

TXO PRODUCTION CORP.

900 WILCO BUILDING

MIDLAND, TEXAS 79701

915/682-7992

July 15, 1988

Mr. Ken Steer
Louisiana Land and Exploration Company
2950 North Loop West, Suite 1200
Houston, TX 77092

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

As a follow-up to our telephone conversations and to amend my proposal of June 9, 1988 and July 12, 1988, TXO Production Corp. ("TXO") proposes the following:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 18.02525%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

TXO PRODUCTION CORP.
Case Nos. 9455 and 9479
9/14/88 Examiner Hearing
Exhibit No. 3

Mr. Ken Steer
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Louisiana Land and Exploration Company

BY: _____

TITLE: _____

DATE: _____

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

July 21, 1988

Mr. Ken Steer
Louisiana Land and Exploration Company
2950 North Loop West, Suite 1200
Houston, TX 77092

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

A. H. 1980 Program, Inc.
%Amerada Hess Corp.
1200 Milam
Houston, TX 77002-5681

Attn: Peter Bacon

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 16.12788%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

A. H. 1980 Program, Inc.
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

cc: Mr. Ron Mullins
A. H. 1980 Program, Inc.
%Amerada Hess Corp.
P. O. Box 2040
Tulsa OK 74102

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

A. H. 1980 PROGRAM, INC.

BY: _____

TITLE: _____

DATE: _____

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

July 21, 1988

A. H. 1980 Program, Inc.
%Amerada Hess Corp.
1200 Milam
Houston, TX 77002-5681

Attn: Peter Bacon

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

cc: Mr. Ron Mullins
A. H. 1980 Program, Inc.
%Amerada Hess Corp.
P. O. Box 2040
Tulsa, OK 74102

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

July 15, 1988

David Petroleum Corp.
116 W. 1st
Roswell NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 4.269141%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

David Petroleum Corp.
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

DAVID PETROLEUM CORP.

BY: _____

TITLE: _____

DATE: _____

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

July 21, 1988

David Petroleum Corp.
116 W. 1st
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

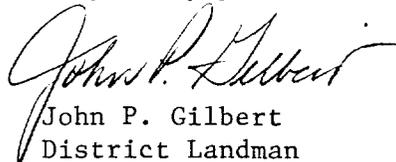
Gentlemen:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

Mr. Colin R. McMillan
118 W. 1st
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mr. McMillan:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 3.557617%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mr. Colin R. McMillan
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Colin R. McMillan

DATE: _____

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

July 21, 1988

Mr. Colin R. McMillan
118 W. 1st
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mr. McMillan:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

Mrs. Nadine Prideaux Loveless Smith
P. O. Box 566
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mrs. Smith:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 1.323433%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mrs. Nadine Prideaux Loveless Smith
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Nadine Prideaux Loveless Smith

DATE: _____

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

July 21, 1988

Mrs. Nadine Prideaux Loveless Smith
P. O. Box 566
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mrs. Smith:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

TXO PRODUCTION CORP.

900 WILCO BUILDING
MIDLAND, TEXAS 79701
915/682-7992

July 15, 1988

Mr. Fred J. Schlicher
P. O. Box 606
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mr. Schlicher:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of .91075%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mr. Fred J. Schlicher
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Fred J. Schlicher

DATE: _____

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

July 21, 1988

Mr. Fred J. Schlicher
P. O. Box 606
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mr. Schlicher:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,



John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

Mrs. Carolyn Loveless Schlicher
P. O. Box 606
Roswell NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mrs. Schlicher:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of .6617167%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mrs. Carolyn Loveless Schlicher
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Carolyn Loveless Schlicher

DATE: _____

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

July 21, 1988

Mrs. Carolyn Loveless Schlicher
P. O. Box 606
Roswell, NM 88201

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

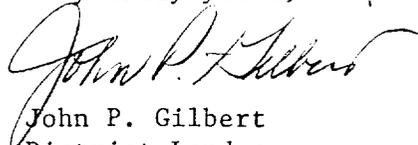
Dear Mrs. Schlicher:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,



John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

Mrs. Lucinda Loveless Herschenhorn
419 W. Wellington #1
Chicago, IL 60657

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Dear Mrs. Herschenhorn:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of .6617167%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mrs. Lucinda Loveless Hershenhorn
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours. With your numerous partners, one meeting with the partners present would be ideal.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Lucinda Loveless Hershenhorn

DATE: _____

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

July 21, 1988

Mrs. Lucinda Loveless Herschenhorn
419 W. Wellington #1
Chicago, IL 60657

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

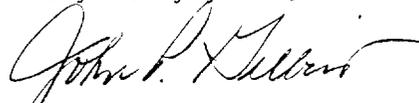
Dear Mrs. Herschenhorn:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,



John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 15, 1988

Mr. Bob Phipps and
Mr. Joe Alexander
P. O. Box 3081
Midland, TX 79702

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

TXO proposes the drilling of the referenced well, an 11,750 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 1.25%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

If you do not wish to participate in drilling this test, TXO requests a farmout of your interest under the following terms and conditions:

1. Upon successful completion, assign TXO 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest lease.
2. At payout of the test well, you shall have the option of converting your retained overriding royalty interest to a 25% working interest, proportionately reduced to the extent of your interest.

Mr. Bob Phipps and Mr. Joe Alexander
July 15, 1988
Page Two

Further, in order to expedite matters, TXO is willing to present our technical data (seismic) across the location either in your office or ours.

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,

John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to farmout under the terms stated herein.

Bob Phipps

Joe Alexander

DATE: _____

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

July 21, 1988

Mr. Bob Phipps and
Mr. Joe Alexander
P. O. Box 3081
Midland, TX 79702

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

On July 15, 1988 an 11,750' Strawn/Atoka test was proposed to you 1310' FSL and 660' FEL of Section 13, T-17-S, R-37-E, Lea County, New Mexico.

TXO Production Corp. desires to amend said proposal to now provide the total depth to be 11,900' or a depth sufficient to test the Atoka formation, whichever is the lesser depth. A revised AFE is included for your evaluation.

As stated previously, a reply on or before August 8, 1988 is requested. Thank you for your prompt consideration.

Very truly yours,



John P. Gilbert
District Landman

JPG/sf
Enclosure

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

July 21, 1988

Rebel Oil Co.
603 Seco Drive
Hobbs, NM 88240

Re: Well Proposal
Norris "B" #1
E/2 SE/4 Section 13,
T-17-S, R-37-E
Lea County, New Mexico

Gentlemen:

TXO proposes the drilling of the referenced well, an 11,900 Strawn/Atoka test, 1310' FSL and 660' FEL commencing on or about October 1, 1988. The E/2 SE/4 of Section 13, T-17-S, R-37-E will be the dedicated tract for this well. Inasmuch as this location is considered "unorthodox" according to the South Humble City-Strawn Pool and the Humble City-Atoka Pool rules issued by the Oil Conservation Division of the State of New Mexico, approval of the location by this agency will be sought.

Enclosed for your review, please find an Authority for Expenditure. A preliminary review of record title indicates that you would have an approximate working interest of 3.125%. If you desire to participate in this test, please indicate such by signing in the space provided below and returning a copy of this letter to the attention of the undersigned at the letterhead address. At such time as ownership is confirmed, a Joint Operating Agreement together with an AFE will be provided for execution.

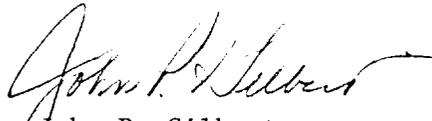
If you do not wish to participate in drilling this test, TXO requests one of the following options:

1. Grant TXO an Oil and Gas Lease on a form satisfactory to TXO which provides among other things a pooling provision and shut-in gas clause. Said lease shall be for a term of 3 years, provide for a 1/5 royalty and bonus consideration of \$125/net acre.
2. Upon successful completion, TXO shall earn an oil and gas lease covering 100% of your right, title and interest in the proration unit delivering a 75% net revenue interest. Said lease shall be on a form satisfactory to TXO which provides among other things a pooling provision and shut-in gas clause and shall be for a term of six (6) months and so long thereafter as oil and/or gas is produced or any conditions exist that would continue the lease in force.

Rebel Oil Co.
July 21, 1988
Page Two

If you have any questions concerning this matter, please advise. As we are anxious to proceed with this project, a reply on or before August 8, 1988 is requested.

Very truly yours,


John P. Gilbert
District Landman

JPG/sf
Enclosure

_____ I desire to participate in the drilling of the captioned well to the extent of the aforementioned working interest or any slight modification thereto pending an examination of title.

_____ I desire to lease under the terms stated in Option #1 herein.

_____ I desire to farmout under the terms stated in Option #2 herein.

REBEL OIL CO.

BY: _____

TITLE: _____

DATE: _____