

September 13, 1985

Amerada Hess Corporation  
P. O. Box 2040  
Tulsa, Oklahoma 74102

Attention: Mr. William E. Hough

RE: Well Proposal  
Kornegay #1 Well  
Section 13, T-20-S, R-38-E  
Lea County, New Mexico

Gentlemen:

Pursuant to our recent telephone conversation, TXO Production Corp. hereby proposes the drilling of our Kornegay #1 Well, a 7700' Abo Test, at a location 1980' FNL and 1980' FWL of Section 13, T-20-S, R-38-E, Lea County, New Mexico. Enclosed for your review please find two copies of our Authority For Expenditure for the drilling of said well. Should Amerada Hess Corporation wish to participate in this well, please sign one copy of the AFE and return it to the attention of the undersigned at the letterhead address, and we will forward an Operating Agreement for your review and execution. As an alternative to participating in the drilling of said well, TXO would be agreeable to accept a Farmout from Amerada Hess Corporation on the following terms:

1. Within 180 days from the execution of an acceptable Farmout Agreement, TXO will commence the operations on the drilling of our Kornegay #1 Well.
2. By the drilling of this well, TXO will earn a 75% net revenue interest lease in the proration unit of said well down to a depth of 100' below the deepest depth drilled.
3. If all the farmout acreage is not allocated to the initial productive well, TXO would have the option to continuously develop the acreage with the passing of no more than 180 days between the completion of one well and the commencement of operations on the next well.

As we had previously discussed, TXO anticipates the necessity of a Compulsory Pooling Hearing in order to secure the necessary interests for the proration unit for the drilling of our Kornegay #1 Well. We hope to have this case on the docket for the October 9, 1985, Examiner Hearing. After you have reviewed the proposals contained herein, please contact me should you have any questions or want to discuss this matter further. Thank you for your cooperation in this matter.

TXO PRODUCTION CORP.  
Case No. 8718  
10/9/85 Examiner Hearing  
Exhibit No. 2

Very truly yours,

Jeff Bourgeois  
Landman

JB/dlt

P 547 387 389

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, Feb. 1982

PS Form 3811, July 1983 447-945

Sent to Amerada Hess Corporation	
Street and No. P. O. Box 2040	
P.O., State and ZIP Code Tulsa, OK 74102	
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	

SENDER: Complete items 1, 2, and 4.

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

- Show to whom, date and address of delivery.
- Restricted Delivery.
- Article Addressed to:

Amerada Hess Corporation  
P. O. Box 2040  
Tulsa, Oklahoma 74102

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input type="checkbox"/> Insured	P 547 387 389
<input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD	
<input type="checkbox"/> Express Mail	

Always obtain signature of addressee or agent and DATE DELIVERED.

- Signature - Addressee  
X
- Signature - Agent  
X *Dan W. [Signature]*
- Date of Delivery  
JUL 10 1985
- Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, July 1983 447-945

DOMESTIC RETURN RECEIPT

Kornega #1 Proposal

**AUTHORITY FOR EXPENDITURE**

DRILLING WELL

Date 4-19-85

A \_\_\_\_\_  
Co. Co.

District West Texas Well Name Kornegay Well No. 1  
Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-28-E Depth 7700'  
Field House 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 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
<b>TOTAL DRILLING</b>			<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700'-2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
<b>TOTAL COMPLETION</b>			<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
<b>TOTAL PRODUCTION EQUIPMENT</b>			<b>93 000</b>		<b>93 000</b>
<b>TOTALS</b>			<b>462 250</b>		<b>462 250</b>

<u>WI OWNER NAME</u>	<u>BILLING INT</u> (7 decimals)	<u>DATE APPROVED</u>	APPROVED: (this space for approval only)
Amerada Hess Corp.	.1666667		AMERADA HESS CORP.
			By: _____
			Title: _____

August 22, 1985

Mr. Ray Pierce  
P. O. Box EP  
Eunice, NM 88230

CERTIFIED MAIL

Re: Farmout Request  
E/2 NW/4 and NE/4 SW/4  
Section 13, T-20-S, R-38-E  
Lea County, New Mexico

Dear Mr. Pierce:

Our records indicate that you own a leasehold interest in the above referenced tract from the surface down to the base of the San Andres formation. TXO Production Corp. is interested in a farmout of your interest in said lands based on the following proposal:

- 1) Within 180 days from the execution of a mutually acceptable Farmout Agreement, TXO will commence the drilling of a 7700' Abo test in the captioned acreage at a location of our choice.
- 2) By the drilling of this well, TXO will earn a 75% net revenue interest lease in the proration unit for said well down to a depth of 100' below the deepest depth drilled.
- 3) If all of the farmout acreage is not allocated to the initial productive well, TXO would have the option to continuously develop the acreage with the passing of no more than 180 between the completion of one well and the commencement of the next well.

As an alternative to farming out your interest, you may want to participate in the drilling of this well. Should this be the case, please advise us of your intentions and we will prepare an Operating Agreement for your review and execution.

Please be advised that TXO is considering filing a compulsory pooling application with the New Mexico Oil Conservation Commission in order to secure the necessary acreage for the proration unit for the drilling of this well. TXO will be willing to work with you in any way possible so that your interest will not be affected by any compulsory pooling order affecting this well. Thank you for your consideration of the above proposal. Should you have any questions or want to discuss this matter further, please do not hesitate to contact me.

Very truly yours,

Jeff Bourgeois  
Landman

JB/bv

P 547 387 319

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

★ Form 3800, Feb. 1982

Sent to <b>Mr. Ray Pierce</b>	
Street and No. <b>P. O. Box EP</b>	
P.O., State and ZIP Code <b>Eunice, NM 88230</b>	
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 447-845

● **SENDER: Complete items 1, 2, 3 and 4.**

Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

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

3. Article Addressed to:  
**Mr. Ray Pierce  
P. O. Box EP  
Eunice, NM 88230**

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	<b>P 547 387 319</b>

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

5. Signature - Addressee  
**X**

6. Signature - Agent  
**X Mrs. Ray A. Pierce**

7. Date of Delivery  
**8.23**

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

DOMESTIC RETURN RECEIPT

August 21, 1985

Texas Crude Oil Company  
2100 Texas Crude Building  
Houston, Texas 77002

Attention: Mr. K. C. Weiner

Re: Kornegay #1 Well  
1980' FNL & 1980' FWL  
Section 13,  
T-20-S, R-38-E  
Lea County, New Mexico

Gentlemen:

Enclosed for your files is a copy of the Title Opinion TXO had prepared for the drilling of the above referenced well. Please be advised that the proration unit to be dedicated to the referenced well will be the SE/4 NW/4. We have enclosed the AFEs with the billing interest to reflect the leasehold ownership as shown on the Title Opinion.

It would be appreciated if you circulate the AFEs to all parties having them sign one copy and return it to the attention of the undersigned at the letterhead address. Upon receipt of the AFEs, we will prepare a Joint Operating Agreement and circulate it among the non-operators for signatures.

Requirement number 12 of the enclosed Title Opinion discusses the heirship of Stanley Weiner. It would be greatly appreciate if you could assist TXO in curing this requirement by furnishing us with an Affidavit of Heriship on Stanley Weiner together with a copy of any Will he may have left, for our examination. Should you have any questions, please do not hesitate to call me. Thank you for your assistance and cooperation in this matter.

Very truly yours,

Jeff Bourgeois  
Landman

JB/dp  
Enclosure

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

Date 4-19-85

A \_\_\_\_\_  
Co. Co. \_\_\_\_\_

District West Texas Well Name Kornegay Well No. 1

Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-38-E Depth 7700'

Field House 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 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
	<b>TOTAL DRILLING</b>		<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700'-2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
	<b>TOTAL COMPLETION</b>		<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
	<b>TOTAL PRODUCTION EQUIPMENT</b>		<b>93 000</b>		<b>93 000</b>
	<b>TOTALS</b>		<b>462 250</b>		<b>462 250</b>

WI OWNER NAME Ted Weiner BILLING INT (7 decimals) .0111111 DATE APPROVED \_\_\_\_\_ APPROVED: (this space for approval only)

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

Date 4-19-85 A 1 Co. Cd. 1

District West Texas Well Name Kornegay Well No. 1

Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-38-E Depth 7700'

Field House County Lea State New Mexico

Prepared By: Mark Weideman Submitted By: \_\_\_\_\_ Dallas \_\_\_\_\_ District \_\_\_\_\_

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. ON HAND	TOTAL
<b>DRILLING</b>					
01	Casing 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
<b>TOTAL DRILLING</b>			<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700' -2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
<b>TOTAL COMPLETION</b>			<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
<b>TOTAL PRODUCTION EQUIPMENT</b>			<b>93 000</b>		<b>93 000</b>
<b>TOTALS</b>			<b>462 250</b>		<b>462 250</b>

WI OWNER NAME Charles Weiner BILLING INT (7 decimals) .0055556 DATE APPROVED \_\_\_\_\_ APPROVED: (this space for approval only) \_\_\_\_\_



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

Date 4-19-85 Co. Cd. 1

District West Texas Well Name Kornegav Well No. 1

Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-38-E Depth 7700'

Field House 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 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
<b>TOTAL DRILLING</b>			<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700' -2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
<b>TOTAL COMPLETION</b>			<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
<b>TOTAL PRODUCTION EQUIPMENT</b>			<b>93 000</b>		<b>93 000</b>
<b>TOTALS</b>			<b>462 250</b>		<b>462 250</b>

WI OWNER NAME

BILLING INT  
(7 decimals)

DATE  
APPROVED

APPROVED: (this space for approval only)

The Heirs & Devisees of  
Stanley Weiner

.0069444

By: \_\_\_\_\_

District West Texas Well Name Kornegay Well No. 1  
Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-38-E Depth 7700'  
Field House County Lea State New Mexico  
Prepared By: Mark Weideman Submitted By: \_\_\_\_\_ Dallas \_\_\_\_\_ District \_\_\_\_\_

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. ON HAND	TOTAL
<b>DRILLING</b>					
01	Casing 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/4", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
<b>TOTAL DRILLING</b>			<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700'-2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
<b>TOTAL COMPLETION</b>			<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
<b>TOTAL PRODUCTION EQUIPMENT</b>			<b>93 000</b>		<b>93 000</b>
<b>TOTALS</b>			<b>462 250</b>		<b>462 250</b>

WI OWNER NAME Margie Weiner Bodzy BILLING INT (7 decimals) .0013889 DATE APPROVED \_\_\_\_\_ APPROVED: (this space for approval only) \_\_\_\_\_

July 29, 1985

Amerada Hess Corporation  
P. O. Box 2040  
Tulsa, OK 74102

Attn: Mr. William E. Hough

CERTIFIED MAIL  
Re: Well Proposal  
Kornegay #1 Well  
Section 13, T-20-S, R-38-E  
Lea County, New Mexico

Gentlemen:

Reference is hereby made to your letter of May 2, 1985, wherein Amerada Hess Corporation declined an offer to farmout or participate in the above captioned well. Please be advised that TXO Production Corp. has a continued interest in the drilling of this well and hereby once again offers the following proposal. TXO would be willing to lease the mineral interest of Amerada Hess Corporation in the  $\frac{1}{2}$  of the E/2 NW/4 and  $\frac{1}{2}$  of the NE/4 SW/4 of Section 13, T-20-S, R-38-E, Lea County, New Mexico on the following terms: fn

- 1) Within 180 days from execution of an acceptable lease agreement, TXO will commence operations on the drilling of a 7700' Abo test at a location 1980' FNL and 1980' FWL of Section 13, T-20-S, R-38-E, Lea County, New Mexico.
- 2) By the drilling of this well, TXO will earn a 75% net revenue interest lease in the proration unit for the well down to a depth 100' below the deepest depth drilled.
- 3) If all the lease acreage is not allocated to the initial productive well, TXO would have the option to continuously develop the acreage with the passing of no more than 180 days between the completion of one well and the commencement of operations on the next well.

As an alternative to leasing, Amerada may want to participate as a working interest owner in the drilling of this well. Therefore, TXO has enclosed for your review two (2) copies of our Authority for Expenditure (AFE) for the drilling of the Kornegay #1 well. Should Amerada want to participate in this well, please sign one (1) copy of the AFE and return it to the attention of the undersigned at the letterhead address and we will forward an Operating Agreement for your review and execution.

**Well Proposal**  
**Amerada Hess Corporation**  
**Page 2**

TXO is putting this well in line on our rig schedule and therefore, if within two (2) weeks after the receipt of this letter you have failed to confirm in writing of your decision to join or farmout, compulsory pooling application will be filed with the New Mexico Oil Conservation Commission. Should you have any questions or want to discuss this matter further, please do not hesitate to contact me. Thank you for your cooperation in this matter.

Very truly yours,

Jeff Bourgeois  
Landman

JB/bv  
Enclosure

P 547 387 324

**RECEIPT FOR CERTIFIED MAIL**

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

Sent to Amerada Hess Corporation	
Street and No. P. O. Box 2040	
P.O., State and ZIP Code Tulsa, OK 74102	
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	

★ Form 3800, Feb. 1982

PS Form 3811, July 1983 447-845

**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:  
Amerada Hess Corporation  
P. O. Box 2040  
Tulsa, OK 74102  
  
Attn: Mr. William E. Hough

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 547 387 324

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

5. Signature - Addressee  
X

6. Signature - Agent  
X *Lawrence*

7. Date of Delivery  
AUG 1 1985

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

DOMESTIC RETURN RECEIPT

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

Date 4-19-85 A       
Ca. Co.     

District West Texas Well Name Kornegay Well No. 1  
Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-28-E Depth 7700'  
Field House 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 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
	<b>TOTAL DRILLING</b>		223 750		223 750
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700'-2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
	<b>TOTAL COMPLETION</b>		145 500		145 500
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
	<b>TOTAL PRODUCTION EQUIPMENT</b>		93 000		93 000
	<b>TOTALS</b>		462 250		462 250

WI OWNER NAME Amerada Hess Corp. BILLING INT (7 decimals) .166667 DATE APPROVED      APPROVED: (this space for approval only)  
Amerada Hess Corp. By:      AMERADA HESS CORP.  
Title:

July 29, 1985

Mr. Ronald J. Byers  
1600 United Bank Tower  
400 W. 15th Street  
Austin, TX 78701

CERTIFIED MAIL

Re: Lease Well Proposal  
Kornegay #1 Well  
W 2/3 of the E/2 NW/4 and W  
2/3 of the NE/4 SW/4 Section  
13,  
T-20-S, R-38-E  
Lea County, New Mexico

Dear Mr. Byers:

Reference is hereby made to my letter dated April 19, 1985, wherein TXO Production Corp. proposed the drilling of our Kornegay #1 well, a 7700' Abo test to be drilled at a location 1980' FNL and 1980' FWL of Section 13, T-20-S, R-38-E, Lea County, New Mexico. Please be advised that TXO has a continued interest in the drilling of this well and at this time would like to offer to lease your mineral interest based on the following terms:

A six (6) month free lease with a quarter royalty provision executed on a mutually acceptable oil and gas lease form.

As an alternative to leasing your interest, you may want to participate as a working interest owner in the drilling of this well. Therefore, TXO has enclosed for your review, two (2) copies of our Authority for Expenditure (AFE) for the drilling of the Kornegay #1 well. Should you want to participate in this well, please sign one (1) copy of the AFE and return it to the attention of the undersigned at the letterhead address and we will forward an Operating Agreement for your review and execution.

TXO is putting this well in line on a rig schedule and therefore, if within two (2) weeks after the receipt of this letter you have failed to confirm in writing of your decision to lease or join a compulsory pooling application will be filed with the New Mexico Oil Conservation Commission. Please do not hesitate to contact me should you have any questions or if you would like to discuss this matter further. Thank you for your cooperation in this matter.

Very truly yours,

Jeff Bourgeois  
Landman

JB/bv  
Enclosure

P 547 387 323

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

Sent to	
Mr. Ronald J. Byers	
Street and No. 1600 United Bank Tower	
P.O. State and ZIP Code 400 W. 15th Street Austin, TX 78701	
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	

\* U.S.G.P.O. 1983-403-517

PS Form 3800, Feb. 1982

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:

Mr. Ronald J. Byers  
1600 United Bank Tower  
400 W. 15th Street  
Austin, TX 78701

4. Type of Service:	Article Number
<input type="checkbox"/> Registered	P 547 387 323
<input checked="" type="checkbox"/> Certified	
<input type="checkbox"/> Express Mail	
<input type="checkbox"/> Insured	
<input type="checkbox"/> COD	

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee  
X

6. Signature - Agent  
X Mike Sautio

7. Date of Delivery  
8-1-85

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

IM 3811, July 1983 447-945

DOMESTIC RETURN RECEIPT



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

District West Texas Well Name Kornegay Well No. 1  
Well Location 1980' FNL & FWL, Sec 13, T-20-S, R-28-E Depth 7700'  
Field House 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 1600' 8 5/8" 24# K-55 ST&C		18 500		18 500
02	Casinghead		3 500		3 500
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 20 days @ \$4450		89 000		89 000
06	Drilling - Rig Support MI & MORT		15 000		15 000
07	Bits 1-12 1/2", 3-7 7/8"		14 500		14 500
08	Supervision 21 days @ \$250		5 250		5 250
09	Overhead				
10	Mud & Chemicals & water		20 000		20 000
11	Cementing Services & Supplies & csg crews		8 500		8 500
12	Testing & Logging & mud logger		16 500		16 500
13	Rentals		5 000		5 000
14	Other IDC pit liners,		3 000		3 000
15	Other Equipment		4 500		4 500
<b>TOTAL DRILLING</b>			<b>223 750</b>		<b>223 750</b>
<b>COMPLETION</b>					
17	Casing 7700' 4 1/2"		41 000		41 000
18	Tubing 7700' -2 3/8"		22 500		22 500
19	Wellhead		5 000		5 000
20	Subsurface Equipment		4 500		4 500
21	Supervision 10 days @ \$250		2 500		2 500
22	Mud & Chemicals		4 000		4 000
23	Testing, Logging & Perforating		6 500		6 500
24	Stimulation		15 000		15 000
25	Overhead				
26	Rentals rev unit, DC, BOP, Test tank		6 000		6 000
27	Service Rig 10 days @ \$1700		17 000		17 000
28	Cementing Services & Supplies & csg crew		16 500		16 500
29	Other IDC		5 000		5 000
<b>TOTAL COMPLETION</b>			<b>145 500</b>		<b>145 500</b>
<b>PRODUCTION EQUIPMENT</b>					
32	Pumping Unit		30 000		30 000
33	Engine & Motor		8 000		8 000
34	Rods		12 000		12 000
35	Flow Lines		3 000		3 000
36	Meters		2 000		2 000
37	Installation		3 000		3 000
38	Storage		15 000		15 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
<b>TOTAL PRODUCTION EQUIPMENT</b>			<b>93 000</b>		<b>93 000</b>
<b>TOTALS</b>			<b>462 250</b>		<b>462 250</b>

WI OWNER NAME Ronald J. Byers BILLING INT (7 decimals) .0236111 DATE APPROVED \_\_\_\_\_ APPROVED: (this space for approval only) Ronald J. Byers