

**PENNZOIL COMPANY**

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

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Shana Lowe Conine  
405 Oak Forrest Circle  
Waco, Texas 76710

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
EXHIBIT NO. <u>14</u>
CASE NO. _____

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

Dear Ms. Conine:

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 10.37817% 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.

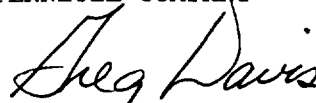
Should you elect to participate, please return an executed copy of the enclosed AFE. Upon our receipt of same, an A.A.P.L. Form 610-1982 Model Form Operating Agreement will be forwarded to you for your review and execution.

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  
Land Specialist

GD:jt  
Enclosure

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.

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. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1.  Show to whom delivered, date, and addressee's address.    2.  Restricted Delivery  
↑(Extra charge)↑

3. Article Addressed to:  
Shana Lowe Conine  
405 Oak Forrest Circle  
Waco, Texas 76710

4. Article Number  
P-757-967-745

- Type of Service:  
 Registered     Insured  
 Certified     COD  
 Express Mail

Always obtain signature of addressee or agent and **DATE DELIVERED.**

5. Signature - Addressee  
X *[Signature]*

6. Signature - Agent  
X

8. Addressee's Address (ONLY if requested and fee paid)

7. Date of Delivery

AUTHORIZATION FOR EXPENDITURE  
WELLS

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. MEDLIN # 1 D, C & E

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 4 1 0 8	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	490			
	CORING AND DRILL STEM TEST	490	16,000		16,000
	LOGGING, SFT. AND PERFORATING	490	8,000		8,000
	OTHER	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
<b>TOTAL INTANGIBLES</b>			<b>347,300</b>	<b>86,900</b>	<b>434,200</b>

TANGIBLES		ft.	in.	lb.	Gr.	@ \$			
CASING		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		11,800	2-7/8	6.5	N-80	4.49	443	53,000	53,000
							443		
CASING HEADS							444	4,000	9,500
CHRISTMAS TREE							445		8,000
RETRIEVABLE PACKERS							448		6,000
OTHER WELL EQUIPMENT							469		
<b>TOTAL TANGIBLES</b>								<b>86,100</b>	<b>192,200</b>
<b>TOTAL WELL COST</b>						100.00000	%		
PRODUCTION EQUIPMENT (Detail Attached)						100.00000	%		104,800
OTHER COSTS - NET (Detail Attached)						100.00000	%		
<b>TOTAL COST</b>						100.00000	%	<b>433,400</b>	<b>383,900</b>

CO. OWNERSHIP	6,167,04 %	COMPANY COST	6,167,04 %	267,280	236,753	504,033
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE	
<i>[Signature]</i>	10-16-87					

JOINT INTEREST APPROVAL

COMPANY NAME:	APPROVAL	DATE

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

Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)
25	1	6140	7438937	M. H. M.E.D.L.I.N. # 1 D,C & E.

COMPANY <b>Pennzoil Company</b>	DIVISION <b>Western</b>	DISTRICT <b>36</b>
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WELL NAME AND NO. <b>M.H. Medlin No. 1</b>	FIELD OR AREA <b>NE Lovington</b>	UNDEVELOPED LEASE NO.
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OPERATOR <b>Pennzoil Company</b>	COUNTY OR PARISH <b>Lea</b>	STATE <b>NM</b>
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PROJECT DESCRIPTION <b>Drill, complete and equip a 12,200' Strawn oil well located 1980' FNL &amp; 660' FWL of section 14, T16S, R37E</b>	LEASE NAME AND NO.
	PROPOSED FORMATION <b>Strawn</b>

<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		<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Land	<input type="checkbox"/> Marsh	<input type="checkbox"/> Bay	<input type="checkbox"/> Gulf			<b>36</b>		PROPOSED DEPTH <b>12,200'</b>

Gross	Net	Budget Code <b>4108</b>	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture	Operator	Stat. Code
					<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				QUANTITY	AMOUNT 100%
No.	Account		DESCRIPTION		
	Maj	Sub			
x	xxx	xxx			
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
				<b>TOTAL</b>	<b>104,800</b>

SUMMARY OF ESTIMATED COST	
1 PROPERTY ADDITIONS	
6 REMOVAL COST	
5 SALVAGE	
TOTAL COST	<b>100.00000 % 104,800</b>

CO. OWNERSHIP	<b>616704 %</b>	COMPANY COST	<b>6166667 %</b>
APPROVAL	DATE	APPROVAL	DATE
		AUTHORIZATION	DATE

JOINT INTEREST APPROVAL	
COMPANY NAME:	
APPROVAL	DATE