



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

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Ronny P. Lowe
6400 Coors Rd. N. W.
Albuquerque, New Mexico 87120

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	<u>16</u>
CASE NO.	_____

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

Dear Mr. Lowe:

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 6.30821% 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.

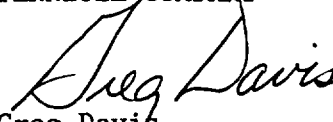
Should you elect to participate, please return an executed copy of the enclosed AFE. Upon our receipt of same, an A.A.P.L. Form 610-1982 Model Form Operating Agreement will be forwarded to you for your review and execution.

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. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. ↑(Extra charge)†	2. <input type="checkbox"/> Restricted Delivery ↑(Extra charge)†
3. Article Addressed to: <i>Ronny P. Lowe</i> <i>6400 Coors Road N.W.</i> <i>Albuquerque, New Mexico</i> <i>87120</i>	4. Article Number <i>P-757-967-75D</i>
	Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
5. Signature - Addressee  <hr/> 6. Signature - Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery <i>X2 Oct 1987</i>	8. Addressee's Address (<i>ONLY if requested and fee paid</i>)

JUSTIFICATION	To test a Strawn lime algal mound in the Lovington NE Field area.
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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		6,167.04		%	COMPANY COST		6,167.04		%
APPROVAL		DATE		APPROVAL		DATE		AUTHORIZATION	
JOINT INTEREST APPROVAL		DATE		APPROVAL		DATE		AUTHORIZATION	
COMPANY NAME:									
APPROVAL		DATE		APPROVAL		DATE		AUTHORIZATION	

AUTHORIZATION FOR EXPENDITURE
PRODUCTION EQUIPMENT AND/OR OTHER COSTS

DATE 10/16/87 PAGE 2 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	Deepen
<input type="checkbox"/> Dual								<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Land	<input type="checkbox"/> Bay	DATE TO START	DATE TO COMPLETE	DAYS TO DRILL	PROPOSED DEPTH			
<input type="checkbox"/> Marsh	<input type="checkbox"/> Gulf			36	12,200'			

Gross	Net	Budget Code 4108	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture	Operator	Stat Cod	
					<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						
ATR CD	Account		DESCRIPTION	QUANTITY	AMOUNT 100%	
	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

SUMMARY OF ESTIMATED COST		
1	PROPERTY ADDITIONS	
6	REMOVAL COST	
5	SALVAGE	

CO. OWNERSHIP	616704%	TOTAL COST	100.00000%	104,800
APPROVAL		COMPANY COST	6166667%	

DATE	APPROVAL	DATE	AUTHORIZATION	DATE
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JOINT INTEREST APPROVAL				
COMPANY NAME:				
APPROVAL				
		DATE		