



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

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Kay Salem, as Guardian  
of Kelly Lowe  
4513 13th Street  
Lubbock, Texas 79416

LEA COUNTY, NEW MEXICO  
COUNTY CLERK'S OFFICE  
RECEIVED NO. 20  
CASE NO. \_\_\_\_\_

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

Dear Ms. Salem:

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, as Guardian of Kelly Lowe, own an undivided and unleased 2.34326% 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

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 checked="" type="checkbox"/> Land <input type="checkbox"/> Bay		DATE TO START		DATE TO COMPLETE	DAYS TO DRILL
<input type="checkbox"/> Marsh <input type="checkbox"/> Gulf					36
					PROPOSED DEPTH 12,200'
Gross	Net	Budget Code 4108	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture <input type="checkbox"/> No <input type="checkbox"/> Yes
					<input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Outsd.
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						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			
						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	616704 %	COMPANY COST	616704 %	267,280	236,753	504,033
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION DATE		
[Signature] 10-16-87						

JOINT INTEREST APPROVAL					
COMPANY NAME:					
APPROVAL		DATE		DATE	

Co.		Dept.		Play No.		AFE No.		AFE Title or Location Name (25)											
25		1		6140		7438937		M. H. MEDLIN, #1 D.C. & E.											
COMPANY						DIVISION		DISTRICT											
Pennzoil Company						Western		36											
WELL NAME AND NO.						FIELD OR AREA		UNDEVELOPED LEASE NO.											
M.H. Medlin No. 1						NE Lovington													
OPERATOR						COUNTY OR PARISH		STATE											
Pennzoil Company						Lea		NM											
PROJECT DESCRIPTION						LEASE NAME AND NO.													
Drill, complete and equip a																			
12,200' Strawn oil well located 1980' FNL &																			
660' FWL of section 14, T16S, R37E																			
						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"/> 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		Ls./Assoc. Prop. No.		Assoc. AFE No.		Joint Venture		Operator		State Code					
				4, 1, 0, 8						<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		% Air		% Water		% Land - Other		% Safety and Health	
				<input type="checkbox"/> Yes <input type="checkbox"/> No															
JUSTIFICATION To test a Strawn lime algal mound in the Lovington NE Field area.																			

[illegible]

ATR CD		SUMMARY OF ESTIMATED COST			
1	PROPERTY ADDITIONS				
6	REMOVAL COST				
5	SALVAGE				
		TOTAL COST		100.00000 %	104,800
CO. OWNERSHIP		616704 %	COMPANY COST		61666667 %
APPROVAL		DATE	APPROVAL	DATE	AUTHORIZATION
					DATE
JOINT INTEREST APPROVAL					
COMPANY NAME:					%
APPROVAL				DATE	