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January 27, 1987

Mr. William J. LeMay
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Pennzoil Company
Viersen Well No. 3
Commission Order R-8366
Case 9003

Dear Mr. LeMay:

On January 27, 1987, I received by regular mail a copy of the letter Mr. James L. Bruce hand-delivered to you on January 23, 1987 on behalf of Exxon Company. I have enclosed a copy for your reference.

Exxon complains of action taken by Pennzoil which was reviewed and approved by Mr. Jerry Sexton of the Division's Hobbs Office on January 21, 1987. Mr. Sexton has concluded that Pennzoil's actions are in accordance with Order R-8366 and that approval under Rule 111 is not required.

Pennzoil is drilling its Viersen Well #3 in an attempt to protect its acreage from the drainage that is resulting from the adjacent Exxon well which produces from a bottom hole location only 150 feet from the Pennzoil Tract.

Unless controlled, the Pennzoil wellbore will migrate to the north and east away from the Exxon tract resulting in a bottomhole location that will not allow Pennzoil a chance to compete with Exxon for the oil reserves under the Pennzoil tract.

Exxon's complaint is simply another attempt to delay Pennzoil while Exxon continues to produce Pennzoil's share of the reserves.

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We believe that Pennzoil has already obtained all of the necessary Division approval in order to bottom the Viersen #3 at a location not closer than 150 feet from the Exxon property. It is Pennzoil's intent to control the migration of the wellbore during drilling to correct for the natural deviation that is occurring and to attempt to complete this well in the Shipp-Strawn Pool at a bottom hole location no closer than 150 feet from Exxon and approximately 1980 feet from the east boundary of the Pennzoil tract.

Should the Division now believe that Pennzoil must obtain any further orders or approvals, please let me know so that we can take immediate action to do so.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

cc: Mr. Paul Bruce (Pennzoil)
James G. Bruce, Esq.
Ernest L. Padilla, Esq.
Mr. Jerry Sexton
Peter N. Ives, Esq.

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January 23, 1987

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*NOT LICENSED IN NEW MEXICO

Mr. William LeMay, Director
New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87503

HAND DELIVERED

Re: Pennzoil Company
Viersen Well No. 3
Commission Order No. R-8366
(Case No. 9003)

Dear Mr. LeMay:

Under the above order, Pennzoil commenced drilling of the subject well at an unorthodox location 2080 feet from the east line and 150 feet from the south line of Section 4, 17 South, 37 East, in Lea County.

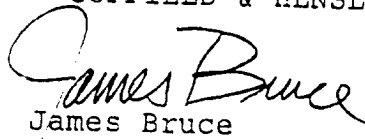
Our client, Exxon Corporation, has recently been informed that this well, as of January 20, 1987, was at a depth of 9,045 feet. A survey run at 8,864 feet showed that the well bore had deviated 72 feet to the east and 104 feet to the north of the surface location. Exxon was also informed that Pennzoil intended to use a downhole motor at a depth of 9,500 - 10,000 feet, to deviate the well so that the bottom hole location would move closer to the south lease line. However, Order No. R-8366 does not permit this intentional deviation, and to Exxon's knowledge Pennzoil has not applied to or received permission from the OCD to intentionally deviate this well, as required by Rule 111.

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Based upon their current knowledge of the facts, Exxon does not believe that such a directional correction is permissible. Exxon informed Pennzoil of Exxon's position by telephone on January 21, 1987.

Very truly yours,

HINKLE, COX, EATON,
COFFIELD & HENSLEY


James Bruce

JGB:jr

cc: W. Thomas Kellahin
E. Padilla
Peter Ives
W. Duncan