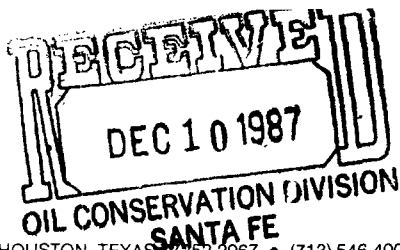




PENNZOIL PLACE • P. O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000



December 4, 1987

Mobil Producing Texas & New Mexico Inc.
500 West Illinois, Suite 200
Midland, Texas 79701

Attention: Mr. Kent Johnston

Re: #1 Simmons
NMOCD Case 9268
Order R-8556
E/2 SW/4 of Section 3,
T17S-R37E

Gentlemen:

Please find enclosed a copy of the above referenced New Mexico Oil Conservation Division Order pooling all interests in the Strawn formation underlying the E/2 SW/4 of Section 3-17S-37E, along with a copy of our proposed Authorization For Expenditure (AFE) for the #1 Simmons.

Please review the enclosed order and make your election to either participate or go non-consent within thirty (30) days of receipt of same. Should you elect to participate under the Joint Operating Agreement dated November 4, 1987, which was previously submitted to you, please return an executed AFE, signature page to the JOA and Notice of Joint Operating Agreement Lien. Upon receipt of same, you will be dismissed from the compulsory pooling order.

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

cc: Mr. William J. Lemay (w/copy of AFE)
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Catanach
DRC
File 9268

AUTHORIZATION FOR EXPENDITURE
WELLSDATE
10/19/87PAGE
1 OF 2

Co. 251		Play No. 6140		AFE No. 7438938		AFE Title or Location Name (25) SIMMONS NO. 1 D.C. & E.	
COMPANY Pennzoil Company				DIVISION Western		DISTRICT 36	
WELL NAME AND NO. Simmons No. 1				FIELD OR AREA Shipp		UNDEVELOPED LEASE NO.	
OPERATOR Pennzoil Company				COUNTY OR PARISH Lea		STATE New Mexico	
PROJECT DESCRIPTION Drill, complete and equip a 11,900' Strawn oil well 1310' FSL and 1980' FWL of sect. 3, T17S, R37E				LEASE NAME AND NO. Simmons			
				PROPOSED FORMATION Strawn			
<input checked="" type="checkbox"/> Single <input type="checkbox"/> Triple		<input 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		DATE TO START		DATE TO COMPLETE	
<input type="checkbox"/> Marsh <input type="checkbox"/> Gulf						DAYS TO DRILL 34	
						PROPOSED DEPTH 11,900'	
Gross		Net		Budget Code 4107		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.	
State 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							
INTANGIBLES							
		11,900		ft. @ \$ 13.00 /ft.		SUB 489	
CONTRACT DRILLING						DRY HOLE 154,700	
						COMPLETION	
						TOTAL 154,700	
CONTRACT DAY WORK	DRILLING		days @ \$ /day		490		
	CORING AND DRILL STEM TEST		4 days @ \$ 4,000 /day		490		16,000
	LOGGING, SFT. AND PERFORATING		2 days @ \$ 4,000 /day		490		8,000
	OTHER		10 days @ \$ 1,300 /day		490		13,000
	TOTAL CONTRACT DAY WORK				490		
COMPANY PAYROLL		\$195/day		501		6,630	1,950
EMPLOYEE BENEFITS		\$105/day		505		3,570	1,050
TRANSPORTATION AND HAULING				545		10,000	5,000
ACCESS CANAL CONSTRUCTION				476			
LOCATION, ROADS, PITS OR KEYWAY				472		7,500	3,000
BITS, COREHEADS, ETC.				492			
MUD MATERIALS				475		15,000	1,500
CEMENT AND CEMENTING SERVICES				473		21,000	8,000
CENTRALIZERS, SHOES, SCRATCHERS AND NON-SALVABLE PACKERS				491		1,000	1,000
MUD LOGGING 20 days @ \$350/day				474		7,000	
FORMATION TESTING 1 DST				482		4,500	
LOGGING AND SIDE WALL CORING				478		26,000	3,000
PERFORATING				479			7,500
TOOL RENTAL INCLUDING SMALL DIAMETER DRILL PIPE				488		6,000	3,000
TESTING TUBULAR GOODS				484		6,000	10,000
INTERNAL COATING				485			
STIMULATION TREATMENT				480			7,500
OTHER SPECIAL WELL SERVICES includes 60' core				494		16,000	
MISCELLANEOUS COSTS AND CONTINGENCIES 10%				599		31,000	6,550
TOTAL INTANGIBLES						399,900	72,050
TANGIBLES							
CASING	ft.	in.	lb.	Gr.	@ \$	440	
	400	13-3/8	48	H-40	21.39	440	8,550
	4,200	8-5/8	28	S-80	13.06	440	54,850
	11,900	5-1/2	17	N-80	9.48	440	112,800
TUBING						443	
	11,500	2-7/8	6.5	N-80	4.49	443	51,600
						443	
CASING HEADS				444		4,000	9,500
CHRISTMAS TREE				445			8,000
RETRIEVABLE PACKERS				448			6,000
OTHER WELL EQUIPMENT				469			
TOTAL TANGIBLES						67,400	187,900
TOTAL WELL COST				100.00000 %			
PRODUCTION EQUIPMENT (Detail Attached)				100.00000 %			104,800
OTHER COSTS - NET (Detail Attached)				100.00000 %			
TOTAL COST				100.00000 %		407,300	364,750
CO. OWNERSHIP		6.7.7.6.6.9.0%		COMPANY COST		6.7.7.6.6.9.0%	276,014
APPROVAL		DATE		APPROVAL		DATE	
10-19-87						AUTHORIZATION	
JOINT INTEREST APPROVAL							
COMPANY NAME:							
APPROVAL						DATE	

JUSTIFICATION _____

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

CO. OWNERSHIP				COMPANY COST			
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION			DATE

COMPANY NAME:							%
APPROVAL						DATE	