



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

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Inexco Oil Company
c/o The Louisiana Land and Exploration Company
2950 North Loop West, Suite 1200
Houston, Texas 77092

Attention: Ken Steer

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	4
CASE NO.	

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

Gentlemen:

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.

We request that Inexco Oil Company either participate in our proposed well or farmout its interest in the NW/4 of Section 14-T16S-37E to Pennzoil, on the following terms:

1. Upon completion of the Initial Test Well as a producer, Pennzoil will earn an assignment of 100% of Inexco's interest in the proration unit assigned to the well limited to 100' below TD drilled. Inexco will reserve an overriding royalty interest equal to the difference in existing lease burdens and 25%, delivering to Pennzoil a 75% NRI, with Inexco having the option to convert said overriding royalty interest at payout to a 25% W.I. proportionately reduced.
2. Pennzoil will have the option of commencing a one hundred eighty (180) day continuous drilling program to earn the balance of the farmout acreage under the same terms as the ITW.

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

Inexco Oil Company
October 16, 1987
Page 2

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

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.</p> <p>Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. <u>The return receipt fee will provide you the name of the person delivered to and the date of delivery.</u> For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. <input type="checkbox"/> Restricted Delivery †(Extra charge)† †(Extra charge)†</p>	
3. Article Addressed to: INEXCO OIL COMPANY C/O THE LOUISIANA LANDS AND EXPLORATION COMPANY 2950 NORTH LOOP WEST SUITE 1200 HOUSTON, TEXAS 77092	4. Article Number P-757-967-733
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee X <i>Wesley Cooper</i>	8. Addressee's Address (ONLY if registered, insured, or COD fee paid)
6. Signature - Agent X	
7. Date of Delivery	

PS Form 3811, Mar. 1987 * U.S.G.P.O. 1987-178-268

DOMESTIC RETURN RECEIPT

HOUSTON, TX OCT 19 1987

THE LOUISIANA LAND AND EXPLORATION COMPANY
SUITE 1200-2950 NORTH LOOP WEST
HOUSTON, TEXAS 77092-8862

RECEIVED

NOV 06 1987

MIDLAND DISTRICT
LAND DEPARTMENT

(713) 957-6400

November 3, 1987

Pennzoil Company
Pennzoil Place
P. O. Box 2967
Houston, Texas 77252-2967

Attn: Mr. Greg Davis

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

Gentlemen:

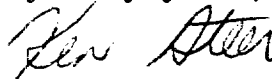
Enclosed please find your AFE No. 7438937, dated October 16, 1987, which has been executed by Inexco Oil Company, a wholly-owned subsidiary of The Louisiana Land and Exploration Company (LL&E).

LL&E elects to participate as to its pro-rata share, being 3.125% of the dry hole cost of \$433,400, as set forth in said AFE for the drilling of the captioned well.

Please forward for our review your proposed form of operating agreement.

It is understood that the operating agreement will cover only the S/2NW/4 of Section 14.

Very truly yours,



Ken Steer

KS/dll
enclosure

cc: Gary McCreary
C. M. Van Zandt, III
Jim Grubb
Chuck Caughey
Matt Kirkland

AUTHORIZATION FOR EXPENDITURE
WELLS

DATE 10/16/87 PAGE 1 OF 2

Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)	
25	1	6140	7438937	M. H. MEDLIN #1 D.C. & E.	
COMPANY Pennzoil Company			DIVISION Western		DISTRICT 36
WELL NAME AND NO. M.H. Medlin No. 1			FIELD OR AREA NE Lovington		UNDEVELOPED LEASE NO.
OPERATOR Pennzoil Company			COUNTY OR PARISH Lea		STATE NM
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		
<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
<input type="checkbox"/> Dual		<input type="checkbox"/> Bay		<input type="checkbox"/> Marsh	
<input checked="" type="checkbox"/> Land		DATE TO START		DATE TO COMPLETE	DAYS TO DRILL 36
<input type="checkbox"/> Marsh		<input type="checkbox"/> Gulf		PROPOSED DEPTH 12,200'	
Gross		Net	Budget Code 4108	Js./Assoc. Prop. No.	Assoc. AFE No.
					Joint Venture <input type="checkbox"/> No <input type="checkbox"/> Yes
Country/ 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.	@ \$	440					
	425	13-3/8	48.0	H-40	21.39	440	9,100			9,100	
	4,400	8-5/8	28.0	S-80	16.60	440	73,000			73,000	
	12,200	5-1/2	17	N-80	9.48	440		115,700		115,700	
TUBING						443					
	11,800	2-7/8	6.5	N-80	4.49	443		53,000		53,000	
						443					
CASING HEADS							444	4,000	9,500	13,500	
CHRISTMAS TREE							445		8,000	8,000	
RETRIEVABLE PACKERS							448		6,000	6,000	
OTHER WELL EQUIPMENT							469				
TOTAL TANGIBLES								86,100	192,200	278,300	
TOTAL WELL COST					100.00000	%					
PRODUCTION EQUIPMENT (Detail Attached)					100.00000	%		104,800		104,800	
OTHER COSTS - NET (Detail Attached)					100.00000	%					
TOTAL COST					100.00000	%	433,400	383,900		817,300	
CO. OWNERSHIP		6167.04 %		COMPANY COST		6167.04 %		267,280	236,753	504,032	
APPROVAL		DATE		APPROVAL		DATE		AUTHORIZATION		DATE	
[Signature]		10-16-87		[Signature]				10-5-87 D.H. (Exposure)			
JOINT INTEREST APPROVAL											
COMPANY NAME: Inexco Oil Company					3.125.0.0.0 %						
APPROVAL [Signature]					DATE		November 3, 1987				
Gary B. McCreary Vice President											

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

TOTAL		104,800
-------	--	---------

COMPANY NAME: <u>Inexco Oil Company</u>		<u>3.12500%</u>
APPROVAL	<u>Gary B. McCreary</u> Gary B. McCreary, Vice President	DATE <u>November 3, 1987</u>