

**PENNZOIL COMPANY**

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

October 14, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Rio Pecos Corporation  
110 West Louisiana  
Suite 460  
Midland, Texas 79701

Re: #1 Maude Medlin  
E/2 SE/4 of Section 22,  
T16S - R37E  
Lea County, New Mexico

Gentlemen:

Pennzoil Company hereby proposes to drill a 12,000 Strawn-Atoka test at a legal location 1980' FSL and 810' FEL of Section 22, T16S-R37E, by December 1, 1987. A copy of our AFE is enclosed for your review.

The Oil and Gas Records of Lea County, New Mexico indicate that an undivided 3/28ths mineral interest and an undivided 2/28ths mineral interest in the E/2 SE/4 Section 22-16S-37E, owned by Minnie Taylor and the Estate of Buddy Melton Medlin, deceased, are currently unleased; but Billy Medlin, a Personal Representative of the aforementioned Estate, has informed us that Rio Pecos has leased these interests.

We request that Rio Pecos Corporation either participate in our proposed well or farmout its interest in the SE/4 Section 22-16S-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 Rio Pecos' interest in the proration unit assigned to the well limited to 100' below TD drilled. Rio Pecos will reserve an overriding royalty interest equal to the difference in existing lease burdens and 25%, delivering to Pennzoil a 75% NRI, with Rio Pecos 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 Rio Pecos 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.

BEFORE EXAMINER CATALOG	
OIL CONSERVATION DIVISION	
<i>Pennzoil</i>	EXHIBIT NO. <u>5</u>
CASE NO.	<u>9267</u>



Whitfield

AUTHORIZATION FOR EXPENDITURE  
WELLS

DATE 9/30/87 PAGE 1 OF 2

Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)
25	1	6,1,4,0	7,4,3,8,9,3,6	MAUDE, M.E.D.L.J.N. #1, D.C.&E.

COMPANY Pennzoil	DIVISION Western	DISTRICT 36 Midland Area
WELL NAME AND NO. MAUDE MEDLIN NO. 1	FIELD OR AREA N.E. LOVINGTON	UNDEVELOPED LEASE NO.
OPERATOR Pennzoil	COUNTY OR PARISH LEA	STATE NEW MEXICO
PROJECT DESCRIPTION Drill, complete and equip. a 12,100' Strawn oil well located 1980' FSL & 810' FEL of Section 22, T16S, R37E	LEASE NAME AND NO. MAUDE MEDLIN 63714-00 thru 11	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"/> Bay	DATE TO START	DATE TO COMPLETE	DAYS TO DRILL	PROPOSED DEPTH			
<input type="checkbox"/> Marsh	<input type="checkbox"/> Gulf			35	12,100'			

Gross	Net	Budget Code 4107	Ls./Assoc. Prop. No.	Assoc. AFE No.	Joint Venture	Operator	State Code	
					<input type="checkbox"/> No <input type="checkbox"/> Yes	<input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Outsd.		
Country/Ph. Code	Civil Dist.	Regulated	Report to Code	Costing Location Mktg	Environmental Cost			% Safety and Health
		<input type="checkbox"/> No <input type="checkbox"/> Yes			% Air	% Water	% Land - Other	

JUSTIFICATION

INTANGIBLES				SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING	12,100	ft. @ \$	13.00 /ft.	489	157,300		157,300
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 Completion Unit	10	days @ \$	1,300 /day	490		13,000
	TOTAL CONTRACT DAY WORK				490		
COMPANY PAYROLL	\$195/Day			501	6,825	1,950	8,775
EMPLOYEE BENEFITS	\$105/Day			505	3,675	1,050	4,725
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	20 days @ \$350/Day			474	7,000		7,000
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	31,000	7,900	38,900
TOTAL INTANGIBLES					344,800	86,900	431,700

TANGIBLES							
CASING	ft.	in.	lb.	Gr.	@ \$	440	
		425	13 3/8	48.0	H-40	21.39	440
	4400	8 5/8	28.0	S-80	16.60	440	73,000
	12,100	5 1/2	17	N-80	9.48	440	114,700
TUBING						443	
		11,700	2 7/8	6.5	N-80	4.49	443
CASING HEADS						444	4,000
CHRISTMAS TREE						445	8,000
RETRIEVABLE PACKERS						448	6,000
OTHER WELL EQUIPMENT						469	
TOTAL TANGIBLES							86,100
TOTAL WELL COST					100.00000	%	
PRODUCTION EQUIPMENT (Detail Attached)					100.00000	%	104,800
OTHER COSTS - NET (Detail Attached)					100.00000	%	
TOTAL COST					100.00000	%	430,900

CO. OWNERSHIP	8,2,1,4,3,7,5%	COMPANY COST	8,2,1,4,3,7,5%	353,957	314,118	668,075
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE	
J. J. Bell	9/30/87	[Signature]	10/13/87	[Signature]	10-13-87	

COMPANY NAME: \_\_\_\_\_ DATE: \_\_\_\_\_

AUTHORIZATION OR EXPENDITURE  
PRODUCTION EQUIPMENT AND/OR OTHER COSTS

DATE

9/30/87

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Co. Dept. Play No.

AFE No.

AFE Title or Location Name (25')

25 1 6 1 4 0

7 4 3 8 9 3 6

MAUDE MEDLIN # 1 D,C & E

COMPANY

DIVISION

DISTRICT

Pennzoil

Western

36 Midland Area

WELL NAME AND NO.

FIELD OR AREA

UNDEVELOPED LEASE NO.

Maude Medlin No. 1

N.E. Lovington

OPERATOR

COUNTY OR PARISH

STATE

Pennzoil

Lea

New Mexico

PROJECT DESCRIPTION

Drill, complete and equip  
a 12,100' Strawn oil well located 1980' FSL  
& 810' FEL of Section 22, T16S, R37E

LEASE NAME AND NO.

Maude Medlin

PROPOSED FORMATION

Strawn

Single  Triple

Deepen

Oil  Gas  Expl.  De.  New  Workover

Yes  No

DATE TO START DATE TO COMPLETE DAYS TO DRILL

PROPOSED DEPTH

Land  Bay  Gulf

Gross

Net

Budget Code

Ls. Assoc. Prop. No.

Assoc. AFE No.

Joint Venture

Operator

State Code

No  Yes  2-Co.  3-Outsd.

Environmental Cost

County of State

Civil Dist.

Conveyed

Report to Code

Costing Location Mktg

% Air

% Water

% Land - Other

% Safety and Health

JUSTIFICATION

DETAIL OF PRODUCTION EQUIPMENT AND OTHER COSTS

ATF CD	Account	DESCRIPTION	QUANTITY	AMOUNT 100%
	Mo. Sub			
	xxx xxx			
1	146 457	Production Tanks (500 bbl)	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 & Conn.		6,000
1	146 510	Contract Labor		17,000
1	146 545	Transportation		5,000
1	146 598	Misc. Contingencies		9,000
			TOTAL	104,800

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

TOTAL COST	100.00000	%	104,800
CO. OWNERSHIP		%	
COMPANY COST		%	

APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION	DATE
g.l. Pettit 9/30/87					

JOINT INTEREST APPROVAL

COMPANY NAME	DATE	%
APPROVAL		