

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>

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Please be advised that due to Pennzoil's lease expirations in January of 1988 and due to our availability of money which needs to be spent by year end, we plan to make application to compulsory pool the E/2 SE/4 Section 22-16S-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 713/546-6191.

Yours very truly,

PENNZOIL COMPANY

Lonnie L. Whitfield

Lonnie L. Whitfield
District Landman

LLW:jt

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. <input type="checkbox"/> Restricted Delivery ↑(Extra charge)↑	
3. Article Addressed to: Rio Pecos Corporation 110 West Louisiana; Suite 460 Midland, Texas 79701	4. Article Number P 757 967 728 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
5. Signature - Addressee X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED .
6. Signature - Agent X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
7. Date of Delivery <i>10-19-87</i>	

PS Form 3811, Mar. 1987 ★ U.S.G.P.O. 1987-178-268 DOMESTIC RETURN RECEIPT

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		M, A, U, D, E, M, E, D, L, I, N, #, 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				LEASE NAME AND NO.													
Drill, complete and equip.				63753-02-03-04													
a 12,100' Strawn oil well located 1980' FSL				MAUDE MEDLIN				63714-00 thru 11									
810' FEL of Section 22, 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"/> 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						35		12,100'							
Gross		Net		Budget Code		Ls./Assoc. Prop. No.		Assoc. AFE No.		Joint Venture		Operator		State Code			
				4 1 0 7						<input type="checkbox"/> No <input type="checkbox"/> Yes		<input type="checkbox"/> 2-Co. <input type="checkbox"/> 3-Outsd.					
County/Ph. Code		Civil Dist.		Regulated		Report to Code		Costing Location Mktg		Environmental Cost		% Air		% Water		% Land - Other	
				<input type="checkbox"/> No <input type="checkbox"/> Yes													
JUSTIFICATION																	
INTANGIBLES																	
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 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, SHQES, 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 9,100 9,100																	
4400 8 5/8 28.0 S-80 16.60 440 73,000 73,000																	
12,100 5 1/2 17 N-80 9.48 440 114,700 114,700																	
TUBING																	
11,700 2 7/8 6.5 N-80 4.49 443 52,500 52,500																	
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 86,100 190,700 276,800																	
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 % 430,900 382,400 813,300																	
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. L. Bell 9/30/87 J. L. Bell 10/13/87 J. L. Bell 10-13-87																	
JOINT INTEREST APPROVAL																	
COMPANY NAME: %																	
APPROVAL DATE																	

