling or otherwise, shall be conducted at Farmee's sole risk and cost and Farmor shall not be subject to any obligation or liability whatsoever in connection therewith unless otherwise specifically provided herein. Farmee agrees to indemnify and save Farmor free, clear, and harmless from any claim, demand, or lien asserted by any person or persons therefor, including, but not limited to, those resulting from injury to, death of, or loss or destruction of property of any person or persons and to promptly pay all bills for labor, goods, equipment, facilities, services

or other items as they occur. Farmee shall be free and unfettered to sell, assign, mortgage, place liens upon or otherwise encumber any acreage or interest therein, from the farmout, the production therefrom or any equipment or facilities thereon which has been assigned to Farmee and which is owned by Farmee but such right of encumbrance shall not extend to any acreage, production, equipment or facilities not owned or earned by Farmee. Farmee shall defend, indemnify, and hold Farmor harmless from and against all such claims and lien. Nothing herein shall be construed to create a partnership, a joint venture, an association, a trust, a mining partnership, or other entity, nor to constitute Farmee the agent of Farmor.

This agreement is subject to all applicable Federal, State and local laws, rules, orders, and regulations and all development and operations hereunder shall be conducted in conformity therewith. Farmee shall defend, indemnify and hold Farmor harmless from and against any and all claims, liabilities, demands or causes of action arising out of Farmee's failure to comply with said laws, rules, regulations, and orders. Further as to nondiscrimination, Farmee agrees in the performance of this agreement and in the conduct of all of its operations hereunder to comply with all the terms and provisions of Section 202 (1) to (7) inclusive of Executive Order 11246, the terms of which are incorporated by reference in this agreement. Farmee expressly agrees to timely comply with all filing procedures, rules and regulations promulgated by either State or Federal agencies under the auspices of the Natural Gas Policy Act of 1978 to the end that the production from any well drilled under this agreement shall be entitled to the maximum lawful price permissible under the NGPA or its successor statutes, rules and regulations.

XI.

CURATIVE WORK

Farmor shall not be obligated to perform any curative work with respect to titles involved in the "Farmout Acreage" or furnish any abstracts or other material other than such contract or title papers as Farmor now has in its possession; however, any curative work accomplished by Farmee shall inure to the benefit of Farmor and Farmor shall promptly be furnished copies of any instruments and/or legal opinions obtained by Farmee in connection with the "Farmout Acreage".

XII.

INSURANCE

As to all operations provided for herein, Farmee shall secure and maintain Workmen's Compensation & Employer's Liability Insurance, in accordance with applicable state laws, covering the employees of Farmee engaged in operations hereunder.

Farmee shall provide certificates evidencing such insurance to Farmor upon Farmor's request. Farmee shall require its contractors and sub-contractors working and performing services on the premises covered hereby to comply with the Workmen's Compensation laws of the State of New Mexico and to carry such other insurance and in such amounts as Farmee shall deem necessary.

XIII.

PURCHASE OF PRODUCTION

Any assignment earned hereunder shall reserve unto Farmor the following rights and options:

1. The option at any time and from time to time by not less than thirty (30) days advance written notice to purchase all or any part of the oil (which terms as herein used shall include distillate, condensate, and other liquid hydrocarbons as well as crude oil) produced and saved from the "Farmout Acreage" under

the Division Order terms prevailing in the field at the time of purchase. The price payable for the oil contained in a delivery thereof shall not be less than posted well prices generally prevailing at the time of delivery for oil of like grade and gravity produced in the same pricing area to be determined in accordance with the pricing practices followed from time to time by the principal purchasers of crude oil posting well prices; therefore, when varying well prices are posted, the well price posted and being paid for the largest quantity of oil produced in such pricing area shall be considered the prevailing posted well price.

2. The option to purchase gas produced and saved from the "Farmout Acreage" at the price and under the terms prevailing in the area at the time of purchase. In the event Farmee should receive a bonafide offer for the purchase of its gas from a purchaser other than Farmor, which Farmee is willing to accept, Farmee shall notify Farmor in writing of such offer, furnishing Farmor with the terms thereof, and Farmor shall have the option within thirty (30) days of the receipt of such notice and information to either:
 - A. Elect to purchase Farmee's gas at terms equal to or better than those contained in the offer which Farmee has received, or
 - B. Furnish another purchaser who will purchase such gas at terms equal to or better than the offer which Farmee has received, and to require the Farmee to sell the gas to the purchaser provided by Farmor.

Should Farmor not exercise either Option A or B above within thirty (30) days from receipt of Farmee's notice, Farmee may at its option within ninety (90) days thereafter, enter into a contract to sell its gas to such purchaser in accordance with said bonafide offer. If, however, Farmee does not enter into such contract with its purchaser (or, if, for any reason, Farmee does not make or discontinues making a sale of gas pursuant to such contract), then Farmor's right to make the above election and Farmee's obligation to sell gas to Farmor or to the purchaser provided by Farmor hereunder shall be reinstated subject to the terms and conditions set forth above. Should Farmor exercise Option B or should Farmee enter into a contract with its purchaser as provided for in the above sentence, Farmor shall have the right to purchase all by-products removed from such gas, including but not limited to all liquefiable hydrocarbons and sulfur. An offer to renew or extend a contract covering existing sales of gas or to enter into a new contract with the existing purchaser shall fall within the offers which are subject to the terms and conditions of this subparagraph.

3. It is understood and agreed that the rights and options to purchase hereby reserved may be assigned by Farmor at any time, at all times and from time to time without limitation.

XIV.

WINDFALL PROFIT TAX

Each party hereto expressly agrees to bear and pay one hundred percent (100%) of any excise or severance tax accruing on its share of production from the area subject to this agreement by virtue of the Crude Oil Windfall Profit Tax of 1980 (WPT); specifically as provided in the WPT on the excess of the actual selling price (the "removal price") over the adjusted base price with a deduction for severance taxes on the Windfall Profit. Each party recognizes that the Internal Revenue Service is responsible for all regulations pertaining to the WPT and that these regulations may be amended from time to time, and each party expressly agrees to meet all responsibilities it may have under the WPT in a timely manner. For instance, any information required to be certified to a first purchaser by a producer or operator shall be submitted by such certifying party in a manner sufficient to permit compliance with the WPT and its accompanying regulations.

Should a certifying party such as a producer or operator fail to timely submit such information and/or fail to submit all information necessary to permit such compliance and as a result thereof any other party hereto incurs any liability under said WPT and/or said regulations, such certifying party shall indemnify and hold such other party free and harmless from any and all liability so incurred. However, if such certifying party does not possess the information required for a timely and proper certification to a first purchase or a producer but any other party or parties hereto does possess such required information, such information shall be furnished to the certifying party promptly upon its written request therefor. The certifying party shall be relieved of and freed from the indemnification above provided as to any party or parties hereto who fail to provide promptly such required and requested information to such certifying party.

XV.

MISCELLANEOUS

It is understood that time be of the essence of this agreement and no provisions hereof shall be modified or waived except in writing.

XVI.

ACCEPTANCE

This farmout letter agreement shall not be binding upon Farmor until Farmee has evidenced its acceptance in the space provided below and returned a fully executed copy to the letterhead address above by May 4, 1988. If Farmee fails to execute and return this agreement in a timely manner, Farmor shall have the option to declare this letter null and void. This instrument may be executed in a number of counterparts, no one of which needs to be executed by all parties, and shall be binding upon all parties, their heirs, successors and assigns who have executed such counterpart with the same force and effect as if all parties had signed the same document.

Very truly yours,

PENNZOIL COMPANY

APPROVED	
LAND	<i>[Signature]</i>
LAND	<i>[Signature]</i>
LAND	<i>[Signature]</i>
EXPL	<i>[Signature]</i>
PROD	<i>[Signature]</i>

By: *B. C. Sinclair*

B. C. Sinclair
Attorney-in-Fact

THE ABOVE FARMOUT AGREEMENT IS AGREED TO AND ACCEPTED THIS ____ DAY OF _____, 1988.

CHEVRON U.S.A. INC.

By: _____

THE ABOVE FARMOUT AGREEMENT IS AGREED TO AND ACCEPTED THIS 2nd DAY OF May, 1988.

TXO PRODUCTION CORP.

By: *R. A. Varela* *

R. A. Varela
District Manager and Vice President

*Subject to that Conditional Letter of Acceptance dated May 2, 1988.

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PENNZOIL COMPANY

APPROVED	
LAND	<input checked="" type="checkbox"/>
LEASE	<input checked="" type="checkbox"/>
WELL	<input checked="" type="checkbox"/>
PROD.	<input checked="" type="checkbox"/>

By:

B. C. Sinclair

B. C. Sinclair
Attorney-in-Fact

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CHEVRON U.S.A. INC.

By:

D. H. MESSER

D. H. MESSER
Assistant Secretary

THE ABOVE FARMOUT AGREEMENT IS AGREED TO AND ACCEPTED THIS _____ DAY OF _____, 1988.

TXO PRODUCTION CORP.

By: _____

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

RECEIVED

MAY 04 1988

MIDLAND DISTRICT
LAND DEPARTMENT

May 2, 1988

RECEIVED

MAY 09 1988

Pennzoil Company
P. O. Box 2967
Houston, Texas 77252-2967

TEXAS OIL GAS CORP.

Attn: Lonnie Whitfield

Chevron, U.S.A., Inc.
P. O. Box 1150
Midland, Texas 79702

Attn: Mickey Cohlma

Re: Conditional Letter of Acceptance to
that Farmout Agreement dated
April 27, 1988
S/2 SE/4 Section 3, T-17-S, R-37-E
Lea County, New Mexico
Penron Byers #1 Well

Gentlemen:

TXO Production Corp. accepts the above captioned Farmout Agreement, subject to Pennzoil's and Chevron's acceptance of the following amendments to that Farmout Agreement:

1. The following language shall be added to the Farmout:
"There is no obligation upon Operator to commence a well under the terms of this agreement, and the only penalty for failure to commence such well, or to drill to the objective depth and complete the test well as a well capable of commercial production, will be the forfeiture of all rights hereunder and the automatic reversion to Assignor of the interest hereby assigned effective as of the date hereof."
2. Page 2, IV. Earning - the first sentence shall read:
"Upon written request within thirty (30) days after completion papers have been filed on said 'Initial Test Well'....."
3. Page 3, 5th Paragraph, line 8, "Farmee" shall be amended to read "Farmor".

Pennzoil Company
Chevron U.S.A., Inc.
Page Two
May 2, 1988

4. Page 5, VII. Testing and Well Information, line 1 shall be amended to read:
"Farmee agrees to keep an accurate log of each well, to drill the same in a good faith effort to discover oil and/or gas as a prudent operator".
5. Page 7, Article XIII, Purchase of Production, #1, last line on page, a period will be inserted following "Farmout Acreage" and "under the Division Order terms prevailing in the field at the time of purchase" shall be stricken in its entirety.
6. This instrument may be executed in a number of counterparts, no one of which needs to be executed by all parties, and shall be binding upon all parties, their heirs, successors and assigns who have executed such counterpart with the same force and effect as if all parties had signed the same document.

Because of the May 8th spud date, please handle this immediately. We are waiting for the executed copy before we begin building the location.

Very truly yours,

R. A. Varela

R. A. Varela
District Manager and Vice President

nmj

RAV/CMS/ph

AGREED TO AND ACCEPTED this
6th day of May, 1988.

PENNZOIL COMPANY

AGREED TO AND ACCEPTED this
____ day of _____, 1988.

CHEVRON U.S.A., INC.

By: *Forrest F. Hoffard*

Title District Landman

By: _____

Title _____

AGREED TO AND ACCEPTED this
____ day of _____, 1988.

TXO PRODUCTION CORP.

By: *R. A. Varela*

R. A. Varela *nmj*

Title District Manager and Vice President

MAY 02 '88 15:56 CHEVR MIDLAND, TX 733-7666

001 P.2

TXO PRODUCTION CORP.
808 WILCO BUILDING
MIDLAND, TEXAS 79701.
915/682-7882

'88 MAY 2 PM 3 40
May 2, 1988

Pennzoil Company
P. O. Box 2967
Houston, Texas 77252-2967

Attn: Lonnie Whitfield

Chevron, U.S.A., Inc.
P. O. Box 1150
Midland, Texas 79702

Attn: Mickey Cohlmia

Re: Conditional Letter of Acceptance to
that Farmout Agreement dated
April 27, 1988
S/2 SE/4 Section 3, T-17-S, R-37-E
Lea County, New Mexico
Penron Byers #1 Well

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2. Page 2, IV. Earning - the first sentence shall read:
"Upon written request within thirty (30) days after completion papers have been filed on said 'Initial Test Well'....."
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Pennzoil Company
Chevron U.S.A., Inc.
Page Two
May 2, 1988

4. Page 5, VII. Testing and Well Information, line 1 shall be amended to read:
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Because of the May 8th spud date, please handle this immediately. We are waiting for the executed copy before we begin building the location.

Very truly yours,

R. A. Varela

R. A. Varela
District Manager and Vice President

7M7

RAV/CMS/ph

AGREED TO AND ACCEPTED this
_____ day of _____, 1988.

PENNZOIL COMPANY

By: _____

Title _____

AGREED TO AND ACCEPTED this
_____ day of May, 1988.

CHEVRON U.S.A., INC.

By: *[Signature]*

Title ASSISTANT SECRETARY

AGREED TO AND ACCEPTED this
_____ day of _____, 1988.

TXO PRODUCTION CORP.

By: *R. A. Varela*

R. A. Varela 7M7
Title District Manager and Vice President

TXO PRODUCTION CORP.

800 WILES BUILDING
MIDLAND, TEXAS 79701
915/682-7902
June 24, 1988

Pennzoil Company
P. O. Box 2967
Houston, Texas 77262-2967
Attn: Bill Hollingshead

Chevron U.S.A. Inc.
P. O. Box 1180
Midland, Texas 79702
Attn: Mickey Cochran

Re: Penron-Byers #1 Well
S/2 SE/4 Section 3
T-17-S, R-38-E
Lee County, New Mexico

Gentlemen:

Pursuant to our telephone conversation of yesterday's date, I have attached the directional surveys run by DIO on the Penron-Byers #1 Well. We are currently 314' from the lease line according to the surveys. As we discussed yesterday, the Farmout Agreement in Paragraph II "Initial Test Well" specified that directional survey points shall be taken at a minimum of one point per 100' measured depth, however, some of our points are greater than 100'. If the manner in which TXO has been taking the directional survey points is acceptable by Pennzoil, please so indicate by signing below and returning one copy to me by telecopier if possible. We are sorry for any inconvenience that may have been caused. Upon receipt of this signed letter, I will notify Chevron and have them execute at the bottom of this letter. We appreciate your cooperation in this matter and your early response.

Very truly yours,

David Godsey by 27125
David Godsey
Exploration Manager

DG/CS/ph
Attachments

AGREED TO AND ACCEPTED this 24 day of June, 1988.

PENNZOIL COMPANY

By *B.W. Hollingshead*

AGREED TO AND ACCEPTED this 28 day of June, 1988.

CHEVRON U.S.A. Inc.

By *J. D. Danahy* Div. Dev. Geol. *Hobbs* RECEIVED

NO. OF COPIES RECEIVED	
DISTRIBUTION	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
OPERATOR	

Form C-105
Revised 11-88

NEW MEXICO OIL CONSERVATION COMMISSION WELL COMPLETION OR RECOMPLETION REPORT AND LOG

5a. Indicate Type of Lease	
State <input type="checkbox"/>	Fee <input checked="" type="checkbox"/>
5. State Oil & Gas Lease No.	

1a. TYPE OF WELL						7. Unit Agreement Name	
OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> DRY <input type="checkbox"/> OTHER <input type="checkbox"/>						8. Farm or Lease Name	
b. TYPE OF COMPLETION						9. Well No.	
NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DIFF. RESVR. <input type="checkbox"/> OTHER <input type="checkbox"/>						10. Field and Pool, or Wildcat	
2. Name of Operator						11. County	
TXO Production Corp.						Lea	
3. Address of Operator						12. State	
900 Wilco Building Midland, Texas 79701						TX	
4. Location of Well						13. Township	
UNIT LETTER <u>P</u> LOCATED <u>810</u> FEET FROM THE <u>South</u> LINE AND <u>660</u> FEET FROM <u>East</u>						14. Range	
THE <u>East</u> LINE OF SEC. <u>3</u> TWP. <u>17 S</u> RGE. <u>37 E</u> NMPM						15. Date Spudded	
5-7-88		16. Date T.D. Reached		17. Date Compl. (Ready to Prod.)		18. Elevations (DF, RKB, RT, GR, etc.)	
6-26-88		7-9-88		3762 GL, 3776 KB		19. Elev. Casinghead	
20. Total Depth		21. Plug Back T.D.		22. If Multiple Compl., How Many		23. Intervals Drilled By	
11,748		11,666				Rotary Tools Cable Tools	
24. Producing Intervals, of this completion - Top, Bottom, Name						25. Was Directional Survey Made	
11467-11527 (STRAWN)						YES	
26. Type Electric and Other Logs Run						27. Was Well Cored	
DLL/GR, BHC-AL/CAL, Diplog, ZDL/CN/GR/CAL						NO	
28. CASING RECORD (Report all strings set in well)							
CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED		
11 3/4	42	445	15"	350 sx class "C"	None		
8 5/8	28 & 24	4191	11"	1250 sx class "C"	None		
5 1/2	17	11748	7 7/8"	335 sx class "H"	None		
29. LINER RECORD							
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	30. TUBING RECORD		
					SIZE	DEPTH SET	PACKER SET
					2 7/8	11337	11337
31. Perforation Record (Interval, size and number)				32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.			
11467-69-71-83-85-87-95-97-99				DEPTH INTERVAL			
11501-03-05-07-09-11-13-15-17-23-25-27				AMOUNT AND KIND MATERIAL USED			
				11467-11501 A/250 gal 15% NEEF			
				A/4000 gal 15% NEEF			
33. PRODUCTION							
Date First Production		Production Method (Flowing, gas lift, pumping - Size and type pump)				Well Status (Prod. or Shut-in)	
7-9-88		Flowing				Producing	
Date of Test	Hours Tested	Choke Size	Prod'n. Per Test Period	Oil - Bbl.	Gas - MCF	Water - Bbl.	Gas - Oil Ratio
7-12-88	24	30/64		447	360	0	805
Flow Tubing Press.	Casing Pressure	Estimated 24-Hour Rate	Oil - Bbl.	Gas - MCF	Water - Bbl.	Oil Gravity - API (Corr.)	
120	Packer		447	360	0	45	
34. Disposition of Gas (Sold, used for fuel, vented, etc.)						Test Witnessed By	
Currently vented, will be sold in near future						Tim Goudeau	
35. List of Attachments							
C 104, Plat, directional survey report, logs							

36. I hereby certify that the information shown on this report is true and correct to my knowledge and belief.	
SIGNED <u>Larry Bull</u>	TXO PRODUCTION CORP. Case No. 9454 8/17/88 Examiner Hearing Exhibit No. 3
DATE <u>July 14, 1988</u>	

INSTRUCTIONS

This form is to be filled with the appropriate District Office of the Commission not later than _____ days after the completion of any newly-drilled or deepened well. It shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, Items 30 through 34 shall be reported for each zone. The form is to be filed in quintuplicate except on state land, where six copies are required. See Rule 1105.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico

Northwestern New Mexico

T. Anhy _____ 2120	T. Canyon _____	T. Ojo Alamo _____	T. Penn. "B" _____
T. Salt _____	T. Strawn _____ 11345	T. Kirtland-Fruitland _____	T. Penn. "C" _____
D. Salt _____	T. Atoka _____ 11590	T. Pictured Cliffs _____	T. Penn. "D" _____
T. Yates _____	T. Miss _____	T. Cliff House _____	T. Leadville _____
T. 7 Rivers _____	T. Devonian _____	T. Menefee _____	T. Madison _____
T. Queen _____	T. Silurian _____	T. Point Lookout _____	T. Elbert _____
T. Grayburg _____	T. Montoya _____	T. Mancos _____	T. McCracken _____
T. San Andres _____ 4296	T. Simpson _____	T. Gallup _____	T. Ignacio Qtzte _____
T. Glorieta _____ 6514	T. McKee _____	Base Greenhorn _____	T. Granite _____
T. Paddock _____	T. Ellenburger _____	T. Dakota _____	T. _____
T. Blinberry _____	T. Gr. Wash _____	T. Morrison _____	T. _____
T. Tubb _____ 8290	T. Granite _____	T. Todilto _____	T. _____
T. Drinkard _____ 8404	T. Delaware Sand _____	T. Entrada _____	T. _____
T. Abo _____ 8900	T. Bone Springs _____	T. Wingate _____	T. _____
T. Wolfcamp _____ 9500	T. _____	T. Chinle _____	T. _____
T. Penn. _____ 10473	T. _____	T. Permian _____	T. _____
T. Cisco (Bough C) _____	T. _____	T. Penn. "A" _____	T. _____

OIL OR GAS SANDS OR ZONES

No. 1, from _____ 11,467 _____ to _____ 11,527 _____	No. 4, from _____ to _____
No. 2, from _____ to _____	No. 5, from _____ to _____
No. 3, from _____ to _____	No. 6, from _____ to _____

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from _____ to _____ feet.	_____
No. 2, from _____ to _____ feet.	_____
No. 3, from _____ to _____ feet.	_____
No. 4, from _____ to _____ feet.	_____

FORMATION RECORD (Attach additional sheets if necessary)

From	To	Thickness in Feet	Formation	From	To	Thickness in Feet	Formation
0	2120	2120	Red Shale, Sand, Anhydrite				
2120	4296	2167	Anhydrite, Dolomite, Red Sand				
4296	6514	2218	Dolomite				
6514	8290	1776	Dolomite				
8290	8404	114	Sand, Shale				
8404	8900	496	Dolomite, Shale				
8900	9500	600	Shale, Limestone				
9500	10473	973	Dolomite				
10473	11345	545	Limestone, Shale, Dolomite				
11345	11590	245	Limestone				
11590	11748	158	Sand & Shale				

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-12
Effective 1-1-65

All distances must be from the outer boundaries of the Section

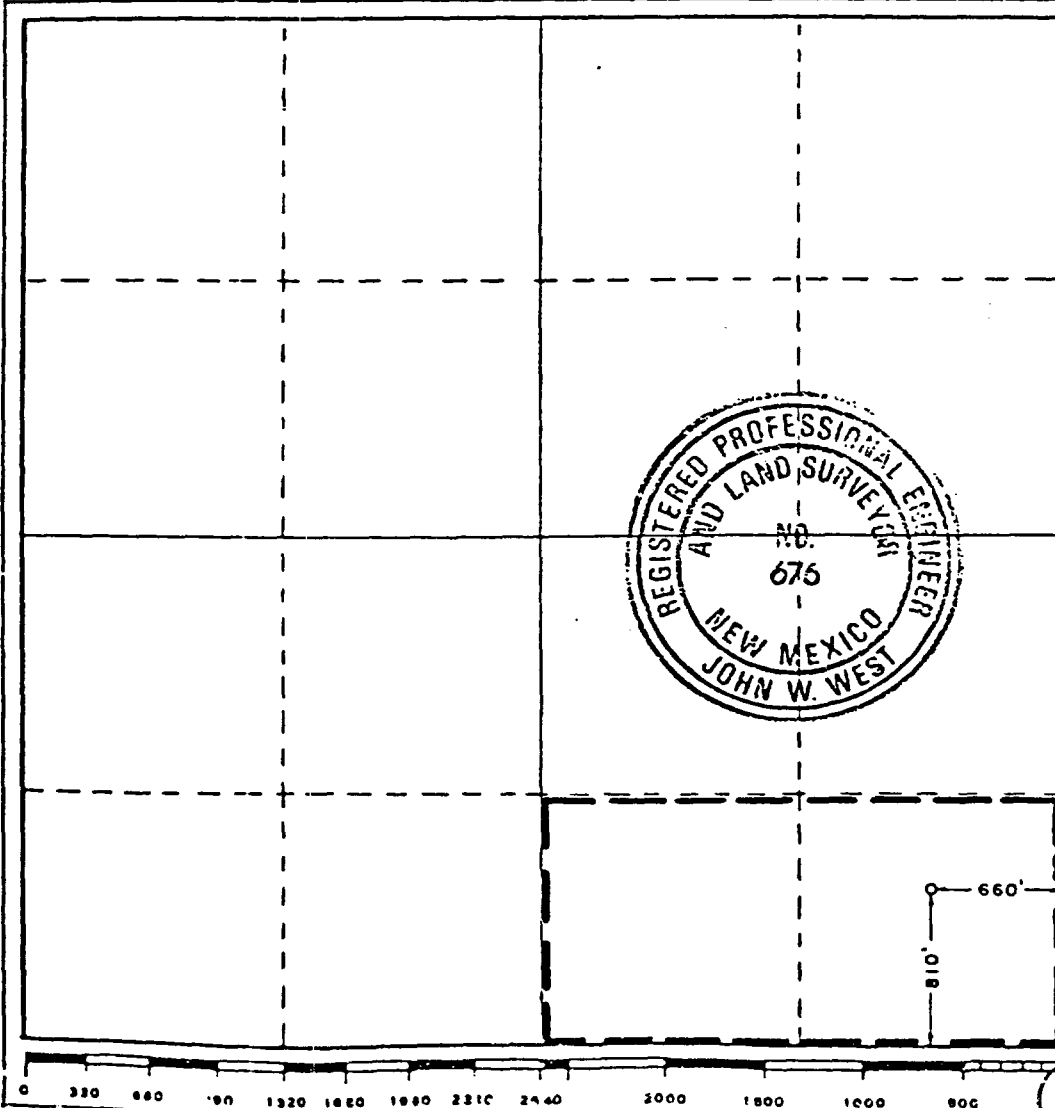
Operator TXO Production Corp.			Lease Penron Byers		Well No. 1
Unit Letter P	Section 3	Township 17 South	Range 37 East	County Lea	
Actual Footage Location of Well: 810 feet from the south line and 660 feet from the east line					
Ground Level Elev. 3762.8	Producing Formation STRAWN		Pool SHIPP STRAWN		Dedicated Acreage: 80

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name Arthur R. Brown

Position
Agent

Company
TXO PRODUCTION CORP.

Date
APRIL 29, 1988

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed
April 29, 1988

Registered Professional Engineer and/or Land Surveyor

John W. West
Certificate No. **JOHN W. WEST, 676**
RONALD J. EIDSON, 3239

OIL AND NATURAL GAS	
SANTA FE	
FILE	
U.S.G.S.	
LAND OFFICE	
TRANSPORTED	OIL GAS
OPERATOR	
PRODUCTION OFFICE	

NEW MEXICO OIL CONSERVATION COMMISSION
REQUEST FOR ALLOWABLE
AND
AUTHORIZATION TO TRANSPORT OIL AND NATURAL GAS

Form O-100
Superseding O-100 and
O-100-1-1-65

TXO Production Corp.	
Address 900 Wilco Building Midland, Texas 79701	
Reason(s) for filing (Check proper box)	Other (Please explain)
New Well <input checked="" type="checkbox"/>	Change in Transporter of:
Recompletion <input type="checkbox"/>	Oil <input type="checkbox"/> Dry Gas <input type="checkbox"/>
Change in Ownership <input type="checkbox"/>	Casinghead Gas <input type="checkbox"/> Condensate <input type="checkbox"/>

If change of ownership give name
and address of previous owner

DESCRIPTION OF WELL AND LEASE

Lease Name Penron - Byers	Well No.: 1	Pool Name, including Formation Shipp Strawn	Kind of Lease State, Federal or Fee	Lease No.
Location				
Unit Letter P	: 810	Feet From The South	Line and 660	Feet From The East
Line of Section 3	Township 17-S	Range 37-E	N.M.P.M.	Lea

DESIGNATION OF TRANSPORTER OF OIL AND NATURAL GAS

Name of Authorized Transporter of Oil <input checked="" type="checkbox"/> or Condensate <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Permian	P.O. Box 3119 Midland, Texas 79702
Name of Authorized Transporter of Casinghead Gas <input checked="" type="checkbox"/> or Dry Gas <input type="checkbox"/>	Address (Give address to which approved copy of this form is to be sent)
Phillips 66 Petroleum	4001 Penbrook Odessa, Texas 79762
If well produces oil or liquids, give location of tanks.	Unit Sec. Twp. Rge. Is gas actually connected? When
P 3 17-S 37-E	NO 8-15-88

If this production is commingled with that from any other lease or pool, give commingling order number:

COMPLETION DATA

Designate Type of Completion - (X)	Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> New Well <input checked="" type="checkbox"/> Workover <input type="checkbox"/> Deepen <input type="checkbox"/> Plug Back <input type="checkbox"/> Same Res'v. <input type="checkbox"/> Diff. Res'v. <input type="checkbox"/>		
Date Spudded 5-7-88	Date Compl. Ready to Prod. 7-9-88	Total Depth 11,748	P.S.T.D. 11,666
Elevations (D.E., RKB, RT, CR, etc.) 3762 GL, 3776 KB	Name of Producing Formation Strawn	Top Oil/Gas Pay 11,467	Taking Depth 11,337
Perforations 11,467-11,501	Depth Casing Shoe 11748		

TUBING, CASING, AND CEMENTING RECORD

HOLE SIZE	CASING & TUBING SIZE	DEPTH SET	SACKS CEMENT
15"	11 3/4	445	350 sx class "C"
11"	8 5/8	4191	1250 sx class "C"
7 7/8"	5 1/2	11748	335 sx class "H"
	2 7/8 tbg	Packer @ 11,337	

TEST DATA AND REQUEST FOR ALLOWABLE
OIL WELL

(Test must be after recovery of total volume of lead oil and must be equal to or exceed top allowable for this depth or be for full 24 hours)

Date First New Oil Run To Tanks 7-9-88	Date of Test 7-12-88	Producing Method (Flow, pump, gas lift, etc.) Flowing	
Length of Test 24 hrs	Tubing Pressure 120	Casing Pressure Packer	Choke Size 30/64
Actual Prod. During Test 447	Oil-Bbls. 447	Water-Bbls. 0	Gas-MCF 360

GAS WELL

Actual Prod. Test-MCF/D	Length of Test	Bbls. Condensate/MCF	Gravity of Condensate
Testing Method (pact, back pr.)	Tubing Pressure (lb/in ²)	Casing Pressure (lb/in ²)	Choke Size

CERTIFICATE OF COMPLIANCE

I hereby certify that the rules and regulations of the Oil Conservation Commission have been complied with and that the information given above is true and complete to the best of my knowledge and belief.


(Signature)

Engineer

7-13-88

OIL CONSERVATION COMMISSION

APPROVED _____, 19__

BY _____

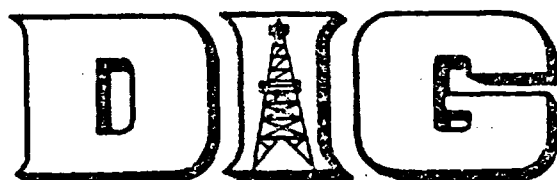
TITLE _____

This form is to be filed in compliance with RULE 1104.

If this is a request for allowable for a newly drilled or deepened well, this form must be accompanied by a tabulation of the gravity tests taken on the well in accordance with RULE 111.

All sections of this form must be filled out completely for all wells, on new and recompleted wells.

Fill out only Sections I, II, III, and VI for changes of owner, well name or number, or transporter, or other such change of essential



SUB-SURFACE
DIRECTIONAL
SURVEY
REPORT

TXO PRODUCTION CORP.

COMPANY

PENRON BYERS WELL NO. 1

WELL NAME

LEA COUNTY, NEW MEXICO

STATE AND COUNTY

FIELD REPORT

TXO PRODUCTION CORP.

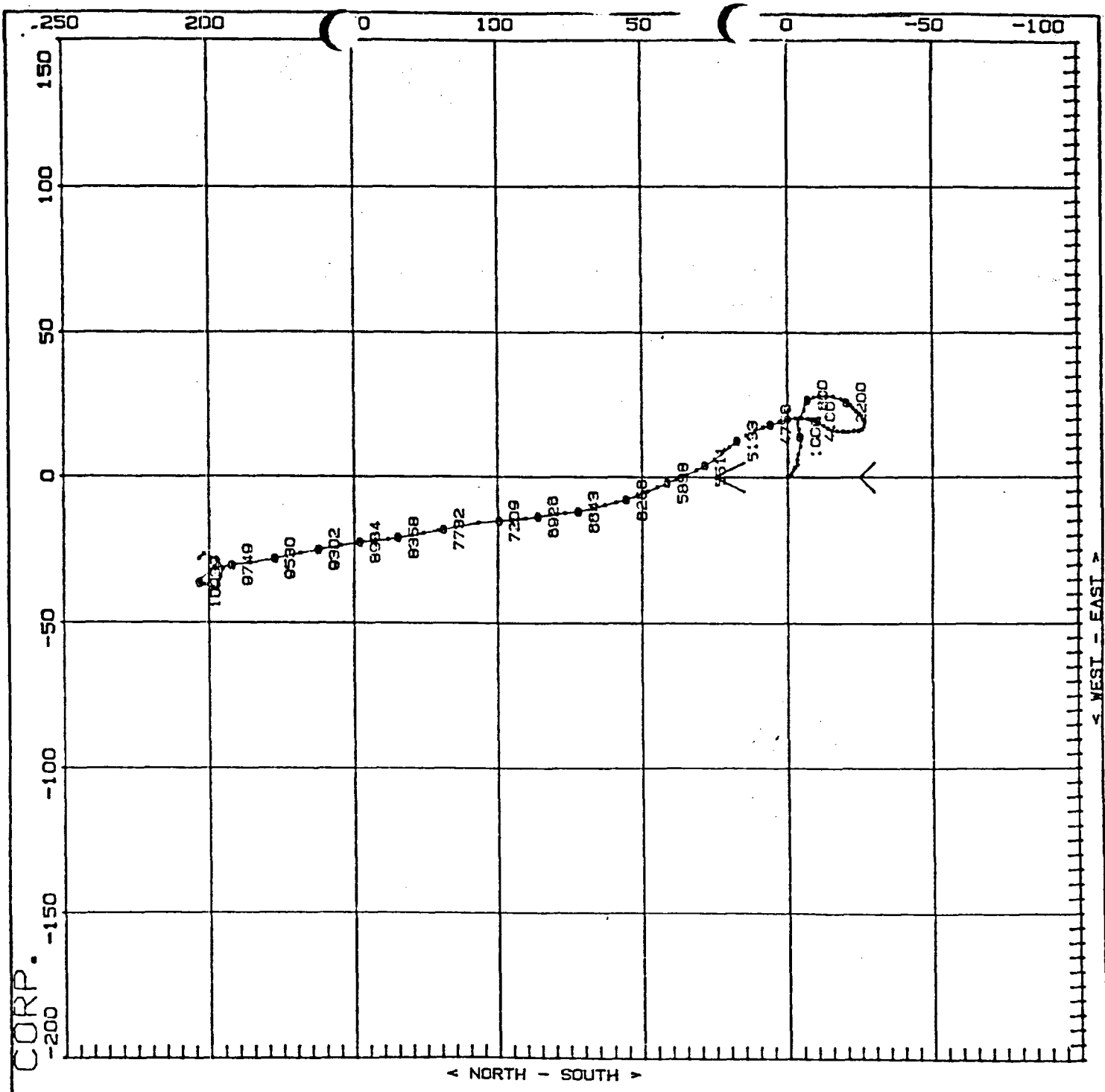
WELL # 1
PENNON BYERS WELL NO. 1
LOCATION :
LEA COUNTY, NEW MEXICO
DATE :
5/17/88, 5/24/88, 5/24/88 - 8/27/88
JOB TYPE :
GYRO, MULTISHOT, RIG CREW SINGLES+OTS
JOB # :
GS-2084, MS-2087
SURVEYOR :
MCODY, EATON
DEPTHS :
C - 11723'
DECL. :
0 DEGREES EAST
ELEV. :
C'
FILE # :
WT-JJ13S

FINAL STATION DATA:

MD. 11723.00
TVD. 11717.19
N/S 203.40
E/W -28.15

CLOSURE DISTANCE
205.34 FEET
CLOSURE DIRECTION
N 7.88 W

1 IN. = 50 FT.



CUSTOMER : TXO PRODUCTION CORP.

WELL # : PENRON BYERS WELL NO.1

LOCATION : LEA COUNTY, NEW MEXICO

DATE : 5/17/88, 5/24/88, 5/24/88 - 6/27/88

LOG TYPE : CYRO, MULTISHOT, RIG CREW SINGLES SHOTS

LOG # : GS-2064, MS-2067

SURVEYOR : MOODY, EATON

DEPTH : 0 - 11723'

DECL. : 9 DEGREES EAST

LEV. : 0'

FILE # : WT-JJ135

METHOD : RADIUS OF CURVATURE

SECTION : 0

WELL STATION DATA:

MEASURED	INCL.	HOLE	COURSE	VERTICAL	RECTANGULAR	C L O S U R E	DOG-LEG	
DEPTH	ANGLE	DIRECTION	LENGTH	DEPTH	COORDINATES	DISTANCE	DIRECTION	SEVERITY
FEET	DEGS.	DEGS.	FEET	FEET	N/S	FEET	DEGS.	DEGS/100FT

11723.00	1.00	N 87.00 W	94.00	11717.19	203.40 N	28.15 W	205.34' N 07.88 W	2.08
----------	------	-----------	-------	----------	----------	---------	-------------------	------

THIS SURVEY IS CORRECT TO THE
BEST OF MY KNOWLEDGE AND IS
SUPPORTED BY ACTUAL FIELD DATA.

David J. Jones
DIP REPRESENTATIVE

TXG PRODUCTION COMP.

PERRON BYERS WELL NO.1

WT-JJ135

PAGE-1

00:21:59

00/00/00

MEASURED DEPTH FEET	INCL. ANGLE DEGS.	HOLE DIRECTION DEGS.	COURSE LENGTH FEET	VERTICAL DEPTH FEET	TRUE	N/S	FEET E/U	RECTANGULAR COORDINATES DISTANCE FEET	C L O S U R E DIRECTION DEGS.	DOG-LEG SEVERITY DG/100FT
0.00	0.00	S 29.82 E	0.00	0.00		0.00 N	0.00 E	0.00' N 00.00 E		0.00
100.00	.53	S 29.82 E	100.00	100.00		.40 S	.23 E	.47' S 29.82 E		.53
200.00	1.00	S 58.23 E	100.00	199.99		1.36 S	1.15 E	1.78' S 40.34 E		.59
300.00	.67	S 68.12 E	100.00	299.98		2.01 S	2.45 E	3.17' S 50.59 E		.36
400.00	.30	S 54.75 E	100.00	399.97		2.41 S	3.19 E	4.00' S 52.86 E		.38
500.00	.15	S 18.35 E	100.00	499.97		2.72 S	3.42 E	4.37' S 51.44 E		.20
600.00	1.00	S 87.23 E	100.00	599.97		3.30 S	4.17 E	5.31' S 51.68 E		.96
700.00	1.10	N 84.77 E	100.00	699.95		3.26 S	6.00 E	6.83' S 61.51 E		.18
800.00	1.13	S 61.47 E	100.00	799.93		3.64 S	7.88 E	8.68' S 65.19 E		.65
900.00	2.08	S 84.02 E	100.00	899.89		4.47 S	10.54 E	11.45' S 67.02 E		1.12
1000.00	1.87	N 93.18 E	100.00	999.83		4.45 S	13.98 E	14.67' S 72.36 E		.49
1100.00	1.17	N 70.52 E	100.00	1099.80		3.85 S	16.56 E	17.00' S 76.92 E		.77
1200.00	1.28	N 33.20 E	100.00	1199.77		3.36 S	18.63 E	18.93' S 79.78 E		.29
1300.00	1.15	S 43.45 E	100.00	1299.75		4.06 S	20.56 E	20.95' S 78.84 E		1.10
1400.00	2.07	S 74.85 E	100.00	1399.71		5.48 S	22.94 E	23.58' S 76.57 E		1.24
1500.00	.77	S 83.05 E	100.00	1499.68		5.95 S	25.36 E	26.05' S 76.80 E		1.31
1600.00	1.25	S 23.62 E	100.00	1599.56		6.96 S	26.71 E	27.60' S 75.41 E		1.08
1700.00	1.05	S 29.05 E	100.00	1699.64		8.75 S	27.60 E	28.96' S 72.40 E		.23
1800.00	1.57	S 01.30 W	100.00	1799.62		10.94 S	28.14 E	30.20' S 68.75 E		.85
1900.00	1.05	S 05.25 E	100.00	1899.59		13.22 S	28.22 E	31.17' S 64.89 E		.54
2000.00	1.85	S 17.73 W	100.00	1999.56		15.72 S	27.95 E	32.07' S 60.64 E		.97
2100.00	1.32	S 24.18 W	100.00	2099.52		18.30 S	26.96 E	32.59' S 55.83 E		.56
2200.00	1.40	S 33.07 W	100.00	2199.47		20.38 S	25.83 E	32.90' S 51.72 E		.23
2300.00	.60	S 35.92 W	100.00	2299.47		21.82 S	24.84 E	33.06' S 48.70 E		.80
2400.00	.83	S 63.33 W	100.00	2399.47		22.62 S	23.89 E	32.90' S 46.57 E		.41

TXO PRODUCTION CORP.
PENRON BYERS WELL NO.1
UT-33135

PAGE 2
00:22:54
00/00/00

MEASURED DEPTH FEET	INCL. ANGLE DEGS.	HOLE DIRECTION DEGS.	COURSE LENGTH FEET	TRUE VERTICAL DEPTH FEET	CORRECTED N/S	RECTANGULAR E/W FEET	C L O S U R E DISTANCE FEET	DIRECTION DEGS.	DOG-LEG SEVERITY DG/100FT
2500.00	1.07	S 34.05 W	100.00	2499.45	23.70 S	22.66 E	32.79'	S 43.71 E	.53
2600.00	.62	S 25.45 W	100.00	2599.44	24.98 S	21.93 E	33.24'	S 41.29 E	.47
2700.00	.63	S 76.88 W	100.00	2699.44	25.64 S	21.11 E	33.21'	S 39.47 E	.54
2800.00	.93	S 62.92 W	100.00	2799.43	26.11 S	19.83 E	32.79'	S 37.22 E	.35
2900.00	.70	S 54.37 W	100.00	2899.42	26.84 S	18.61 E	32.67'	S 34.73 E	.26
3000.00	.70	N 36.12 W	100.00	2999.41	26.66 S	17.52 E	31.91'	S 33.31 E	.98
3100.00	.75	N 57.22 W	100.00	3099.40	25.89 S	16.54 E	30.72'	S 32.58 E	.39
3200.00	.85	N 24.95 E	100.00	3199.39	24.72 S	16.09 E	29.50'	S 33.06 E	1.15
3300.00	1.20	N 18.52 W	100.00	3299.37	22.98 S	16.19 E	28.11'	S 35.17 E	.83
3400.00	1.07	N 13.02 W	100.00	3399.35	21.08 S	15.65 E	26.25'	S 36.60 E	.17
3500.00	1.12	N 21.45 E	100.00	3499.34	19.21 S	15.79 E	24.86'	S 39.43 E	.65
3600.00	1.37	N 98.52 W	100.00	3599.31	17.08 S	16.03 E	23.42'	S 43.19 E	.69
3700.00	.70	N 19.22 E	100.00	3699.30	15.30 S	16.20 E	22.28'	S 46.64 E	.81
3800.00	1.07	N 31.05 E	100.00	3799.28	13.91 S	16.85 E	21.85'	S 50.47 E	.41
3900.00	1.03	N 28.92 E	100.00	3899.27	12.32 S	17.77 E	21.62'	S 55.27 E	.05
4000.00	.92	N 28.00 E	100.00	3999.25	10.92 S	18.58 E	21.50'	S 59.78 E	.12
4100.00	.95	N 28.80 E	100.00	4099.24	9.39 S	19.35 E	21.51'	S 64.12 E	.04
4221.00	.80	N 14.00 E	121.00	4220.23	7.67 S	20.03 E	21.45'	S 69.03 E	.22
4284.00	1.10	N 11.00 E	63.00	4283.22	6.65 S	20.25 E	21.32'	S 71.81 E	.48
4379.00	1.20	N 01.00 W	95.00	4378.20	4.76 S	20.42 E	20.97'	S 76.88 E	.27
4473.00	1.50	N 03.00 W	94.00	4472.17	2.54 S	20.34 E	20.50'	S 82.87 E	.32
4567.00	1.70	N 14.00 W	94.00	4566.13	.05 N	19.95 E	19.95'	N 89.87 E	.39
4662.00	1.90	N 17.00 W	95.00	4661.09	2.92 N	19.16 E	19.38'	N 81.33 E	.23
4756.00	1.80	N 21.00 W	94.00	4755.04	5.79 N	18.17 E	19.07'	N 72.32 E	.17
4850.00	1.80	N 21.00 W	94.00	4848.99	8.55 N	17.11 E	19.13'	N 63.46 E	0.00

TFO PRODUCTION CORP.
PENRON EYERS WELL NO.1
47-JJ135

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00/00/00

MEASURED	INCL.	HOLE	COURSE	VERTICAL	TRUE	RECTANGULAR	CLOSURE	DOG-LEG
DEPTH	ANGLE	DIRECTION	LENGTH	DEPTH	DEPTH	COORDINATES	DISTANCE	SEVERITY
FEET	DEGS.	DEGS.	FEET	FEET	FEET	N/S	E/W	DEGS.
4945.00	1.90	N 23.00 W	95.00	4943.94	11.39 N	15.96 E	19.61' N 54.49 E	.13
5039.00	2.10	N 32.00 W	94.00	5037.89	14.30 N	14.45 E	20.33' N 45.30 E	.40
5133.00	2.20	N 38.00 W	94.00	5131.82	17.19 N	12.43 E	21.21' N 35.87 E	.26
5228.00	2.10	N 39.00 W	95.00	5226.75	19.97 N	10.21 E	22.43' N 27.07 E	.11
5322.00	2.10	N 38.00 W	94.00	5320.69	22.67 N	8.06 E	24.06' N 19.58 E	.04
5417.00	2.10	N 38.00 W	95.00	5415.63	25.41 N	5.92 E	26.09' N 13.11 E	0.00
5511.00	2.20	N 31.00 W	94.00	5509.56	28.32 N	3.92 E	28.59' N 07.89 E	.30
5605.00	2.20	N 28.00 W	94.00	5603.49	31.46 N	2.15 E	31.53' N 03.91 E	.12
5700.00	2.20	N 22.00 W	95.00	5698.42	34.76 N	1.61 E	34.77' N 01.00 E	.24
5794.00	2.00	N 26.00 W	94.00	5792.36	37.91 N	1.79 W	37.92' N 01.20 W	.26
5888.00	2.30	N 19.00 W	94.00	5886.29	41.16 N	2.14 W	41.22' N 02.98 W	.42
5983.00	2.30	N 26.00 W	95.00	5981.21	44.68 N	3.60 W	44.83' N 04.61 W	.30
6077.00	2.20	N 22.00 W	94.00	6075.14	48.05 N	5.10 W	48.32' N 06.06 W	.20
6171.00	2.50	N 21.00 W	94.00	6169.06	51.64 N	6.51 W	52.05' N 07.19 W	.32
6266.00	2.20	N 21.00 W	95.00	6263.98	55.28 N	7.91 W	55.84' N 08.14 W	.32
6360.00	2.30	N 11.00 W	94.00	6357.91	58.82 N	8.93 W	59.49' N 08.63 W	.43
6454.00	2.50	N 15.00 W	94.00	6451.83	62.65 N	9.81 W	63.42' N 08.90 W	.28
6549.00	2.90	N 15.00 W	95.00	6545.72	66.98 N	10.97 W	67.87' N 09.30 W	.42
6643.00	2.90	N 10.00 W	94.00	6640.60	71.62 N	12.00 W	72.62' N 09.51 W	.27
6737.00	2.90	N 04.00 W	94.00	6734.48	76.34 N	12.58 W	77.37' N 09.36 W	.32
6832.00	2.80	N 07.00 W	95.00	6829.36	81.04 N	13.03 W	82.08' N 09.13 W	.19
6926.00	2.90	N 11.00 W	94.00	6923.25	85.65 N	13.76 W	86.75' N 09.13 W	.24
7020.00	2.90	N 06.00 W	94.00	7017.13	90.36 N	14.46 W	91.51' N 09.09 W	.27
7115.00	2.70	N 05.00 W	95.00	7112.01	94.97 N	14.91 W	96.14' N 08.92 W	.22
7209.00	2.70	N 04.00 W	94.00	7205.91	99.39 N	15.26 W	100.55' N 08.73 W	.05

TXO PRODUCTION CORP.

PENRON BYERS WELL NO.1

WI-JJ135

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00:24:39

00/00/00

MEASURED DEPTH FEET	INCL. ANGLE DEGS.	HOLE DIRECTION DEGS.	COURSE LENGTH FEET	VERTICAL DEPTH FEET	TRUE	RECTANGULAR			C L O S U R E			DOG-LEG SEVERITY DG/100FT
						N/S	feet	E/W	DISTANCE FEET	DIRECTION DEGS.		
7385.00	2.25	N 06.00 W	176.00	7381.74		106.96 N	15.92 W		108.14'	N 08.46 W		.26
7732.00	1.75	N 16.00 W	347.00	7728.53		118.83 N	18.23 W		120.22'	N 08.72 W		.18
7794.00	1.75	N 04.00 W	62.00	7790.50		120.69 N	18.55 W		122.11'	N 08.74 W		.59
7933.00	1.50	N 15.00 W	189.00	7979.43		125.97 N	19.44 W		127.46'	N 08.77 W		.21
9140.00	1.50	N 09.00 W	157.00	9136.37		129.99 N	20.29 W		131.56'	N 08.87 W		.10
9358.00	1.00	N 08.00 W	218.00	9354.32		134.69 N	20.99 W		136.32'	N 08.86 W		.23
9547.00	1.25	N 13.00 W	189.00	9543.28		138.34 N	21.67 W		140.03'	N 08.90 W		.14
9735.00	1.50	N 02.00 W	188.00	9731.23		142.81 N	22.26 W		144.53'	N 08.86 W		.19
9934.00	1.50	N 06.00 W	199.00	9930.16		148.00 N	22.62 W		149.72'	N 08.69 W		.05
9144.00	2.25	N 13.00 W	210.00	9140.05		154.77 N	23.75 W		156.59'	N 08.73 W		.37
9302.00	3.25	N 09.00 W	158.00	9297.86		162.21 N	25.20 W		164.16'	N 08.83 W		.64
9405.00	4.00	N 12.00 W	103.00	9400.66		168.62 N	26.39 W		170.67'	N 08.89 W		.75
9530.00	4.25	N 12.00 W	125.00	9525.33		177.41 N	28.26 W		179.65'	N 09.05 W		.20
9655.00	3.75	N 08.00 W	125.00	9650.03		186.00 N	29.77 W		188.36'	N 09.09 W		.46
9749.00	3.75	N 05.00 W	94.00	9743.83		192.10 N	30.47 W		194.51'	N 09.01 W		.21
9844.00	3.75	N 15.00 W	95.00	9838.62		198.22 N	31.54 W		200.71'	N 09.04 W		.69
9987.00	1.50	N 65.00 W	143.00	9981.46		203.07 N	35.62 W		206.18'	N 09.95 W		2.11
10039.00	.75	S 69.00 W	52.00	10033.45		203.11 N	36.61 W		206.38'	N 10.22 W		2.15
10130.00	.75	S 14.00 E	91.00	10124.45		202.14 N	37.12 W		205.52'	N 10.40 W		1.09
10225.00	.50	S 24.00 W	95.00	10219.44		201.13 N	37.21 W		204.54'	N 10.48 W		.50
10319.00	.50	S 19.00 W	94.00	10313.44		200.37 N	37.51 W		203.85'	N 10.60 W		.05
10477.00	.25	S 14.00 W	158.00	10471.43		199.38 N	37.80 W		202.93'	N 10.74 W		.16
10634.00	.50	S 47.00 W	157.00	10628.43		198.50 N	38.32 W		202.17'	N 10.92 W		.20
10791.00	.50	S 01.00 E	157.00	10785.42		197.28 N	38.83 W		201.06'	N 11.14 W		.26
10949.00	.75	N 42.00 E	158.00	10943.41		196.81 N	37.58 W		200.36'	N 10.81 W		.74

TXD PRODUCTION CORP.
PERRON BYERS WELL NO.1
WT-JJ12S

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00:25:32
00/00/00

MEASURED	INCL.	HOLE	COURSE	VERTICAL	RECTANGULAR	CLOSURE	DOG-LEG	
DEPTH	ANGLE	DIRECTION	LENGTH	DEPTH	COORDINATES	DISTANCE	SEVERITY	
FEET	DEGS.	DEGS.	FEET	FEET	N/S	E/W	FEET	
							DEGS.	
							DG/100FT	
11043.00	.75	S 71.00 E	94.00	11037.41	197.10 N	36.45 W	200.44' N 10.48 W	.88
11168.00	1.00	S 43.00 E	125.00	11162.39	196.07 N	34.87 W	199.15' N 10.08 W	.39
11324.00	1.50	N 73.00 E	156.00	11318.35	195.23 N	31.75 W	197.80' N 09.24 W	.89
11477.00	1.75	N 39.00 E	153.00	11471.29	197.62 N	28.21 W	199.63' N 08.12 W	.64
11629.00	1.75	N 01.00 W	152.00	11623.22	201.92 N	26.72 W	203.69' N 07.54 W	.79
11723.00	1.00	N 87.00 W	94.00	11717.19	203.40 N	28.15 W	205.34' N 07.88 W	2.08

CLOSURE DISTANCE = 205.34 FEET.
CLOSURE DIRECTION = N 07.88 W

BEFORE THE OIL CONSERVATION DIVISION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION :
OF TXO PRODUCTION CORP. FOR AN :
UNORTHODOX OIL WELL LOCATION, :
LEA COUNTY, NEW MEXICO :
_____ :

CASE NO. 9454

AFFIDAVIT OF MAILING

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

PATTI WIER, being first duly sworn, upon oath, states that the notice provisions of Rule 1207 of the New Mexico Oil Conservation Division have been complied with, that Applicant has caused to be conducted a good-faith diligent effort to find the correct addresses of all interested persons entitled to receive notice, and that pursuant to Rule 1207, notice has been given at the correct addresses as provided by such rule.

In support hereof, affiant states that a true copy of the Application of TXO Production Corp. for an Unorthodox Well Location, Lea County, New Mexico, was mailed in accordance with Rule 1207, to any offsetting operator or owner of undrilled leases bordering Applicant's spacing unit on a common boundary or unit corner, in a securely sealed, certified mail, return receipt requested, postage prepaid envelope, addressed to the following named party:

TXO PRODUCTION CORP.
Case No. 9454
8/17/88 Examiner Hearing
Exhibit No. 4

Pennzoil Company
P. O. Box 2967
Houston, Texas 77262-2967

Attention: Bill Hollinshead

on the 21st day of July, 1988, as reflected by the copy of the letter transmitting such copy of the application and the return receipt executed on behalf of the addressee, attached hereto.

Patti Wier
Patti Wier

SUBSCRIBED AND SWORN TO before me this 21st day of July, 1988.

My commission expires:
1-2-90

Karen Polson
Notary Public

July 21, 1988

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Pennzoil Company
P. O. Box 2967
Houston, Texas 77262-2697

Attention: Bill Hollinshead

Re: Penron-Byers No. 1 Well
Township 17 South, Range 37 East, NMPM
Section 3: S/2 SE/4
Lea County, New Mexico

Gentlemen:

Enclosed, please find a copy of the Application of TXO Production Corp. for an Unorthodox Oil Well Location, Lea County, New Mexico.

Hearing is scheduled before the New Mexico Oil Conservation Division, in Santa Fe, New Mexico, on August 17, 1988.

Please contact the undersigned if you have any questions regarding this application.

Sincerely yours,

DICKERSON, FISK & VANDIVER


Chad Dickerson

CD:pvw
Enclosure

cc: Ms. Carol Sledge

P 728 600 574

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL
(See Reverse)

PS Form 3800, June 1985

Sent to Pennzoil Company	
Street and No P. O. Box 2967	
P.O., State and ZIP Code Houston, TX 77262-2967	
Postage	\$
Attn: Bill Hollinshead	
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	

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete items 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. <u>The return receipt fee will provide you the name of the person delivered to and the date of delivery.</u> For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery.</p>	
<p>3. Article Addressed to:</p> <p>Pennzoil Company P. O. Box 2967 Houston, TX 77262-2967</p> <p>Attn: Bill Hollinshead</p>	<p>4. Article Number</p> <p>P 728 600 574</p> <p>Type of Service:</p> <p><input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail</p> <p>Always obtain signature of addressee or agent and DATE DELIVERED.</p>
<p>5. Signature — Addressee</p> <p>X</p>	<p>8. Addressee's Address (ONLY if requested and fee paid)</p>
<p>6. Signature — Agent</p> <p>X</p>	
<p>7. Date of Delivery</p> <p>JUL 25 1988</p>	