


PENNZOIL COMPANY
WESTERN DIVISION

MIDLAND DISTRICT BRIERCROFT SAVINGS BUILDING • (915) 682-7316
MAILING ADDRESS P. O. DRAWER 162E MIDLAND, TEXAS 79702-162E

September 10, 1984

Shell Western E&P Inc.
200 N. Dairy Ashford
Room #4366
Houston, Texas 77079

BEFORE EXAMINER STORAGE OIL CONSERVATION DIVISION	
<i>Pennzoil</i>	EXHIBIT NO. <u>2</u>
CASE NO. <u>8394</u>	

Attn: Rick Goenner

Re: State of NM K-4606
W/2 Sec. 1-17S-34E
Lea County, New Mexico

Gentlemen:

Pennzoil Company hereby proposes the formation of a 320 acre working interest unit being the W/2 of Section 1-17S-34E in Lea County, New Mexico and drilling a 13,000' Morrow test well in the NW/4 of Sec. 1 on or before October 1, 1984.

We request that Shell either (a) farmout their 37.5117% W.I. under said unit keeping an ORRI equal to the difference in present lease burdens and 25%, delivering to Pennzoil a 75% NRI lease, with the option to convert said retained ORRI at payout to a 25% working interest proportionately reduced or (b) join in said unit by participating with your 37.5117% W.I.

We have enclosed an AFE for your review and execution should you decide to participate.

Your prompt attention to this request will be appreciated.

Very truly yours,

Lonnie L. Whitfield

Lonnie L. Whitfield
Landman

LLW/mk
enclosures

FEDERAL EXPRESSED 9-10-84

13,000' Morrow - Pennzoil
Rick Goenner
870-3478
(713)
Home conversation
Will advise by Sept 25

STATE 1 NO. 1
 DIVISION Western DISTRICT Midland
 FIELD OR AREA Vacuum North
 COUNTY OR PARISH Lea STATE New Mexico
 LEASE NAME AND NO. State 1
 PROPOSED FORMATION Morrow
 SUBJECT DESCRIPTION: Drill, complete and equip a 3,000' Morrow exploratory well located in Sec. 1, T-17-S, R-34-E of Lea County, New Mexico

Single Triple
 Dual Oil Gas Expl. Dev. New Workover
 Land Bay DATE TO START DATE TO COMPLETE DAYS TO DRILL
 Marsh Gulf DEEPEN Yes No
 PROPOSED DEPTH 13,000

Gross Net Budget Code Ls./Assoc. Prop. No. Assoc. AFE No. Joint Venture Operator
 No Yes 2-Co. 3-Outsd.
 Environmental Cost: % Air 100, % Water 200, % Land-Other 200, % Safety and Health 100

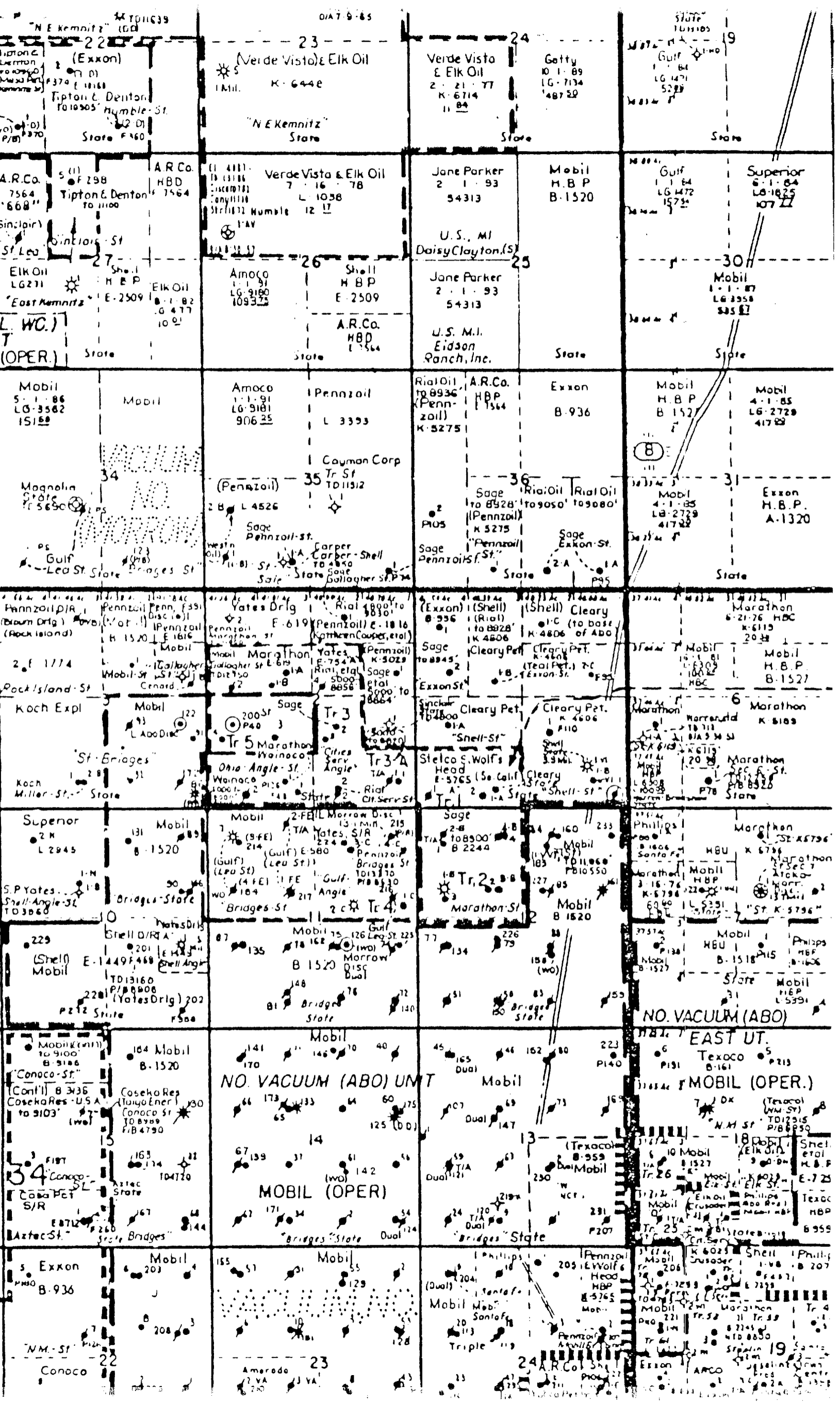
JUSTIFICATION: The geologic prospect is in the 1984 budget and will test the Atoka and Morrow sand series. It is based on well data in the area and is confirmed by Seismic coverage.

INTANGIBLES	SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING 13,000 ft. @ \$ 23.00/ft.	489	299,000		299,000
DAY WORK				
DRILLING	490			
CORING AND DRILL STEM TEST 3 days @ \$ 5000/day	490	15,000		15,000
LOGGING, SFT. AND PERFORATING 2 days @ \$ 5000/day	490	10,000		10,000
OTHER Completion Unit 10 days @ \$ 1300/day	490		13,000	13,000
TOTAL CONTRACT DAY WORK MI., RU., MO	490	30,000		30,000
COMPANY PAYROLL	501	6,600	2,000	8,600
EMPLOYEE BENEFITS	505	1,000	300	1,300
TRANSPORTATION AND HAULING Including Water Hauling	545	40,000	5,000	45,000
ACCESS CANAL CONSTRUCTION	476			
LOCATION, ROADS, FITS OR KEYWAY	472	33,000	5,000	38,000
EQUIPMENT, COREHEADS, ETC. Provided By Contractor	492		800	800
DRILL MATERIALS	475	35,000	3,000	38,000
CEMENT AND CEMENTING SERVICES	473	38,000	15,000	53,000
CENTRALIZERS, SHOES, SCRATCHERS AND NON-SALVABLE PACKERS	491	5,000	3,000	8,000
DRILL LOGGING	474	17,500		17,500
FORMATION TESTING	482	18,000		18,000
LOGGING AND SIDE WALL CORING	478	50,000	5,000	55,000
PERFORATING	479		10,000	10,000
DRILL RENTAL INCLUDING SMALL DIAMETER DRILL PIPE	488	8,000	2,500	10,500
DRILLING TUBULAR GOODS	484	7,000	3,000	10,000
INTERNAL COATING	485			
RADIATION TREATMENT	480		20,000	20,000
OTHER SPECIAL WELL SERVICES	494			
MISCELLANEOUS COSTS AND CONTINGENCIES	599	63,000	9,000	72,000
TOTAL INTANGIBLES		676,100	96,600	772,700

INTANGIBLES	QTY	SIZE	WT.	GR.	TYPE	UNIT PRICE	DRY HOLE	COMPLETION	TOTAL
CASING	400	13 3/8 in.	48 lb.	Gr.	H-40	\$ 23.50	9,400		9,400
	4,500	8 5/8	24 & 28		K-55 & S-80	14.00	62,500		62,500
	13,000	5 1/2	17		N-80 & S-95	11.92		155,000	155,000
TUBING	13,000	2 3/8	4.7		N-80	4.30		56,000	56,000
DRILLING HEADS						12,000	6,000	18,000	
CHRISTMAS TREE							7,000	7,000	
RETRIEVABLE PACKERS							6,500	6,500	
OTHER WELL EQUIPMENT									
TOTAL TANGIBLES							83,900	230,500	314,400

TOTAL WELL COST	100.00000	%	760,000	327,100	1,087,100
PRODUCTION EQUIPMENT (Detail Attached)	100.00000	%		60,800	60,800
OTHER COSTS - NET (Detail Attached)	100.00000	%			
TOTAL COST	100.00000	%	760,000	387,900	1,147,900
COMPANY COST	20.73	%	157,548	80,412	237,960

APPROVAL: *[Signature]* DATE: 20.6.7
 JOINT INTEREST APPROVAL: *[Signature]* DATE: 3/14/84



"N.E. Kennitz" (100)
22
Exxon
Tipton & Denton
10905 Humber St.
Store F460

Verde Vista & Elk Oil
K-644E
"N.E. Kennitz"
Store

Verde Vista
& ELK OIL
K-6714
Gully
K-1-89
LG-7134
48720
Store

State
101005
11-10
Store

A.R.Co.
7564
"668"
Tipton & Denton
to 11000
Store

Verde Vista & Elk Oil
L-1038
12 17
Store

Jane Parker
2-1-93
54313
U.S. M.I.
Daisy Clayton, (S)

Mobil
H.B.P.
B-1520
Store

Superior
6-1-84
LG-1825
107 17
Store

ELK OIL
LG-271
"East Kennitz"
L.W.C.
T
(OPER.)
Store

Amoco
LG-9180
109375
Shell
H.B.P.
E-2509
A.R.Co.
HBD
L-564
Store

Jane Parker
2-1-93
54313
U.S. M.I.
Edison
Ranch, Inc.
Store

State

Mobil
1-1-87
LG-3558
525 87
Store

Mobil
5-1-86
LG-3582
151 82
Magnolia
Store
Lea St. State

Amoco
LG-9181
906 25
Pennzoil
L-3393
Coyman Corp
Tr St
TD11512
Sage
Pennzoil-St.
Carper
Shell
Sage
Pennzoil-St.
State

Rial Oil
to 8936
(Penn-
zoil)
K-5275
Sage
Pennzoil
St.
State

A.R.Co.
HBP
L-564
Exxon
B-936
Sage
Exxon-St.
State

Mobil
H.B.P.
B-1527
Exxon
H.B.P.
A-1320
Store

Pennzoil
P.R.
(Exxon Drig)
(Rock Island)
2-1-774
Koch Expl
St. Bridges
Koch
Miller-St.-
Store

Yates Drig
E-619
Marathon
Yates
Rial Oil
K-5029
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etal
8856
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Tr 3A
Ohio Angle-St.
Wainoco
Store

(Exxon)
B-956
Sage
to 8945
Exxon
St.
Cleary Pet.
K-4606
"Shell-St"
Stelco S. Wolf's
Head
E-5765
L-5765
State

(Shell)
Cleary
K-4806
Cleary Pet.
K-4806
"Shell-St"
State

Marathon
6-21-76 HBC
K-6115
20 34
Mobil
H.B.P.
B-1527
Marathon
K-8189
Marathon
K-5796
Store

Superior
2 M
L-2945
S.P. Yates
Shell Angle-St.
T-3060
Shell
E-1449
E-468
TD13160
P/B-8908
(Yates Drig)
202
P-212
Store

Mobil
B-1520
Morrow Disc
13 MIN. 215
Yates S/R
P/B-101
Gulf
E-580
(Lea St)
Gulf
E-580
(Lea St)
Bridges St
Angle
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Disc
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Bridges
State

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B-2244
Tr 2
Marathon-St.
Mobil
B-1520
State

Mobil
B-1520
State

Marathon
K-5796
Marathon
K-5796
Marathon
K-5796
State

Mobil
B-1520
Conoco-St.
E-1449
E-468
TD13160
P/B-8908
(Yates Drig)
202
P-212
Store

Mobil
B-1520
NO. VACUUM (ABO) UMT
MOBIL (OPER)
Bridges State

Mobil
B-1520
State

Mobil
B-1520
State

NO. VACUUM (ABO)
EAST UT.
Texaco
B-161
MOBIL (OPER.)
State

Mobil
B-1520
Conoco
E-1449
E-468
TD13160
P/B-8908
(Yates Drig)
202
P-212
Store

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NO. VACUUM (ABO)
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Texaco
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State

Exxon
B-936
Conoco
Store

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B-1520
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Texaco
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MOBIL (OPER.)
State

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

Burlington Expressed 10-25-84

October 25, 1984

Shell Western E&P Inc.
200 N. Dairy Ashford
Room 4366
Houston, Texas 77079

Attn: Rick Goenner

Re: PZL Ls. No. 16087-00
Vacuum, North Area
W/2 Sec. 1-17S-34E
Lea County, New Mexico


Dear Mr. Goenner:

Enclosed find title opinion and joint operating agreement with two (2) signature pages attached thereto for the above referenced W.I. unit.

Upon your review and approval of said operating agreement, please return one (1) fully executed signature page along with an executed AFE to this office as soon as possible.

Should you have any questions, please give us a call.

Very truly yours,


Lonnie L. Whitfield
Landman

LLW/mk

enclosures