



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

October 16, 1987

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Ida Louise Brown McDonald  
3210 Pauls Drive  
Wheaton, Maryland 20902

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION EXHIBIT NO. <u>10</u> CASE NO. _____
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Re: #1 M. H. Medlin  
S/2 NW/4 of Section 14,  
T16S - R37E  
Lea County, New Mexico

Dear Mrs. McDonald:

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 1/6th of 1/144th mineral interest in the S/2 NW/4 of Section 14-16S-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 to Pennzoil for a bonus consideration of \$250.00 per net mineral acre, 1/5 royalty and a three (3) year term.

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*

Greg Davis  
Land Specialist

GD:jt  
Enclosure

<b>SENDER:</b> 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. <u>The return receipt fee will provide you the name of the person delivered to and the date of delivery.</u> 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. <input type="checkbox"/> Restricted Delivery †(Extra charge)† †(Extra charge)†	
3. Article Addressed to: <i>Ida Louise Brown McDonald 3210 Pauls Drive Wheaton, Maryland 20902</i>	4. Article Number <i>P-757-967-736</i>
5. Signature - Addressee <i>Ida McDonald</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
6. Signature - Agent <i>X</i>	Always obtain signature of addressee or agent and <b>DATE DELIVERED.</b>
7. Date of Delivery	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1987 • U.S.G.P.O. 1987-178-296

**WHEATON, MD**  
**OCT 21 1987**  
**POSTAL RETURN RECEIPT**

Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)	
251	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"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Land	<input type="checkbox"/> Bay	DATE TO START		DATE TO COMPLETE		DAYS TO DRILL 36		PROPOSED DEPTH 12,200'
<input type="checkbox"/> Marsh	<input type="checkbox"/> Gulf							
Gross	Net	Budget Code 4108	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 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.	@ \$		
	425	13-3/8	48.0	H-40	21.39	440	
	4,400	8-5/8	28.0	S-80	16.60	440	9,100
	12,200	5-1/2	17	N-80	9.48	440	73,000
TUBING						443	
	11,800	2-7/8	6.5	N-80	4.49	443	115,700
						443	53,000
CASING HEADS						444	4,000
CHRISTMAS TREE						445	9,500
RETRIEVABLE PACKERS						448	8,000
OTHER WELL EQUIPMENT						469	6,000
TOTAL TANGIBLES							86,100
TOTAL WELL COST					100.00000 %		192,200
PRODUCTION EQUIPMENT (Detail Attached)					100.00000 %		278,300
OTHER COSTS - NET (Detail Attached)					100.00000 %		104,800
TOTAL COST					100.00000 %	433,400	383,900

CO. OWNERSHIP	6,167,04 %	COMPANY COST	6,167,04 %	267,280	236,753	504,031
APPROVAL	DATE	APPROVAL	DATE	AUTHORIZATION DATE		
<i>[Signature]</i>	10-16-87					
JOINT INTEREST APPROVAL						
COMPANY NAME: _____ %						
APPROVAL _____ DATE _____						

ATR 20		SUMMARY OF ESTIMATED COST	
1	PROPERTY ADDITIONS		
6	REMOVAL COST		
5	SALVAGE		
		TOTAL COST	100.00000 % 104,800
CO. OWNERSHIP	616704 %	COMPANY COST	6166667 %
APPROVAL	DATE	APPROVAL	DATE
		AUTHORIZATION	DATE
JOINT INTEREST APPROVAL			
COMPANY NAME:			
APPROVAL		DATE	