



P.O. Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626

August 24, 1992

To All Operators  
Indian Basin Upper Penn Pool  
Eddy County, New Mexico

RE: Upcoming NMOCC Allowables Hearing  
Proposed Indian Basin Upper Penn Pool Allowables

Gentlemen:

Marathon has reviewed the preliminary allowable estimates recently issued by the New Mexico Oil Conservation Division which will provide the starting point for the hearings scheduled for August 27, 1992 on gas allowables for the upcoming allocation period (October, 1992 - March, 1993). Marathon intends to proposed at the hearings that a sufficient positive adjustment be made to the preliminary monthly pool allowable for the Indian Basin Penn Pool in order to increase the monthly acreage allocation factor (F1 factor) for Indian Basing Upper Penn non-marginal wells, from the 173,328 MCF per month set out on the preliminary table, to 197,600 MCF per month.

To the best of Marathon's knowledge, such an F1 factor, if adopted, would allow all non-marginal wells in the field (with an acreage factor of 1.00) to produce close to their full capabilities. Marathon intends to produce its wells through the coming allocation period at the highest level which the Oil Conservation Commission will approve. Marathon has the markets to sell the additional gas which would be produced under its proposal, and believes that the other operators in the field would be able to find purchasers for their additional production as well. The transportation systems which serve the field are more than adequate to deal with the additional production which would result from the adoption of Marathon's proposal. No operator, whether it operates marginal or non-marginal wells, would have its ability to market its gas inhibited by Marathon's proposal.

Marathon asks that you support its request to increase the allowables for the Indian Basin Upper Penn pool. If at all possible, Marathon asks that you provide it with a letter prior to August 27, 1992 whereby you indicate your support for Marathon's proposal. If you have any questions with regard to Marathon's proposal, please feel free to call, Marathon Senior Reservoir Engineer, Ron Folsie, at (915) 687-8240.

Sincerely

A handwritten signature in cursive script, appearing to read 'T. N. Tipton', with a small 'for' written below it.

T. N. Tipton  
Engineering Manager

Before The  
OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
Case No. 10526 Exhibit No. 3  
Submitted by: Marathon Oil Company  
Hearing Date: 8/27/92