



PENNZOIL PLACE • P. O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

REG. CLERK EXAMINER CATANACH	
PROPERTY SECTION DIVISION	
EXHIBIT NO.	17
CASE NO.	

Denise Lowe
3424 61st Street
Lubbock, Texas 79413

Re: #1 M. H. Medlin
S/2 NW/4 of Section 14,
T16S - R37E
Lea County, New Mexico

Dear Ms. Lowe:

Pennzoil Company hereby proposes to drill a 12,200' Strawn-Atoka test at a legal location 1980' FNL and 660' FWL of Section 14, T16S-R37E, by January 1, 1988. A copy of our AFE is enclosed for your review.

The Oil and Gas Records of Lea County, New Mexico indicate that you own an undivided and unleased 3.3484% of a 1/48th mineral interest in the S/2 NW/4 of Section 14-16S-37E, and the same interest in the N/2 NW/4, N/2 SW/4 of Section 14, T16S-R37E and the NE/4, N/2 SE/4 of Section 15-16S-37E.

We hereby request that you either participate in our proposed well or lease your interest in the S/2 NW/4 of Section 14-16S-37E and the N/2 NW/4, N/2 SW/4 of Section 14, T16S-R37E and the NE/4, N/2 SE/4 of Section 15-16S-37E to Pennzoil for a bonus consideration of \$100.00 for a one (1) year lease providing for 1/4 royalty and a 180 day continuous drilling program.

Should you elect to participate, please return an executed copy of the enclosed AFE. Upon our receipt of same, an A.A.P.L. Form 610-1982 Model Form Operating Agreement will be forwarded to you for your review and execution.

Please be advised that due to Pennzoil's lease expirations in January of 1988, we plan to make application to compulsory pool the S/2 NW/4 of Section 14-16S-37E on the next available Commission docket.

Your prompt consideration of our proposal will be appreciated. Should you have any questions, please feel free to contact me at 713/546-6195.

Yours very truly,

PENNZOIL COMPANY

Greg Davis
Greg Davis
Land Specialist

GD:jt
Enclosure

**AUTHORIZATION FOR EXPENDITURE
WELLS**

Co. 25	Dept. 1	Play No. 6140	AFE No. 7438937	AFE Title or Location Name (25) M. H. MEDLIN #1 D,C & E
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COMPANY Pennzoil Company	DIVISION Western	DISTRICT 36
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WELL NAME AND NO. M.H. Medlin No. 1	FIELD OR AREA NE Lovington	UNDEVELOPED LEASE NO.
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OPERATOR Pennzoil Company	COUNTY OR PARISH Lea	STATE NM
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PROJECT DESCRIPTION Drill, complete and equip. a 12,200' Strawn oil well located 1980' FNL & 660' FWL of section 14, T16S, R37E	LEASE NAME AND NO. PROPOSED FORMATION Strawn
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<input checked="" type="checkbox"/> Single	<input type="checkbox"/> Triple	<input checked="" type="checkbox"/> Oil	<input type="checkbox"/> Gas	<input type="checkbox"/> Expl.	<input checked="" type="checkbox"/> Dev.	<input checked="" type="checkbox"/> New	<input type="checkbox"/> Workover	Deepen
<input type="checkbox"/> Dual	<input type="checkbox"/> Bay	DATE TO START		DATE TO COMPLETE		DAYS TO DRILL		PROPOSED DEPTH
<input checked="" type="checkbox"/> Land	<input type="checkbox"/> Marsh					36		12,200'

Gross	Net	Budget Code 4108	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture <input type="checkbox"/> No <input type="checkbox"/> Yes	Operator <input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Outsd.	Stat. Code	
County/Ph. Code	Civil Dist.	Conveyed <input type="checkbox"/> Yes <input type="checkbox"/> No	Report to Code	Costing Location Mktg	Environmental Cost % Air % Water % Land - Other			% Safety and Health

JUSTIFICATION To test a Strawn lime algal mound in the Lovington NE Field area.

INTANGIBLES				SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING	12,200	ft. @ \$	13.00 /ft.	489	158,600		158,600
CONTRACT DAY WORK	DRILLING	days @ \$	/day	490			
	CORING AND DRILL STEM TEST	4 days @ \$	4,000 /day	490	16,000		16,000
	LOGGING, SFT. AND PERFORATING	2 days @ \$	4,000 /day	490	8,000		8,000
	OTHER	10 days @ \$	1,300 /day	490		13,000	13,000
	TOTAL CONTRACT DAY WORK				490		
COMPANY PAYROLL	\$195/day			501	7,020	1,950	8,970
EMPLOYEE BENEFITS	\$105/day			505	3,780	1,050	4,830
TRANSPORTATION AND HAULING				545	10,000	7,500	17,500
ACCESS CANAL CONSTRUCTION				476			
LOCATION, ROADS, PITS OR KEYWAY				472	7,500	6,000	13,500
BITS, COREHEADS, ETC.				492			
MUD MATERIALS				475	18,000	1,500	19,500
CEMENT AND CEMENTING SERVICES				473	21,000	8,000	29,000
CENTRALIZERS, SHOES, SCRATCHERS AND NON-SALVABLE PACKERS				491	1,000	1,000	2,000
MUD LOGGING	21 days @ \$350/day			474	7,350		7,350
FORMATION TESTING	one DST			482	4,500		4,500
LOGGING AND SIDE WALL CORING				478	26,000	3,000	29,000
PERFORATING				479		7,500	7,500
TOOL RENTAL INCLUDING SMALL DIAMETER DRILL PIPE				488	5,000	6,000	11,000
TESTING TUBULAR GOODS				484	6,000	15,000	21,000
INTERNAL COATING				485			
STIMULATION TREATMENT				480		7,500	7,500
OTHER SPECIAL WELL SERVICES	includes 60' core			494	16,000		16,000
MISCELLANEOUS COSTS AND CONTINGENCIES	10%			599	31,550	7,900	39,450
TOTAL INTANGIBLES					347,300	86,900	434,200

TANGIBLES							
CASING	ft.	in.	lb.	Gr.	@ \$		
		425	13-3/8	48.0	H-40	21.39	440
	4,400	8-5/8	28.0	S-80	16.60	440	73,000
	12,200	5-1/2	17	N-80	9.48	440	115,700
TUBING						443	
	11,800	2-7/8	6.5	N-80	4.49	443	53,000
CASING HEADS						444	4,000
CHRISTMAS TREE						445	8,000
RETRIEVABLE PACKERS						448	6,000
OTHER WELL EQUIPMENT						469	
TOTAL TANGIBLES							86,100
TOTAL WELL COST					100.00000	%	
PRODUCTION EQUIPMENT (Detail Attached)					100.00000	%	104,800
OTHER COSTS - NET (Detail Attached)					100.00000	%	
TOTAL COST					100.00000	%	433,400
CO. OWNERSHIP	6,167,04	%	COMPANY COST	6,167,04	%		
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE		
<i>[Signature]</i>	10-16-87						

JOINT INTEREST APPROVAL

COMPANY NAME: _____ % _____ DATE _____

APPROVAL _____ DATE _____

**AUTHORIZATION FOR EXPENDITURE
PRODUCTION EQUIPMENT AND/OR OTHER COSTS**

Co. Dept.	Play No.	AFE No.	AFE Title or Location Name (25)
2 5 1	6 1 4 0	7 4 3 8 9 3 7	M. H. M. E. D. L. I. N. # 1, D, C & E.

COMPANY Pennzoil Company	DIVISION Western	DISTRICT 36
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<input type="checkbox"/> Dual	<input type="checkbox"/> Bay	DATE TO START	DATE TO COMPLETE	DAYS TO DRILL	PROPOSED DEPTH			
<input checked="" type="checkbox"/> Land	<input type="checkbox"/> Marsh			36	12,200'			

Gross	Net	Budget Code 4 1 0 8	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture	Operator	Stat Cod
					<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Outsd.	

County/Ph. Code	Civil Dist.	Conveyed	Report to Code	Costing Location Mktg	Environmental Cost			% Safety and Health
		<input type="checkbox"/> Yes <input type="checkbox"/> No			% Air	% Water	% Land - Other	

JUSTIFICATION **To test a Strawn lime algal mound in the Lovington NE Field area.**

DETAIL OF PRODUCTION EQUIPMENT AND OTHER COSTS

No	Account		DESCRIPTION	QUANTITY	AMOUNT 100%
	Maj	Sub			
1	146	457	Production tanks (500bbl)	3	17,250
1	146	457	Fiberglass water tank (300 bbl)	1	3,000
1	146	459	Heater treater	1	12,000
1	146	458	Gas separator	1	2,800
1	146	463	LACT unit	1	15,000
1	146	453	Electrical equipment - transformers, control panel, etc.		5,750
1	146	467	Vapor recovery unit	1	12,000
1	146	456	Flowlines & connection		6,000
1	146	510	Contract labor		17,000
1	146	545	Transportation		5,000
1	146	598	Misc. contingencies		9,000
				TOTAL	104,800

SUMMARY OF ESTIMATED COST	
1 PROPERTY ADDITIONS	
6 REMOVAL COST	
5 SALVAGE	
TOTAL COST	
	100.00000 %

CO. OWNERSHIP	6 1 6 7 0 4 %	COMPANY COST	6 1 6 6 6 6 7 %
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APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE
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JOINT INTEREST APPROVAL

COMPANY NAME:	APPROVAL	DATE
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