



BEFORE EXAMINER QUINTANA	
OIL CONSERVATION DIVISION	
PENNZOIL	EXHIBIT NO. 7
CASE NO.	8727

file

MIDLAND DISTRICT: BRIERCROFT SAVINGS BUILDING • (915) 682-7316
MAILING ADDRESS: P. O. DRAWER 1828 MIDLAND, TEXAS 79702-1828

August 30, 1985

Working Interest Owners
Address List Attached

Re: B. E. Shipp Estate #2
E/2 NE/4 of Section 4-17S-37E
Lea County, New Mexico

Gentlemen:

Pennzoil Company proposes to drill an 11,500' Strawn test at a legal location 660' FNL & 810' FEL of Section 4-T17S-R37E, Lea County, New Mexico. A copy of our AFE is enclosed for your review.

We respectfully request you support this test by electing one (1) of the following options:

1. Participate as to your interest in the drilling of the proposed test well.
 2. Farmout your interest in the E/2 NE/4 of Section 4-T17S-R37E. Upon completion of the test well as a producer of oil and/or gas, Pennzoil would earn a 75% N.R.I. lease in the proration unit assigned to said well, limited to 100' below total depth drilled. You would retain a 1/3 back-in option at payout.
 3. Grant Pennzoil a six (6) month lease providing for no bonus consideration and 1/4 royalty.
- Should you elect to participate, please return a signed copy of the enclosed AFE to the undersigned. An operating agreement will then be sent for your execution.

Your prompt attention of our proposal will be appreciated.

Very truly yours,

Greg Davis

Greg Davis
Landman

GD/mk

enclosures

Working Interest Owners

B. E. Shipp Estate #2

The Superior Oil Company
P. O. Box 633
Midland, Texas 79702
Attn: K. M. Johnston

TXO Production Corp.
900 Wilco Building
Midland, Texas 79701
Attn: Jeff Bourgeois

Apcot-Finadel Joint Venture,
a general partnership
P. O. Box 2159
Dallas, Texas 75221

Shell Western E&P Inc.
P. O. Box 831
Houston, Texas 77001
Attn: Terry Enders

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79702
Attn: Mike Snyder

Texaco Producing, Inc.
P. O. Box 3109
Midland, Texas 79702
Attn: E. H. Watkins

J. H. Van Zant, II
1730 Commerce Building
307 West 7th
Fort Worth, Texas 76102

Jeanne Van Zant Sanders
Suite 508, Sinclair Building
106 W. Fifth Street
Fort Worth, Texas 76102

J. R. McGinley, Jr.
Lanroy, Inc.
Cleroy, Inc.
P. O. Box 3405
Tulsa, Oklahoma 74101

Sohio Petroleum Company
Two Lincoln Centre -
5420 LBJ Freeway
Suite #1000/LB 03
Dallas, Texas 75240
Attn: Don Leonhart

Working Interest Owners

B. E. Shipp Estate #2

Black Bear Oil & Gas Corp.
505 North Big Spring
Suite 404
Midland, Texas 79701
Attn: Jim R. Leeton

Max W. Coll II, James N. Coll,
Charles H. Coll and Jon F. Coll
P. O. Box 1818
Roswell, New Mexico 88201

Harry A. Miller, Jr.
600 First National Bank Building
Midland, Texas 79701

Harry A. Miller III
2403 Ben White Blvd.
Austin, TX 78704

Margaret Ann Miller Carrico
406 Farley Trail
Austin, Texas 78746

E. B. White, Jr.
P. O. Box 2052
Midland, Texas 79702

Rebel Oil Company
P. O. Drawer 309
Hobbs, New Mexico 88240
Attn: Ellie Spear

DATE _____ PAGE _____

JUSTIFICATION _____

TANGIBLES					SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING 11,500 ft. @ \$ 18.00 /ft.					489	207,000		207,000
DAY WORK	DRILLING days @ \$ /day				490			
	CORING AND DRILL STEM TEST 3 days @ \$ 4,500 /day				490	13,500		13,500
	LOGGING, SFT. AND PERFORATING 1 days @ \$ 4,500 /day				490	4,500		4,500
	OTHER Completion Unit 5 days @ \$ 1,500 /day				490		7,500	7,500
TOTAL CONTRACT DAY WORK					490			
COMPANY PAYROLL					501	5,000	1,000	6,000
EMPLOYEE BENEFITS					505	1,500	300	1,800
TRANSPORTATION AND HAULING Including Water					545	10,000	5,000	15,000
ACCESS CANAL CONSTRUCTION					476			
LOCATION, ROADS, PITS OR KEYWAY					472	20,000	5,000	25,000
PITS, COREHEADS, ETC. Provided by Contractor					492			
MUD MATERIALS					475	17,000	1,500	18,500
CEMENT AND CEMENTING SERVICES					473	20,000	10,000	30,000
CENTRALIZERS, SHOES, SCRATCHERS AND NON-SALVABLE PACKERS					491	2,000	1,500	3,500
MUD LOGGING \$425/Day					474	8,500		8,500
FORMATION TESTING					482	8,000		8,000
LOGGING AND SIDE WALL CORING					478	25,000	8,000	33,000
PERFORATING					479		7,000	7,000
TOOL RENTAL INCLUDING SMALL DIAMETER DRILL PIPE					488	10,500	3,000	13,500
TESTING TUBULAR GOODS					484	5,000	3,000	8,000
INTERNAL COATING					485			
STIMULATION TREATMENT					480		4,500	4,500
OTHER SPECIAL WELL SERVICES					494			
ISCELLANEOUS COSTS AND CONTINGENCIES					599	35,000	5,000	40,000
TOTAL INTANGIBLES						381,000	62,300	443,300
TANGIBLES								
CASING	400 ft.	13 3/8 in.	48 lb.	Gr. H-40	@ \$	440	7,000	7,000
	4,400	8 5/8	24 & 28	K-55 & S-80		440	51,000	51,000
	11,500	5 1/2	17	N-80		440		115,000
TUBING	11,200	2 7/8	6.5	N-80		443		56,000
						443		
						443		
ASING HEADS					444	6,400	5,000	11,400
CHRISTMAS TREE					445		8,000	8,000
RETRIEVABLE PACKERS					448		4,200	4,200
OTHER WELL EQUIPMENT					469			
TOTAL TANGIBLES						64,400	188,200	252,600
TOTAL WELL COST					100.00000 %	445,400	250,500	695,900
PRODUCTION EQUIPMENT (Detail Attached)					100.00000 %			
OTHER COSTS - NET (Detail Attached)					100.00000 %			
TOTAL COST					100.00000 %	456,900	250,500	707,400
O. OWNERSHIP		%		COMPANY COST		%		
APPROVAL		DATE		APPROVAL		DATE		AUTHORIZATION
JOINT INTEREST APPROVAL								
COMPANY NAME:								