

TXO PRODUCTION CORP.

900 WILCO BUILDING  
MIDLAND, TEXAS 79701

August 23, 1985

Pennzoil  
P. O. Box 1828  
Midland, Texas 79702

Attention: Mr. K. B. Medlock  
District Landman

RETURN TO: MR. J. BOURGEOIS OIL CO. & SERVICE DIVISION	
PENNZOIL EXPEDIT NO.	5
CASE NO.	8727

AUG 26 1985

Re: Farmout Request  
NE/4 Section 4  
T-17-S, R-37-E  
Lea County, New Mexico  
Grisso #1 Well

Gentlemen:

Our records indicate that Pennzoil owns a leasehold interest in the above referenced tract. TXO Production Corp. is interested in a farmout of Pennzoil's interest in said lands based on the following proposal:

1. Within 120 days from the execution of a mutually acceptable Farmout Agreement, TXO will commence the drilling of the Grisso #1 Well at a location of 2310' FNL & 660' FEL Section 4, T-17-S, R-37-E, Lea County, New Mexico.
2. By the drilling of this well, TXO will earn a 75% net revenue interest lease in the proration unit for said well down to a depth of 100' below the deepest depth drilled.
3. If all of the farmout acreage is not allocated to the initial productive well, TXO would have the option to continuously develop the acreage with the passing of no more than 120 days between the completion of one well and the commencement of the next well.

As an alternative to farming out said interest, Pennzoil may want to participate in the drilling of this well. Enclosed is an Authority for Expenditure (AFE) for the Grisso #1 Well. Should Pennzoil decide to participate in the drilling of this well, please sign and return one copy of the AFE to the attention of the undersigned at the letterhead address.

Thank you for your consideration of this proposal and I look forward to hearing from you in the near future.

Very truly yours,

  
Jeff Bourgeois

District West Texas Well Name Grisso Well No: 1  
Well Location 2310' FNL & 660' FEL Section 4, T-17-S, R-37-E Depth 11,500'  
Field Casey-Strawn Pool County Lea State NM  
Prepared By: Deen Wood Submitted By: \_\_\_\_\_ Dallas District

CAT. NO.	NATURE OF EXPENDITURE	QUANTITY	ESTIMATED COST		
			CASH	MAT. L ON HAND	TOTAL
DRILLING 400' 13 3/8" 48# H-40 ST&C					
01	Casing 4800' 8 5/8" -2200' 24# K-55 ST&C		71	500	71,500
02	Casinghead		9	000	9,000
03	Location, Road & Dirt Work & damages		15	000	15,000
04	Drilling - Footage/Turnkey				
05	Drilling - Daywork 39 days @ \$4500		175	500	175,500
06	Drilling - Rig Support MI & MORT		20	000	20,000
07	Bits 10 @ \$3750		37	500	37,500
08	Supervision 41 days @ \$250		10	250	10,250
09	Overhead				
10	Mud & Chemicals & water		35	000	35,000
11	Cementing Services & Supplies		35	000	35,000
12	Testing & Logging & mud logger		25	000	25,000
13	Rentals		15	000	15,000
14	Other IDC out liners, csg crew, etc.		20	000	20,000
15	Other Equipment		3	000	3,000
TOTAL DRILLING			471	750	471,750
COMPLETION 10,000' 17# N-80 T&C					
17	Casing 11,150' 5 1/2" -1500' 20# N-80 LT&C		135	000	135,000
18	Tubing 11,500' 2 7/8" 6.5# N-80 EUE		69	000	69,000
19	Wellhead		12	000	12,000
20	Subsurface Equipment		4	000	4,000
21	Supervision 7 days @ \$250		1	750	1,750
22	Mud & Chemicals & KCL water		5	000	5,000
23	Testing, Logging & Perforating		11	000	11,000
24	Stimulation		15	000	15,000
25	Overhead				
26	Rentals		5	000	5,000
27	Service Rig 7 days @ \$1600		11	200	11,200
28	Cementing Services & Supplies		15	000	15,000
29	Other IDC				
TOTAL COMPLETION			283	950	283,950
PRODUCTION EQUIPMENT					
32	Pumping Unit				
33	Engine & Motor				
34	Rods				
35	Flow Lines				
36	Meters		5	000	5,000
37	Installation		2	000	2,000
38	Storage		5	000	5,000
39	Separation & Treating		15	000	15,000
40	Other Equipment		12	000	12,000
TOTAL PRODUCTION EQUIPMENT			42	000	42,000
TOTALS			797	700	797,700

WI OWNER NAME

BILLING INT (7 decimals)

DATE APPROVED

APPROVED: (this space for approval only)  
PENNZOIL

Pennzoil

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_