

 **PENNZOIL EXPLORATION AND PRODUCTION COMPANY**
 PENNZOIL PLACE • P.O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

April 8, 1991

Marathon Oil Company
 P. O. Box 552
 Midland, Texas 79702
 Attention: Mr. Randal Wilson
 VIA FAX NO.: 915-687-8337

RE: Proposals for Consensus Procedure
 Proposed Tamano Bone Spring Second
 Carbonate (BSSC) Unit
Township 18 South-Range 31 East
 Section 10: SE/4, S/2NE/4
 Section 11: All
 880.00 acres, more or less
 Eddy County, New Mexico
 Tamano Area

Dear Randal:

In response to your letter dated April 3, 1991, please be advised that Pennzoil hereby elects Ballot 1C subject to the following amendments:

1. Line 5: The word "daily" shall be inserted before the word "volume".
2. Line 6: The phrase "during those days each respective well was actually produced" shall be inserted after the word "well".
3. Line 7: The word "daily" shall be inserted after the word "total".
4. Line 8: The phrase "for the days each respective well within the proposed unit area actually produced" shall be inserted after the word "area".
5. Lines 8 and 9: The sentence "Attachment 5 summarizes each Working Interest Owner's voting procedure based on this formula". shall be deleted.

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MARATHON OIL COMPANY ATTENTION: R. WILSON MARATHON 13 10341
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PENNZOIL EXPLORATION AND PRODUCTION COMPANY

Marathon Oil Company
April 8, 1991
Page Two

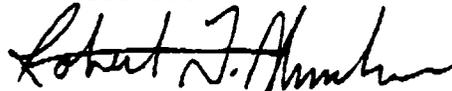
6. Line 14: The words "75 percent" shall be deleted and replaced with the words "80 percent".
7. Line 15: The phrase "at least three parties" shall be deleted and replaced with the phrase "at least four parties".

Pennzoil feels that the above changes are warranted based on the fact that the Stetco "10" Federal No. 3 well was not brought on line until December 20, 1990; therefore, cumulative oil production over the subject six (6) month period does not take into account that the subject well has only produced for approximately three (3) months of the subject six (6) month period. The above amendments limit oil production calculations over the six (6) month period to the average daily production based on the days the wells were actually produced. This appears a small concession when coupled with the fact that no credit has been given to the 120 acres of undeveloped acreage contained within the proposed unit area affecting Section 10.

Please advise whether or not the above amendments are acceptable to those parties opting for Ballot 1C.

Very truly yours,

PENNZOIL EXPLORATION AND
PRODUCTION COMPANY



Robert F. Blucher
Advanced Landman

RFB:ls

RB10991L

PENNZOIL EXPLORATION AND PRODUCTION COMPANY

cc: Wainoco Oil and Gas Company
ATTN:: Mr. Ray Gasper
1200 Smith Street, Suite 1500
Houston, TX 77002
VIA FAX NO.: 713-658-8136

Hudson and Hudson
ATTN:: Mr. Ed Hudson
616 Texas Street
Fort Worth, TX 76102-4216
VIA FAX NO.: 817-334-0442

Moore and Shelton Co., Ltd.
ATTN:: Mr. Donald B. Moore
1414 Sugarcreek Blvd.
Sugarland, TX 77478

Harvey E. Yates Company
ATTN:: Ms. Rosemary T. Avery
P. O. Box 1933
Roswell, New Mexico 88202
VIA FAX NO.: 505-622-4221

J. Adams
A. Bell
R. Burton
R. Hodgins
H. Hollingshead
M. McCullough
J. Pettit
G. SanFilippo
B. Sinclair

Yates Energy Corporation
ATTN:: Mr. Brian K. Luginbill
500 N. Main, Suite 1010
Roswell, New Mexico 88201
VIA FAX NO.: 505-623-4947

ARCO Oil and Gas Company
ATTN:: Mr. Jim Hubbard
P. O. Box 1610
Midland, TX 79702
VIA FAX NO.: 915-688-5250

Kerr-McGee Corporation
ATTN:: Ms. Donna Suchy
P. O. Box 11050
Midland, TX 79701
VIA FAX NO.: 915-688-7056

RB10991L

BALLOT 1A

ESTABLISHMENT OF A. PRE-UNIT VOTING PROCEDURE
PROPOSED TAMANO (BSSC) UNIT
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: Michael L. McCullough
DISAPPROVED BY: _____
ABSTAINED BY: _____

PRINT/TYPE NAME: Michael L. McCullough,
Agent and Attorney-in-Fact
COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY
DATE: April 8, 1991

APPROVED	
LAND	<input checked="" type="checkbox"/>
LAND	<input checked="" type="checkbox"/>
EXPL.	<input checked="" type="checkbox"/>
PROD.	<input checked="" type="checkbox"/>

Please indicate any companies, in addition to your own, that you are representing.

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 3, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

BALLOT 18

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE
PROPOSED TAMANO (BSSC) UNIT
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority.

APPROVED BY:

DISAPPROVED BY:

ABSTAINED BY:

Michael L. McCullough

PRINT/TYPE NAME: Michael L. McCullough
Agent and Attorney-in-Fact
COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY

DATE: April 8, 1991

APPROVED	
LAND	<input checked="" type="checkbox"/>
LAND	<input checked="" type="checkbox"/>
LAND	<input checked="" type="checkbox"/>
EXPL	<input type="checkbox"/>
PROD	<input type="checkbox"/>

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE
PROPOSED TAMANO (BSSC) UNIT
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

*APPROVED BY: Michael L. McCullough

DISAPPROVED BY: _____

ABSTAINED BY: _____

PRINT/TYPE NAME: Michael L. McCullough
Agent and Attorney-in-Fact

COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY

DATE: April 8, 1991



Please indicate any companies, in addition to your own, that you are representing.

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

*Subject to the terms and conditions of that certain letter dated April 8, 1991 from Pennzoil Exploration and Production Company to Marathon Oil Company.