

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

October 29, 1985

Mr. & Mrs. Lewis B. Burleson
P. O. Box 2479
Midland, Texas 79702

Re: Joint Operating Agreement
NE/4 Section 26
T-18-S, R-32-E, NMPM
Lea County, New Mexico

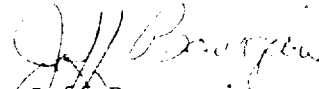
Dear Mr. & Mrs. Burleson:

Enclosed please find an Operating Agreement covering the above referenced acreage and an extra set of signature pages therefor.

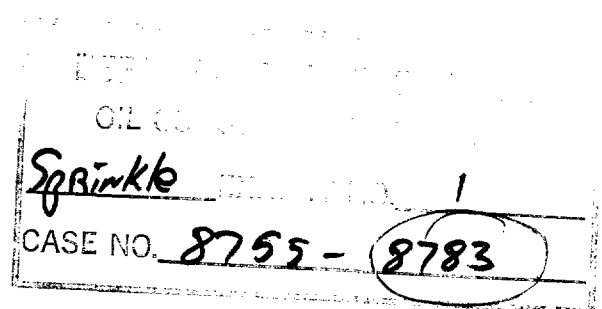
Please look over the Agreement. If it meets with your approval, execute and return the extra signature pages being sure to have your signature notarized. The Agreement is for your records.

Thank you for your assistance and cooperation in this matter and should you have any questions, please do not hesitate to call me at (915) 682-7992.

Very truly yours,


Jeff Bourgeois
Landman

JB/dp
Enclosure



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

December 9, 1985

Mr. & Mrs. Lewis B. Burleson
P. O. Box 2479
Midland, Texas 79702

Re: Well Proposal
Burleson Federal #3
NE/4 Section 26
T-18-S, R-32-E
Lea County, New Mexico


Dear Mr. & Mrs. Burleson:

Pursuant to the terms of that certain Operating Agreement dated October 15, 1985, by and between TXO Production Corp., Operator and Lewis B. Burleson and his wife Kathryn K. Burleson, et al, Non-Operator, TXO Production Corp. hereby proposes the drilling of the Burleson Federal #3 well. Enclosed please find two (2) copies of our Authority for Expenditure (AFE) for the drilling of the above referenced well to be located 2310' FNL & 2310' FEL, Section 26, T-18-S, R-32-E, Lea County, New Mexico.

Should you elect to participate in the drilling of the Burleson Federal #3 well, please sign one (1) copy of the enclosed AFE and return it to the attention of the undersigned at the letterhead address. Failure to notify TXO of your election within thirty days after receipt of this notice shall constitute an election by you not to participate in the drilling of the Burleson Federal #3 well.

Should you need any information regarding this proposal, please do not hesitate to contact me at the letterhead address or by calling (915) 682-7992. Thank you for your attention to this matter.

Very truly yours,


Jeff Bourgeois
Landman

JB/dp
Enclosures

AUTHORITY FOR EXPENDITURE
DRILLING WELL — TXO AND OUTSIDE OPERATED

#1 - Completed cost \$500,000
no punch.

Date 12-2-85
Same as 2 and 4

DISTRICT West Texas WELL NAME Burleson Federal WELL NO. 3
OPERATED BY TXO LOCATION 2310' FNL & 2310' FEL Sec 26, T-18-S, R-32-E DEPTH 8700'
FIELD Querecho Plains (U. Bone Springs) COUNTY Lea STATE NM
PREPARED BY Randy Cate SUBMITTED BY Randy Cate DALLAS DISTRICT 12, 14, 15

| EXPENDITURE DESCRIPTION | QUANTITY | DESCRIPTION | EST. COST |
|------------------------------------|------------------------|------------------------------------|-----------|
| DRILLING | | | |
| Surface & Intermediate Casing | | 350' 11 3/4", 2600' 8 5/8" | 33,000 |
| Casinghead | | | 4,000 |
| Location Work & damages | | | 18,000 |
| Footage/Turnkey Drilling | | \$14.75/ft | 128,300 |
| Daywork Drilling | | 2 days @ \$4400/day | 8,800 |
| Rig Support | | | |
| Bits | | | |
| Supervision | | 20 days @ \$250/day | 5,000 |
| Drilling Overhead | | | |
| Mud & Chemicals & wtr | | | 18,000 |
| Cementing Services & Supplies | | | 28,000 |
| Testing & Logging | | | 13,000 |
| Rentals | | BOP, rotating head, forklift, etc | 8,000 |
| Other IDC | | trkg, BOP tester, etc | 10,000 |
| Other Equipment | | | 5,000 |
| Legal | | | 2,000 |
| Non-Operated Intangible Drilling | | | |
| TOTAL DRILLING | No Problem | | 281,100 |
| COMPLETION | | | |
| Production Casing | | 8700' 4 1/2", 10.5# 11.6# | 42,000 |
| Tubing | | 8700' 2 3/8" EUE | 25,500 |
| Wellhead Equipment | | | 6,000 |
| Subsurface Equipment | | | 4,000 |
| Supervision | 10 days | \$250/day | 2,500 |
| Mud & Chemicals & wtr | | | 3,000 |
| Testing, Logging & Perforating | | | 7,800 |
| Stimulation | | acid & sand frac | 38,000 |
| Completion Overhead | | | |
| Rentals | | TT, BOP, reverse unit, DCs | 6,000 |
| Service Rig | 10 days | \$1400/day | 14,000 |
| Cementing Services & Supplies | | | 22,000 |
| Other Completion IDC | | | 10,000 |
| Non-Operated Intangible Completion | | | |
| TOTAL COMPLETION | | | 180,800 |
| PRODUCTION EQUIPMENT | | | |
| Pumping Unit/Submersible Pump | | (will AFE @ a later date \$60,000) | - |
| Engine & Motor | | | - |
| Rods | | | - |
| Flow Lines | | | 2,000 |
| Meters | | | 6,000 |
| Installation/Overhead | | | 3,000 |
| Storage | | for each well on lease | 10,000 |
| Separation & Treating | | | 9,000 |
| Other Equipment | | | 5,000 |
| TOTAL PRODUCTION EQUIPMENT | difference of \$60,000 | | 35,000 |
| TOTAL | | | 496,900 |

| | | | |
|---|----------------------------------|---------------|--|
| OWNER'S NAME AND ADDRESS (New Addresses Only) | BILLING INTEREST (7 Decimals) | DATE APPROVED | APPROVED: (this space for approval only) |
| Lewis B. Burleson and his wife, Kathryn K. Burleson | .0416662 | | Lewis B. Burleson |
| | | | Kathryn K. Burleson |

\$76,000 total for storage

Dec. 11, 1985

Company No. _____ AFE Type No. _____
AFE No. _____ Property No. _____
Acc. Name/Code: _____