



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

October 20, 1987

Harvey E. Yates Company
Explorers Petroleum Corp.
Spiral, Inc.
P. O. Box 1933
Roswell, New Mexico 88201

Attention: Robert H. Bell

JAMES E. DYKES JR. CATAHOON	
CONSERVATION DIVISION	
<i>Pennzoil</i>	EXHIBIT NO. <u>6</u>
DATE	<u>9268</u>

Re: #1 Simmons
E/2 SW/4 of Section 3,
T17S - R37E
Lea County, New Mexico

Gentlemen:

Pennzoil Company hereby proposes to drill an 11,900' Strawn-Atoka test at an unorthodox location 1310' FSL and 1980' FWL of Section 3, T17S-R37E, by December 1, 1987. A copy of our AFE is enclosed for your review. Also enclosed is a copy of the New Mexico Oil Conservation Division Order R-8199 which approves our unorthodox location.

We request that HEYCO, Explorers and Spiral either participate in our proposed well or farmout its interest in the SW/4 of Section 3-17S-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 your interest in the proration unit assigned to the well limited to 100' below TD drilled. HEYCO, Explorers and Spiral will reserve an overriding royalty interest equal to the difference in existing lease burdens and 25%, delivering to Pennzoil a 75% NRI, with 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 you 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.

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Please be advised that due to Pennzoil's lease expirations in early 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 SW/4 Section 3-17S-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

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete Items 3 and 4.</p> <p>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.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. <input type="checkbox"/> Restricted Delivery †(Extra charge)†</p>	
3. Article Addressed to: HARVEY E YATES COMPANY SPIRAL, INC P. O. BOX 1933 ROSWELL, NM 88201 MR. ROBERT H. BELL	4. Article Number B 91500245 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input checked="" 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	8. Addressee's Address (ONLY if requested and fee paid)
7. Date of Delivery 10-22-87	

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

AUTHORIZATION FOR EXPENDITURE
WELLS

Co.	Dept.	Play No.	AFE No.	AFE Title or Location Name (25)				
25	1	6140	7438938	S I M M O N S , N O . 1 , D , C . & E .				
COMPANY			DIVISION		DISTRICT			
Pennzoil Company			Western		36			
WELL NAME AND NO.				FIELD OR AREA		UNDEVELOPED LEASE NO.		
Simmons No. 1				Shipp				
OPERATOR				COUNTY OR PARISH		STATE		
Pennzoil Company				Lea		New Mexico		
PROJECT DESCRIPTION				LEASE NAME AND NO.				
Drill, complete and equip a 11,900' Strawn oil well 1310' FSL and 1980' FWL of sect. 3, T17S, R37E				Simmons				
				PROPOSED FORMATION				
				Strawn				
<input checked="" type="checkbox"/> Single		<input type="checkbox"/> Triple		<input checked="" type="checkbox"/> Oil		<input type="checkbox"/> Gas		
<input type="checkbox"/> Dual				<input type="checkbox"/> Expl.		<input checked="" type="checkbox"/> Dev.		
<input checked="" type="checkbox"/> Land		<input type="checkbox"/> Bay		<input checked="" type="checkbox"/> New		<input type="checkbox"/> Workover		
<input type="checkbox"/> Marsh		<input type="checkbox"/> Gulf				Deepen		
						<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
DATE TO START		DATE TO COMPLETE		DAYS TO DRILL		PROPOSED DEPTH		
				34		11,900'		
Gross		Net		Budget Code		Ls./Assoc. Prop. No.		
				4107				
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.				
County/Ph. Code		Civil Dist.		Conveyed		Report to Code		
				<input type="checkbox"/> Yes <input type="checkbox"/> No				
				Costing Location Mktg		Environmental Cost		
						% Air % Water % Land - Other		
						% Safety and Health		

JUSTIFICATION

INTANGIBLES				SUB	DRY HOLE	COMPLETION	TOTAL
CONTRACT DRILLING				489	154,700		154,700
CONTRACT DAY WORK	DRILLING	11,900 ft. @ \$	13.00 /ft.	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				501	6,630	1,950	8,580
EMPLOYEE BENEFITS				505	3,570	1,050	4,620
TRANSPORTATION AND HAULING				545	10,000	5,000	15,000
ACCESS CANAL CONSTRUCTION				476			
LOCATION, ROADS, PITS OR KEYWAY				472	7,500	3,000	10,500
BITS, COREHEADS, ETC.				492			
MUD MATERIALS				475	15,000	1,500	16,500
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 1 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	6,000	3,000	9,000
TESTING TUBULAR GOODS				484	6,000	10,000	16,000
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	6,550	37,550
TOTAL INTANGIBLES					399,900	72,050	411,950

TANGIBLES							
ING 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
						443	

Co.		Dept.		Play No.		AFE No.		AFE Title or Location Name (25)									
2 5		1		6 1 4 0		7 4 3 8 9 3 8		S I M M O N S N O . 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								
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<input type="checkbox"/> Dual		<input type="checkbox"/> Bay		DATE TO START		DATE TO COMPLETE		DAYS TO DRILL		PROPOSED DEPTH		<input type="checkbox"/> Yes		<input checked="" type="checkbox"/> No			
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Gross		Net		Budget Code		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.					
County/Ph. Code		Civil Dist.		Conveyed		Report to Code		Costing Location Mktg.		Environmental Cost		% Air		% Water		% Land - Other	
				<input type="checkbox"/> Yes <input type="checkbox"/> No												% Safety and Health	
JUSTIFICATION																	

[illegible]

ATR 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
JOINT INTEREST APPROVAL					
COMPANY NAME:					
APPROVAL				DATE	