

MARATHON OIL COMPANY

**RECOMMENDED PENALTY FOR THE
CHESAPEAKE OPERATING, INC. GANDY "19" WELL NO. 2
2523 FEET FNL AND 2370 FEET FEL
SECTION 19, TOWNSHIP 16 SOUTH, RANGE 36 EAST, NMPM
LEA COUNTY, NEW MEXICO**

RECOMMENDED PENALTY:

330 feet Setback required by Oil Conservation
Division General Rules

 - 117 feet Distance from offsetting Marathon tract

213 feet Encroachment

Encroachment of 213 feet = 65% Penalty
Standard setback of feet

For this penalty to be effective, it should be applied to the Depth Bracket Allowable for this well or the initial potential for the well, whichever is less.

**BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico**

Case No. 11844 Exhibit No. 2

Submitted by: Marathon Oil Company

Hearing Date: September 4, 1997