

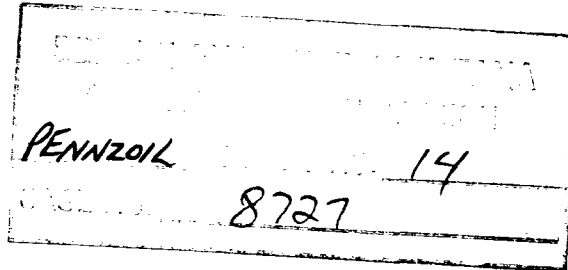
TXO PRODUCTION CORP.
900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

September 25, 1985

SEP 26 1985

Pennzoil Company
P. O. Drawer 1828
Midland, Texas 79702

Attention: Mr. Greg Davis



Re: B. E. Shipp State #1
W/2 NE/4 Section 4
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

Enclosed please find one signed copy of the AFE for the B. E. Shipp Estate #1 Well. Please be advised that TXO Production Corp. hereby agrees to participate in the drilling, completing and equipping of said well subject to a mutually acceptable Operating Agreement. TXO's participation is also subject to the understanding that the W/2 of the NE/4 of Section 4, Township 17 South, Range 37 East, Lea County, New Mexico shall be the 80 acre proration unit dedicated to the B. E. Shipp State #1.

Thank you for your attention to this matter and should you have any questions, please do not hesitate to contact me.

Very truly yours,

Jeff Bourgeois
Landman

JB/dp
Enclosure

AUTHORIZATION FOR EXPENDITURE				PAGE 2 OF 1						
PRODUCTION EQUIPMENT AND/OR OTHER COSTS										
Dept.	Play No.	AFE No.	AFE Title or Location Name (25)							
			B...E...S.H.I.P.P.E.S.T.A.T.E N O . . 1							
ANY		DIVISION		DISTRICT						
0		Western		Midland						
NAME AND NO.			FIELD OR AREA		UNDEVELOPED LEASE NO.					
Shipp Estate No. 1										
ATOR			COUNTY OR PARISH		STATE					
CO			Lea		New Mexico					
ECT DESCRIPTION			LEASE NAME AND NO.							
500' strawn development well in the SW/4 of			Shriners' Hospital 63819-00-02-07-08							
4 of Section 4, T-17S, R-37E.			PROPOSED FORMATION							
			Strawn							
Angle	☐ Triple	☒ Oil	☐ Gas	☐ Expl.	☒ Dev.	☒ New	☐ Workover	Deepen	☐ Yes	☒ No
nd	☐ Bay	DATE TO START		DATE TO COMPLETE		DAYS TO DRILL		PROPOSED DEPTH		
marsh	☐ Gulf					35		11,500		
Gross	Net	Budget Code	Le./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture	Operator				
					☐ No ☐ Yes	☐ 2-Co. ☐ 30-over				
ty/	Civil Dist.	Conveyed	Report to Code	Costing Location Mktg	Environmental Cost		% Safety			
ode		☐ Yes ☐ No			% Air	% Water	% Land - Code	and Heat		
TIFICATION										

DETAIL OF PRODUCTION EQUIPMENT AND OTHER COSTS				
Account		DESCRIPTION	QUANTITY	AMOUNT
Mej	Sub			
xxx	xxx			
		Production Tanks (500 Bbl.)	3	22,500
		Fiberglass Water Tank	1	3,000
		Heater Treater		12,500
		Flowlines & Connections		6,000
		LACT Unit	1	10,000
		Labor		5,000
		Misc. Contingencies		4,500