

TXO PRODUCTION CORP.
 Case No. 8698
 9/11/85 Examiner Hearing
 Exhibit No. 2

PS Form 3811, July 1983 447-945

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:
 O. H. Berry
 One Marienfeld Place, Suite 188
 Midland, Texas 79701

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 547 296 593

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Addressee
 X

6. Signature - Agent
 X *B. Roberts*

7. Date of Delivery
 8-15-85

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

DOMESTIC RETURN RECEIPT

PAID AU Sprinkle Federal #2

P 547 296 593

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

Sent to O. H. Berry	
Street and No. One Marienfeld Place, Ste 188	
P.O., State and ZIP Code Midland, Texas 79701	
Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to whom and Date Delivered	
Return receipt showing to whom, Date, and Address of Delivery	
TOTAL Postage and Fees	\$
Postmark or Date August 14, 1985	

* U.S.G.P.O. 1983-403-517
 PS Form 3800, Feb. 1982

August 14, 1985

O. H. Berry
One Marienfeld Place, Suite 188
Midland, Texas 79701

Re: Well Proposal
Sprinkle Federal #2 Well
NW/4 Section 26
T-18-S, R-32-E
Lea County, New Mexico

Dear Mr. Berry:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

At this time, TXO seeks your election to join in the well. If, after you have reviewed the AFE, you decide you would like to participate in the well, please sign one copy of the AFE and return it to the attention of the undersigned at the letterhead address.

As an alternative to joining in this well, TXO would be willing to farm your interest on the following terms:

1. By drilling a well at the above referenced legal location in the NW/4 of Section 26, T-18-S, R-32-E, Lea County, New Mexico to a depth of 8700' or a depth sufficient to test the Bone Springs formation, TXO would earn an assignment from you of all of your right, title and interest in the proration unit on said acreage to 100' below the deepest depth drilled.
2. You would retain an overriding royalty interest equal to the difference between 25% of all the oil and gas produced and the total of all existing lease burdens of record to the extent that TXO shall be delivered a 75% net revenue lease. You would have an option at payout to convert your overriding royalty to a 25% working interest proportionately reduced.

August 14, 1985
O. H. Berry
Page two

If you elect to join in the drilling of this well or alternatively farmout under the aforementioned general farmout terms, please advise and the respective agreements will be prepared and forwarded for your execution. TXO is putting this well in line on our rig schedule and therefore, if within two weeks after the receipt of this letter you have failed to confirm in writing of your decision to join or farmout, a Compulsory Pooling Application will be filed with the New Mexico Oil Conservation Commission. If you would like to discuss this well further, please do not hesitate to contact me at the above address or call (915) 682-7992.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp

AUTHORITY FOR EXPENDITURE

DRILLING WELL

Date 8-12-85

Co. Cd.

District West Texas Well Name Sprinkle Federal Well No. 2 (Re-entry)
Well Location 660' FNL & 1980' FWL, Sec 26, T-28-S, R-32-E Depth 8700'
Field Querecho Plains (Bone Springs) County Lea State New Mexico
Prepared By: Randy Cate Submitted By: W.M.M. Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT'L ON HAND	TOTAL
DRILLING					
01	Casing				
02	Casinghead		15 000		15 000
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 15 days @ \$4500		67 500		67 500
06	Drilling - Rig Support MI & MORT		20 000		20 000
07	Bits 4-7 7/8"		22 000		22 000
08	Supervision 17 days @ \$250		4 250		4 250
09	Overhead				
10	Mud & Chemicals & water		30 000		30 000
11	Cementing Services & Supplies				
12	Testing & Logging		25 000		25 000
13	Rentals		12 000		12 000
14	Other IDC		10 000		10 000
15	Other Equipment		10 000		10 000
TOTAL DRILLING			235 750		235 750
COMPLETION					
17	Casing 4 1/2" 8700'		96 000		96 000
18	Tubing 2 3/8" 8700'		34 000		34 000
19	Wellhead		10 000		10 000
20	Subsurface Equipment		10 000		10 000
21	Supervision 12 days @ \$250		3 000		3 000
22	Mud & Chemicals & KCL water		4 000		4 000
23	Testing, Logging & Perforating		12 000		12 000
24	Stimulation		45 000		45 000
25	Overhead				
26	Rentals		8 000		8 000
27	Service Rig 12 days @ \$1500		18 000		18 000
28	Cementing Services & Supplies & csg crew		20 000		20 000
29	Other IDC		10 000		10 000
TOTAL COMPLETION			270 000		270 000
PRODUCTION EQUIPMENT					
32	Pumping Unit		32 000		32 000
33	Engine & Motor		6 000		6 000
34	Rods		13 500		13 500
35	Flow Lines		2 000		2 000
36	Meters		6 000		6 000
37	Installation		10 000		10 000
38	Storage		20 000		20 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			109 500		109 500
TOTALS			615 250		615 250

WI OWNER NAME O. H. Berry BILLING INT .0130208 DATE APPROVED _____ APPROVED: (this space for approval only)

P 547 296 592

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, Feb. 1982

Sent to Lewis Burleson	
Street and No. P. O. Box 2479	
P.O., State and ZIP Code Midland, Texas 79702	
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 August 14, 1985	

PS Form 3811, July 1983 447-848

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 *90¢ Fee Not Paid*

3. Article Addressed to
Lewis Burleson
P. O. Box 2479
Midland, Texas 79702

4. Type of Service:	Article Number
<input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail	<input type="checkbox"/> Insured <input type="checkbox"/> COD P 547 296 592

Always obtain signature of addressee or agent and
DATE DELIVERED:

5. Signature - Addressee
X *[Signature]*

6. Signature - Agent
X

7. Date of Delivery
AUG 14 1985

8. Addressee's Address (ONLY if restricted and fee paid)
[Signature]

MIDLAND, TX
AUG 14 1985

DOMESTIC RETURN RECEIPT

Springfield Federal #2

August 14, 1985

Lewis Burleson
P. O. Box 2479
Midland, Texas 79702

Re: Well Proposal
Sprinkle Federal #2 Well
NW/4 Section 26
T-18-S, R-32-E
Lea County, New Mexico

Dear Mr. Burleson:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

At this time, TXO seeks your election to join in the well. If, after you have reviewed the AFE, you decide you would like to participate in the well, please sign one copy of the AFE and return it to the attention of the undersigned at the letterhead address.

As an alternative to joining in this well, TXO would be willing to farm in your interest on the following terms:

1. By drilling a well at the above referenced legal location in the NW/4 of Section 26, T-18-S, R-32-E, Lea County, New Mexico to a depth of 8700' or a depth sufficient to test the Bone Springs formation, TXO would earn an assignment from you of all of your right, title and interest in the proration unit on said acreage to 100' below the deepest depth drilled.
2. You would retain an overriding royalty interest equal to the difference between 25% of all the oil and gas produced and the total of all existing lease burdens of record to the extent that TXO shall be delivered a 75% net revenue lease. You would have an option at payout to convert your overriding royalty to a 25% working interest proportionately reduced.

August 14, 1985
Lewis Burleson
Page two

If you elect to join in the drilling of this well or alternatively farmout under the aforementioned general farmout terms, please advise and the respective agreements will be prepared and forwarded for your execution. TXO is putting this well in line on our rig schedule and therefore, if within two weeks after the receipt of this letter you have failed to confirm in writing of your decision to join or farmout, a Compulsory Pooling Application will be filed with the New Mexico Oil Conservation Commission. If you would like to discuss this well further, please do not hesitate to contact me at the above address or call (915) 682-7992.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp

AUTHORITY FOR EXPENDITURE

DRILLING WELL

Date 8-12-85

Co. Co.

District West Texas Well Name Sprinkle Federal Well No. 2 (Re-entry)
Well Location 660' FNL & 1980' FWL, Sec 26, T-28-S, R-32-E Depth 8700'
Field Querecho Plains (Bone Springs) County Lea State New Mexico
Prepared By: Randy Cate Submitted By: W.M.M. Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING					
01	Casing				
02	Casinghead		15 000		15 000
03	Location, Road & Dirt Work		20 000		20 000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 15 days @ \$4500		67 500		67 500
06	Drilling - Rig Support MI & MORT		20 000		20 000
07	Bits 4-7 7/8"		22 000		22 000
08	Supervision 17 days @ \$250		4 250		4 250
09	Overhead				
10	Mud & Chemicals & water		30 000		30 000
11	Cementing Services & Supplies				
12	Testing & Logging		25 000		25 000
13	Rentals		12 000		12 000
14	Other IDC		10 000		10 000
15	Other Equipment		10 000		10 000
TOTAL DRILLING			235 750		235 750
COMPLETION					
17	Casing 4 1/2" 8700'		96 000		96 000
18	Tubing 2 3/8" 8700'		34 000		34 000
19	Wellhead		10 000		10 000
20	Subsurface Equipment		10 000		10 000
21	Supervision 12 days @ \$250		3 000		3 000
22	Mud & Chemicals & KCL water		4 000		4 000
23	Testing, Logging & Perforating		12 000		12 000
24	Stimulation		45 000		45 000
25	Overhead				
26	Rentals		8 000		8 000
27	Service Rig 12 days @ \$1500		18 000		18 000
28	Cementing Services & Supplies & csg crew		20 000		20 000
29	Other IDC		10 000		10 000
TOTAL COMPLETION			270 000		270 000
PRODUCTION EQUIPMENT					
32	Pumping Unit		32 000		32 000
33	Engine & Motor		6 000		6 000
34	Rods		13 500		13 500
35	Flow Lines		2 000		2 000
36	Meters		6 000		6 000
37	Installation		10 000		10 000
38	Storage		20 000		20 000
39	Separation & Treating		15 000		15 000
40	Other Equipment		5 000		5 000
TOTAL PRODUCTION EQUIPMENT			109 500		109 500
TOTALS			615 250		615 250

WI OWNER NAME BILLING INT (7 decimals) DATE APPROVED APPROVED: (this space for approval only)

Lewis Burleson

.0130209

P 547 296 594

RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED
NOT FOR INTERNATIONAL MAIL

(See Reverse)

★ U.S.G.P.O. 1983-403-517

Sent to Joseph S. Sprinkle	
Street and No. P. O. Box 6483	
P.O., State and ZIP Code Denver, Colorado 80206	
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	\$

PS Form 3800, Feb. 1982

Postmark or Date
August 14, 1985

PS Form 3811, July 1983 447-845

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

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

2. Restricted Delivery.

3. Article Addressed to
Joseph S. Sprinkle
P. O. Box 6483
Denver, Colorado 80206

4. Type of Service: Registered Insured Certified COD Express Mail

Article Number: 547 296 594

Always obtain signature of addressee of agent and DATE DELIVERED.

5. Signature - Addressee
X *[Signature]*

6. Signature - Agent
X

7. Date of Delivery

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

SPRINKLE Federal #2

DOMESTIC RETURN RECEIPT

AUG 14 1985

August 14, 1985

Joseph S. Sprinkle
P. O. Box 6483
Denver, Colorado 80206

Re: Well Proposal
Sprinkle Federal #2 Well
NW/4 Section 26
T-18-S, R-32-E
Lea County, New Mexico

Dear Mr. Sprinkle:

TXO Production Corp. hereby proposes the drilling of the Sprinkle Federal #2, an 8700' Bone Springs test at a location 1980' FWL & 660' FNL, Section 26, T-18-S, R-32-E, Lea County, New Mexico. Enclosed please find two copies of our Authority for Expenditure (AFE) for the drilling of this well.

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August 14, 1985
Joseph S. Sprinkle
Page two

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Very truly yours,

Jeff Bourgeois
Landman

JB/dp

AUTHORITY FOR EXPENDITURE
DRILLING WELL

Date 8-12-85 Co. Cd. A

District West Texas Well Name Sprinkle Federal Well No. 2 (Re-entry)
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Prepared By: Randy Cate Submitted By: W.M.M. Dallas District

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TOTAL PRODUCTION EQUIPMENT			109 500		109 500
TOTALS			615 250		615 250

WI OWNER NAME Joseph S. Sprinkle BILLING INT (7 decimals) .3125000 DATE APPROVED _____ APPROVED: (this space for approval only)