



**Marathon
Oil Company**

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

May 8, 1987

MAY 12 1987

CERTIFIED MAIL & RETURN
RECEIPT REQUESTED

WORKING INTEREST OWNERS
(ADDRESS LIST ATTACHED)

Re: Itemized Schedule of Actual Well Costs
Our Benson #1 - 990' FEL & 330' FSL of Section 14
Our Lease NM-3867 - Jessie Benson, et al
Our East Garrett Area
Lea County, New Mexico

Gentlemen:

Pursuant to Article 5, Page 4, of Compulsory Pooling Case No. 8960, Order No. R-8282, dated August 21, 1986, enclosed please find an Itemized Schedule of Actual Well Costs for the drilling and completion of the Marathon Oil Company Benson #1.

This Itemized Schedule of Actual Well Costs includes invoices paid by Marathon through May 1, 1987, and it is anticipated that more costs will be booked for this well in the future.

In the event the Director of the New Mexico Oil Conservation Division feels that it is necessary for Marathon to obtain an extension of time, please be advised that Marathon hereby respectfully requests that an extension be granted.

Should you have any questions concerning this matter, please advise.

Very truly yours,

MARATHON OIL COMPANY

A handwritten signature in cursive script, appearing to read 'Steve Daniels'.

Steve Daniels
Landman

SMD:mmc'
Encl.

WORKING INTEREST OWNERS

ARCO Oil & Gas Company
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Ms. Rita Buress

Mr. James A. Davidson
P. O. Box 494
Midland, Texas 79702-0494

State of New Mexico Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87501-2088
Attention: Mr. Michael E. Stogner

Fred G. Yates, Inc.
Yates Energy Corporation
Sunwest Centre, Suite 1010
Roswell, New Mexico 88201
Attention: Mr. Ken Hammons

Harvey E. Yates Company
Explorers Petroleum Corp.
Spiral, Inc.
P. O. Box 1933
Roswell, New Mexico 88201-1933
Attention: Ms. Rosemary T. Avery

ITEMIZED SCHEDULE OF ACTUAL WELL COSTS

SHEET 1 OF 2 SHEETS

AFE NO. _____

(INCLUDES INVOICES PAID BY MARATHON THROUGH MAY 1, 1987)

DATE _____

Lease or Facility Benson #1Field or Prospect East Garrett DeepLocation: 330' FSL and 990' FEL of Section 14, T-16-S, R-38-E, N.M.P.M., Lea County, New MexicoWildcat ☒ Development ☐ Development Exploratory ☐ Recompletion ☐ Workover ☐
Total Depth 13,345' Drilling Days 73 Completion Days 55

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		DRILLING COSTS – TANGIBLE			
		Drive Pipe	1		
		Conductor	2		
		Surface	3		9,464.73
		Intermediate – Casing, Liner, or Tieback	4		77,806.42
		Liner Hanger and Tieback Equipment	5		
		Casinghead	6		3,995.83
		Miscellaneous	7		
		TOTAL DRILLING COSTS – TANGIBLE			91,266.98
		DRILLING COSTS – INTANGIBLE			
		Location and Access	9		39,850.88
		Daywork Drilling	10		71,973.06
		Footage Basis Drilling	11		256,862.37
		Direct Supervision	14		16,642.97
		Bits, Hole Openers, Stabilizers, etc.	15		
		Mud and Mud Services	16		38,633.88
		Rig Fuel	17		826.27
		Water	18		12,894.25
		Rental Equipment and Tools	19		25,077.23
		Casing/Drive Pipe Tools, Services and Accessories	20		3,902.99
		Cement and Cementing Service	21		14,839.92
		Well Logging and Services	22		35,139.50
		Mud Logging	23		
		Pipe Inspection	24		1,646.67
		Directional Services	25		3,052.46
		Coring	26		
		Formation Testing	27		9,489.25
		Diving Services	28		
		Mobilization/Demobilization	29		
		Air Transportation	30		
		Marine Transportation	31		
		Land Transportation	32		1,970.06
		Shore Base Services	33		
		Communications	34		
		Fishing Tools and Services	35		
		Abandoning Tools and Services	36		
		Miscellaneous Material and Services	37		7,246.04
		Dry Hole Contributions	38		
		Overhead	39		
		Indirect Expense	40		8,334.44
		TOTAL DRILLING COSTS -- INTANGIBLE			548,382.24
		TOTAL DRILLING COSTS			\$ 639,649.22
		COMPLETION COSTS – TANGIBLE			
		Production Casing	42		95,683.10
		Liners	43		
		Tubing	44		30,523.92
		Liner Hanger and Tieback Equipment	45		
		Christmas Tree	46		25,611.58
		Subsurface Safety Shut-In Devices	47		
		Packers	48		466.56
		Subsurface Artificial Lift Equipment	49		34,585.07
		TOTAL COMPLETION COSTS TANGIBLE			186,870.23

ITEMIZED SCHEDULE OF ACTUAL WELL COSTS

AFE NO. _____

SHEET 2 OF 2 SHEETS

DATE _____

(INCLUDES INVOICES PAID BY MARATHON THROUGH MAY 1, 1987)

Lease or Facility Benson #1

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	COND	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		339.65
		Completion Rig	52		28,928.13
		Contract Service Units	53		1,164.60
		Direct Supervision	54		18,761.35
		Company Labor	55		448.14
		Contract Labor	56		1,820.70
		Rig Fuel	57		1,954.68
		Completion and Packer Fluids	58		4,970.06
		Rental Equipment and Tools	59		10,884.35
		Casing Tools, Services and Accessories	60		4,810.94
		Cement and Cementing Service	61		20,561.51
		Logging Services	62		
		Perforating	63		5,587.22
		Wireline Services	64		
		Formation Treating	65		36,422.84
		Sand Control Equipment and Services	66		
		Formation Testing	67		4,668.81
		Tubular Testing and Cleaning	68		7,425.18
		Mobilization and Demobilization of Completion Rig	69		
		Air Transportation	70		
		Marine Transportation	71		
		Land Transportation	72		8,881.43
		Shore Base Services	73		
		Communications	74		
		Fishing Tools and Services	75		
		Wireline Cased-hole Plugbacks	76		
		Miscellaneous Material and Services	77		173.64
		Sidetrack or Milling Sections	78		
		Overhead	79		
		Indirect Expense	80		1,137.05
		TOTAL COMPLETION COSTS -- INTANGIBLE			158,940.28
		TOTAL COMPLETION COSTS			\$ 345,810.51
		SURFACE EQUIPMENT -- TANGIBLE			
		Pumping Equipment	83		41,933.60
		Tanks and Related Equipment	84		15,567.79
		Company Labor and Non-Hauling Units	85		7,291.04
		Contract Labor and Non-Hauling Units	86		8,635.33
		Water Injection Equipment	87		
		Heater-Treater	88		2,644.33
		Miscellaneous Supplies	89		8,451.13
		Dehydrating Equipment	90		
		Separator-Trap	91		1,908.73
		Transportation	92		257.86
		Metering Equipment	93		
		Line Pipe	94		1,571.56
		Electrical Equipment	95		862.86
		Compressors	96		
		TOTAL SURFACE EQUIPMENT -- TANGIBLE			\$ 89,124.23
SUMMARY OF ESTIMATED DRILLING WELL COSTS			TOTAL COST		MARATHON'S SHARE
Total Drilling Cost			\$ 639,649.22		\$
Total Completion Cost			345,810.51		
Total Surface Equipment			89,124.23		
Grand Total Cost			\$ 1,074,583.96		\$
Marathon's Share of Grand Total Cost to be Booked This Year					
If Wildcat Well, Give Marathon's Share of Dry Hole Cost					

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT

OIL CONSERVATION DIVISION



March 3, 1987

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-5800

Mr. James A. Davidson
P. O. Box 494
Midland, Texas 79702

Re: Case 8960, Order R-8282, Marathon Oil Co.
Compulsory Pooling

Dear Mr. Davidson:

This refers to your letter of February 18, 1987.

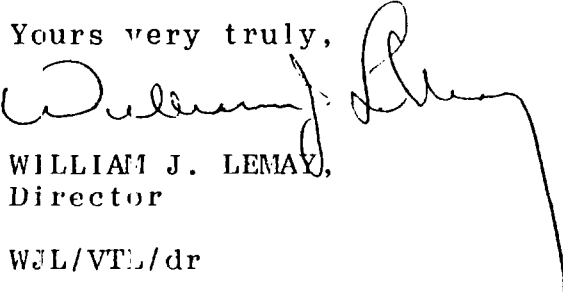
In our view, as a non-consenting "Owner", you are not entitled to any proprietary information from the operator until payout of well and risk penalty. As a royalty owner you are entitled to all information and royalty payments accorded to any and all royalty owners.

You should expect periodic reports of the payout status. The files of the OCD at Hobbs are open to the public unless the operator, for good cause, requests they be held confidential for up to 90 days as provided in Rule 1105, with reference to Form C-105.

Should further forced-pooling applications be filed for this area the results of the drilling of this well may have influence on any risk factor assigned for the drilling of subsequent wells.

If you have further questions, please feel free to call me or my staff at any time.

Yours very truly,


WILLIAM J. LEMAY,
Director

WJL/VTL/dr

cc: Marathon Oil Co.
Attention: S. C. Schraub
cc: Jerry Seay

Case 8960
file

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

February 18, 1987

New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. Bill LeMay
Director

RE: Case 8960, Order R-8282
Marathon Oil Company -
Compulsory Pooling

Gentlemen:

Reference is made to the above noted case wherein Marathon force pooled my 38.125% interest in a drilling unit composed of SE/4 SE/4 Section 14, T-16-S, R-38-E, Lea County, New Mexico.

I have various leases and mineral interests under and surrounding this unit upon which Marathon has drilled its No. 1 Benson well. I believe that the well is being completed but I cannot be certain since Marathon has absolutely refused to furnish me any information. I am enclosing copy of letter from Marathon dated February 13, 1987, and you can see that the only information that it intends to furnish is well costs. I am even required to get production data from "the State of New Mexico at such time as the State makes them available to the public".

I need the well data of every kind for the following reasons:

- (1) I need to be able to respond if Marathon proposes another well on my leases since it can continue to force pool me on a location by location basis.
- (2) I need to be able to determine if the #1 Benson is draining my leases and minerals in the area.
- (3) I need to be able to determine if Marathon owes me an offset on minerals owned by me under lease to that company and offset to the well..

Assuming that the #1 Benson is completed as a commercial discovery, please advise me if the rules provide for me to ask for a hearing before the NMOCD to determine whether or not Marathon should be ordered to furnish all well data to me.

The reason that I need to try to get some help from the NMOC is that it appears that Marathon and various of its employees are engaged in a pattern of activity whose aim is to deprive me of all information thereby enabling it to practice fraud and deceit on me to the end that I will be intentionally and maliciously defrauded by Marathon out of some very valuable property rights.

I would appreciate your reply in writing so if the rules do not provide for such a hearing, at the very least, I can show that I have exhausted my administrative remedies.

Very truly yours,



JAMES A. DAVIDSON

JAD/gh

enclosure

cc: Mr. S.C. Schraub - Marathon - Midland

Mr. L.D. Garcia - Marathon - Houston



**Marathon
Oil Company**

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

February 13, 1987

Mr. James A. Davidson
Oil & Gas Properties
P. O. Box 494
Midland, Texas 79702-0494

Re: New Mexico Oil and Gas Conservation
Division Case No. 8960
Order No. R-8382, dated August 21, 1986

Dear Mr. Davidson:

Thank you for your letter of February 4, 1987. For your information, the #1 Benson well, which is located in Section 14, T-16-S, R-38-E, Lea County, New Mexico, has not been completed to-date. In accordance with Article (5) on page 4 of the above-captioned Order, we will furnish you an itemized schedule of actual well costs within 90 days following completion of the well. As to your request for copies of the monthly NMOCD forms that we file with the State in the event the well is productive, it is our understanding that these forms can be obtained by you from the State of New Mexico at such time as the State makes them available to the public.

As you will recall, you were given the opportunity to participate in this well and pay your share of the estimated well costs, but elected instead to go non-consent. Since Marathon took all of the risk to drill this well and the costs associated therewith have not been recouped, we do not feel you are entitled to copies of any logs and surveys and must turn down your request for this information at this time.

Yours very truly,

MARATHON OIL COMPANY

S. C. Schraub
Region Landman

SCS;mmc'

xc: Mr. S. H. Raymond
Mr. L. D. Garcia

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN

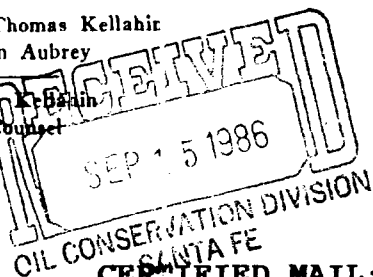
Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505



September 11, 1986

CERTIFIED MAIL: P 176 135 248
RETURN RECEIPT REQUESTED

Mr. James Davidson
Post Office Box 494
Midland, Texas 79702

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Dear Mr. Davidson:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,

W. Thomas Kellahin

WTK: mh
Enclosures

Case No. 8960

KELLAHIN and KELLAHIN

Mr. James Davidson
September 11, 1986
Page 2

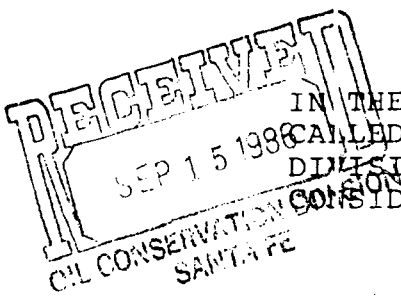
cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

✓ Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

William F. Carr, Esq.
Campbell & Black
Post Office Box 2208
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8960
Order No. R-8282

APPLICATION OF MARATHON OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 6, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of August, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Marathon Oil Company, seeks an order pooling all mineral interests from the surface to the base of the Siluro-Devonian formation underlying the SE/4 SE/4 (Unit P) of Section 14, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico.

(3) Prior to the hearing James A. Davidson, who owns 38 125 percent interest in the above-described unit, requested a two week continuance of this case.

(4) This request was denied inasmuch as the applicant provided proper notification pursuant to Division General Rule 1207(a)1. and 1207(b).

(5) James A. Davidson was represented at the time of the hearing and objected to said pooling application.

(6) The applicant has the right to drill and proposes to drill a well at a standard oil well location thereon.

(7) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(9) The applicant should be designated the operator of the subject well and unit.

(10) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(11) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4598.00 per month while drilling and \$459.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in

escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

(17) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect. ...

(18) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Siluro-Devonian formation underlying the SE/4 SE/4 (Unit P) of Section 14, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the fifteenth day of November, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Siluro-Devonian formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the fifteenth day of November, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Marathon Oil Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within

30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$4598.00 per month while drilling and \$459.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unsevered mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

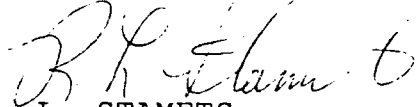
(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 8960
Order No. R-8282
-6-

DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director

S E A L

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAILS OF ESTIMATED WELL COSTS

AFE NO. _____
DATE 9/10/86

SHEET _____ OF _____ SHEETS

Lease or Facility Benson #1
Field or Prospect East Garrett Deep
Location: Sec. 14, T-16-S, R-38-E
Lea County, New Mexico

Wildcat ☒ Development ☐ Development Exploratory ☐ Recompletion ☐ Workover ☐
Est. Total Depth 13,500' Est. Drilling Days 64 Est. Completion Days 20

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		DRILLING COSTS – TANGIBLE			
		Drive Pipe	1		-
		Conductor	2		-
	300'	13-3/8" Surface	3		6,000
	5,000'	9-5/8" Intermediate -Casing, Liner, or Tieback	4		80,000
		Liner Hanger and Tieback Equipment	5		-
		Casinghead	6		20,000
		Miscellaneous	7		2,000
		TOTAL DRILLING COSTS – TANGIBLE			108,000
		DRILLING COSTS – INTANGIBLE			
		Location and Access	9		36,000
	4	Daywork Drilling	10		14,000
	13,500'	Footage Basis Drilling	11		304,000
		Direct Supervision	14		22,000
		Bits, Hole Openers, Stabilizers, etc.	15		-
		Mud and Mud Services	16		35,000
		Rig Fuel	17		-
		Water	18		30,000
		Rental Equipment and Tools	19		36,000
		Casing/ Drive Pipe Tools, Services and Accessories	20		8,000
		Cement and Cementing Service	21		22,000
		Well Logging and Services	22		24,000
		Mud Logging	23		18,000
		Pipe Inspection	24		6,000
		Directional Services	25		-
		Coring	26		-
		Formation Testing 1 DST	27		5,000
		Diving Services	28		-
		Mobilization/Demobilization	29		-
		Air Transportation	30		-
		Marine Transportation	31		-
		Land Transportation	32		18,000
		Shore Base Services	33		-
		Communications	34		-
		Fishing Tools and Services	35		-
		Abandoning Tools and Services	36		-
		Miscellaneous Material and Services	37		30,000
		Dry Hole Contributions	38		-
		Overhead	39		-
		Indirect Expense	40		10,000
		TOTAL DRILLING COSTS – INTANGIBLE			618,000

TOTAL DRILLING COSTS \$ 726,000

		COMPLETION COSTS – TANGIBLE		
	13,500'	5-1/2" Production Casing	42	115,000
		Liners	43	-
	13,500'	Tubing	44	70,000
		Liner Hanger and Tieback Equipment	45	-
		Christmas Tree	46	25,000
		Subsurface Safety Shut-In Devices	47	-
		Packers	48	4,000
		Subsurface Artificial Lift Equipment	49	-
		TOTAL COMPLETION COSTS – TANGIBLE		214,000

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

AFE NO. _____
DATE 9/10/86

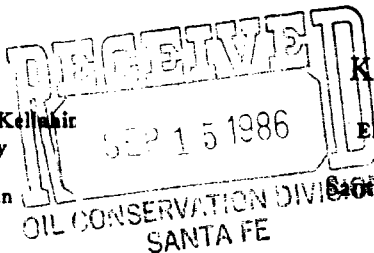
SHEET _____ OF _____ SHEETS

Lease or Facility Benson #1

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		-
		Completion Rig	62		24,000
		Contract Service Units	63		-
		Direct Supervision	54		6,000
		Company Labor	55		-
		Contract Labor	56		-
		Rig Fuel	57		-
		Completion and Packer Fluids	58		6,000
		Rental Equipment and Tools	59		20,000
		Casing Tools, Services and Accessories	60		8,000
		Cement and Cementing Service	61		18,000
		Logging Services	62		5,000
		Perforating	63		5,000
		Wireline Services	64		-
		Formation Treating	65		25,000
		Sand Control Equipment and Services	66		-
		Formation Testing	67		-
		Tubular Testing and Cleaning	68		-
		Mobilization and Demobilization of Completion Rig	69		-
		Air Transportation	70		-
		Marine Transportation	71		-
		Land Transportation	72		6,000
		Shore Base Services	73		-
		Communications	74		-
		Fishing Tools and Services	75		-
		Wireline Cased-hole Plugbacks	76		-
		Miscellaneous Material and Services	77		10,000
		Sidetrack or Milling Sections	78		-
		Overhead	79		-
		Indirect Expense	80		-
		TOTAL COMPLETION COSTS -- INTANGIBLE			133,000
TOTAL COMPLETION COSTS					\$ 347,000
		SURFACE EQUIPMENT -- TANGIBLE			
		Pumping Equipment	83		-
		Tanks and Related Equipment	84		10,000
		Company Labor and Non-Hauling Units	85		-
		Contract Labor and Non-Hauling Units	86		-
		Water Injection Equipment	87		-
		Heater-Treater	88		10,000
		Miscellaneous Supplies	89		5,000
		Dehydrating Equipment	90		-
		Separator-Trap	91		10,000
		Transportation	92		3,000
		Metering Equipment	93		2,000
		Line Pipe	94		-
		Electrical Equipment	95		-
		Compressors	96		-
		TOTAL SURFACE EQUIPMENT -- TANGIBLE			\$ 40,000
SUMMARY OF ESTIMATED DRILLING WELL COSTS			TOTAL COST	MARATHON'S SHARE (%)	
Total Drilling Cost			\$ 726,000	\$	
Total Completion Cost			347,000		
Total Surface Equipment			40,000		
Grand Total Cost			\$1,113,000	\$	
Marathon's Share of Grand Total Cost to be Booked This Year					
f Wildcat Well, Give Marathon's Share of Dry Hole Cost					

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel



KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 12, 1986

CERTIFIED MAIL: P 131 071 982
RETURN RECEIPT REQUESTED

Yates Energy Corporation
SunWest Center, Suite 1010
Roswell, New Mexico 88201

Attr: Mr. Ken Hammons

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Gentlemen:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,

W. Thomas Kellahin

WTK:mh
Enclosures

KELLAHIN and KELLAHIN

Yates Energy Corporation
Attn: Mr. Ken Hammons
September 12, 1986
Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

/ Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

RECEIVED
SEP 15 1986
W. Thomas Kellahin
Karen Aubrey
OIL CONSERVATION DIVISION
SANTA FE
Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 12, 1986

CERTIFIED MAIL: P 131 071 981
RETURN RECEIPT REQUESTED

Fred G. Yates Inc.
SunWest Center, Suite 1010
Roswell, New Mexico 88201

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Gentlemen:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,


W. Thomas Kellahin

WTK:mh
Enclosures

KELLAHIN and KELLAHIN

Fred G. Yates Inc.
September 12, 1986
Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

✓ Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 12, 1986

CERTIFIED MAIL: P 131 071 996
RETURN RECEIPT REQUESTED

Spiral Inc.
Post Office Box 1933
Roswell, New Mexico 88201

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Gentlemen:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,



W. Thomas Kellahin

WTK:nh
Enclosures

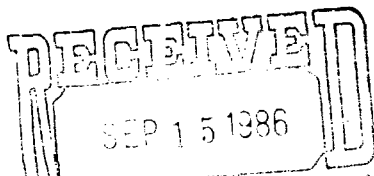
KELLAHIN and KELLAHIN

Spiral Inc.
September 12, 1986
Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

✓ Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501



W. Thomas Kellahin
Karen J. Murray
JASON KELLAHIN
Of Counsel
NEW MEXICO OIL CONSERVATION DIVISION
SANTA FE

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 12, 1986

CERTIFIED MAIL: P 131 071 995
RETURN RECEIPT REQUESTED

Explorers Petroleum Corporation
Post Office Box 1933
Roswell, New Mexico 88201

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Gentlemen:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,

W. Thomas Kellahin

WTK:mh
Enclosures

KELLAHIN and KELLAHIN

Explorers Petroleum Corporation
September 12, 1986
Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

/ Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

RECEIVED
SEP 15 1986
NEW MEXICO OIL CONSERVATION DIVISION
SANTA FE

W. Thomas Kellahin
Karen Aubrey
Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

September 12, 1986

CERTIFIED MAIL: P 131 071 994
RETURN RECEIPT REQUESTED

Harvey E. Yates Company
Post Office Box 1933
Roswell, New Mexico 88201

Attn: Mrs. Rosemary Avery

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Dear Mrs. Avery:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,



W. Thomas Kellahin

WTK:lh
Enclosures

KELLAHIN and KELLAHIN

Harvey E. Yates Company
Attn: Mrs. Rosemary Avery
September 12, 1986
Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

CAMPBELL & BLACK, P.A.
LAWYERS

JACK M. CAMPBELL
BRUCE D. BLACK
MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
J. SCOTT HALL
PETER N. LIVES
JOHN H. BEMIS

GUADALUPE PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

August 4, 1986

HAND DELIVERED

RECEIVED

AUG 4 1986

OIL CONSERVATION DIVISION

Michael E. Stogner
Hearing Examiner
Oil Conservation Division
New Mexico Department of
Energy and Minerals
State Land Office Building
Santa Fe, New Mexico 87501

Re: Case 8960: Application of Marathon Oil Company for
Compulsory Pooling, Lea County, New Mexico.

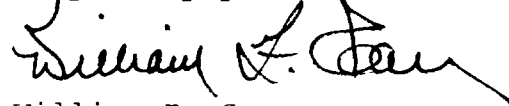
Dear Mr. Stogner:

As I advised you by telephone on this date, I represent James A. Davidson, an interest owner in the SE/4 SE/4 of Section 14, Township 16 South, Range 38 East, N.M.P.M., Lea County, New Mexico. Mr. Davidson intends to oppose the above-referenced application. I discovered this morning, upon my return from vacation, that the case has been scheduled for hearing before you on August 6. Due to other matters I have set before the Division and Commission this week, it is impossible for me to meet with Mr. Davidson and prepare for this hearing. I therefore request that this application be continued for two weeks to enable us to prepare our case.

Inasmuch as several witnesses are traveling from Midland to Santa Fe on Tuesday for this hearing, I request, if possible, a ruling on this request for a continuance at the earliest possible time.

Your attention to this matter is appreciated.

Very truly yours,


William F. Carr

WFC/cv

cc: W. Thomas Kellahin, Esq.

10:45 AM August 4, 1986

Bill Carr representing James Revolution, a pooled
interest owner, is requesting a two week continuance
for Case No. 8960 set for 8/6/86.

HEYCO

PETROLEUM PRODUCERS



HARVEY E. YATES COMPANY

P. O. BOX 1933

SUITE 300, SECURITY NATIONAL BANK BUILDING

505/623-6601

ROSWELL, NEW MEXICO 88201

July 30, 1986

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Compulsory Pooling Case 8960
Marathon Oil Company
Benson Well #1, SE/4 SE/4
Sec. 14, T16S, R38E, NMPM
Lea County, New Mexico

Dear Mr. Stamets:

Harvey E. Yates Company, Spiral, Inc., and Explorers Petroleum Corporation are named in Marathon's list of parties that have not elected to voluntarily join in the drilling of the captioned well.

Attached please find copies of letters dated July 25, 1986, from the above-mentioned three companies to Marathon, wherein said companies offered to farm out their leasehold interests for the drilling of this well. A careful review of Marathon's geological and geophysical data, and their AFE, has led the management of Harvey E. Yates Company, Explorers Petroleum Corporation, and Spiral, Inc., to the conclusion that the farmout offer to Marathon in the attached letters is fair in view of the risk involved and the extremely high cost of drilling and completing Marathon's proposed well.

Harvey E. Yates Company, Spiral, Inc., and Explorers Petroleum Corporation hereby request that this letter and the attached copies of letters to Marathon be read into and thereby become a part of the record of this compulsory pooling hearing.

Very truly yours,

Rosemary J. Avery
for George M. Yates

Attachments

EXPLORERS PETROLEUM CORPORATION
One Sunwest Centre
Post Office Box 1933
Roswell, New Mexico 88201

July 25, 1986

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

Attention: Steve Daniels

Re: Proposed Benson #1 Well
East Garrett Area
SE/4 Sec. 14, T16S, R38E
Lea County, New Mexico
Marathon Ref: NM-3867-Benson

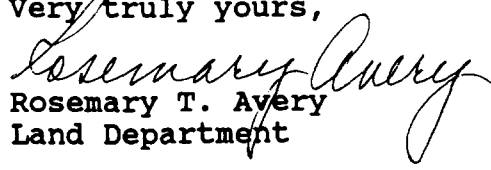
Gentlemen:

Confirming the conversation this date between Steve Daniels and the undersigned, Explorers Petroleum Corporation (Explorers) is willing to farm out its leasehold interest under the SE/4 of Section 14, T-16S, R-38E, for the drilling of the captioned well on the following terms:

1. Explorers would deliver a 75% net revenue lease, reserving the difference between that figure and the burdens thereon as an overriding royalty interest, with the option to convert said overriding royalty interest to a 1/3 working interest at payout of the initial test well.
2. Should Explorers elect not to convert its ORI to a working interest upon payout of the initial test well, Explorer's reserved ORI would escalate by 5%.
3. Rights earned would be limited to 100 feet below total depth drilled.
4. Acreage would be earned only by a well capable of producing oil and/or gas in commercial quantities.

If these terms are acceptable to Marathon, please let us know, and we will prepare a farmout agreement.

Very truly yours,


Rosemary T. Avery
Land Department



OIL & GAS

SPIRAL, INC.
ROSWELL, NEW MEXICO

P. O. Box 1933
300 Security National Bank Building
Phone (505) 623-6601

July 25, 1986

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702

Attention: Steve Daniels

Re: Proposed Benson #1 Well
East Garrett Area
SE/4 Sec. 14, T16S, R38E
Lea County, New Mexico
Marathon Ref: NM-3867-Benson

Gentlemen:

Confirming the conversation this date between Steve Daniels and the undersigned, Spiral, Inc., would be willing to farm out its leasehold interest under the SE/4 of Section 14, T-16S, R-38E, for the drilling of Marathon's proposed 13,500' Devonian test on the following terms:

1. Spiral, Inc., would deliver a 75% net revenue interest lease, reserving the difference between that figure and the burdens thereon as an overriding royalty interest, with the option to convert said overriding royalty interest to a 1/3 working interest at payout of the initial test well.
2. If Spiral, Inc., should elect not to convert its ORI to a working interest upon payout of the initial test well, Spiral's reserved ORI would escalate by 5%.
3. Rights earned would be limited to 100 feet below total depth drilled.
4. Acreage would be earned only by a well capable of producing oil and/or gas in commercial quantities.

If these terms are acceptable to Marathon, please let us know, and we will prepare a farmout agreement.

Very truly yours,

Rosemary Avery
Rosemary T. Avery
Land Department

August 4, 1986

EXPRESS MAIL

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

AUG 7 1986

RE: Compulsory Pooling Case 8960
Marathon Oil Company
Benson Well #1
SESE Sec 14-T16S-R38E, N.M.P.M.
Lea County, New Mexico

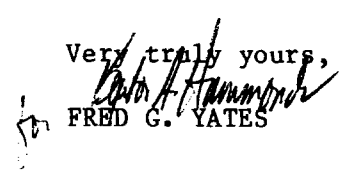
Dear Mr. Stamets:

Yates Energy Corporation and Fred G. Yates, Inc. are named in Marathon's list of parties that have not elected to voluntarily join in the drilling of the captioned well.

Please be advised that the above two entities concur with the position of Harvey E. Yates Company as described in their letter to you under date of July 30, 1986. Further, Yates Energy Corporation and Fred G. Yates, Inc. have voiced said concurrence to Marathon.

Yates Energy Corporation and Fred G. Yates, Inc. hereby respectfully request this letter be read into and become a part of the record of this compulsory pooling hearing.

Very truly yours,


FRED G. YATES

**Fred G. Yates
Inc.**

Sunwest Centre, Suite 1010

Roswell, N.M. 88201 (505) 623-4935

August 4, 1986

CERTIFIED, RETURN RECEIPT REQUESTED

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87501

RE: Compulsory Pooling Case 8960
Marathon Oil Company
Benson Well #1
SESE Sec 14-T16S-R38E, N.M.P.M.
Lea County, New Mexico

Dear Mr. Stamets:

Yates Energy Corporation and Fred G. Yates, Inc. are named in Marathon's list of parties that have not elected to voluntarily join in the drilling of the captioned well.

Please be advised that the above two entities concur with the position of Harvey E. Yates Company as described in their letter to you under date of July 30, 1986. Further, Yates Energy Corporation and Fred G. Yates, Inc. have voiced said concurrence to Marathon.

Yates Energy Corporation and Fred G. Yates, Inc. hereby respectfully request this letter be read into and become a part of the record of this compulsory pooling hearing.

Very truly yours,
for *John H. Hammond*
FRED G. YATES

RECEIVED
AUG 15 1986
SANTA FE

**Fred G. Yates
Inc.**

Sunwest Centre, Suite 1010

Roswell, N.M. 88201 (505) 623-4935

Mike
David
RLL

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

July 23, 1986

CERTIFIED MAIL

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702

Attention: Mr. Steve Daniels, Landman

Case 8960
8-6-86
Calvin
M. Lee

Re: Marathon Oil Company
Benson No. 1
SE/4 SE/4 Section 14,
T-16-S, R-38-E
Lea County, New Mexico
(Your #NM-3867)

Gentlemen:

Reference is made to our various correspondence concerning Marathon's above proposed well. Reference is also made to Mr. Thomas Kellahin's letter of July 15, 1986, to the New Mexico Oil Conservation Division requesting a compulsory pooling hearing for August 6, 1986 covering the 40-acre tract consisting of the SE/4 SE/4 of Section 14, T-16-S, R-38-E.

In an effort to amicably and cooperatively settle the difficulty created by my current inability to participate in Marathon's proposed Benson No. 1 well so that Marathon can proceed to timely drill its Benson No. 1 well, I suggested in my letter of June 30, 1986 to Marathon three alternative proposals that would be equitable to the parties involved. My proposal number three consisted of an offer to assign to Marathon my leases in Section 14, T-16-S, R-38-E in exchange for various non-producing parts of State of New Mexico leases owned by Marathon in Section 16, T-20-S, R-37-E and Section 16, T-22-S, R-36-E. A copy of my letter of June 30, 1986 is attached for your review.

As you are aware, the Marathon McDonald State lease located in Section 16, T-22-S, R-36-E first underwent development as to the Eunice-South interval in 1935 and produced from the Eunice South (Seven Rivers-Queen) interval until the late 1950's when the economic limit for the Eunice South interval was reached because of extremely high watercuts. Today the McDonald State is producing only a marginal amount of gas from the Jalmat (Yates-Seven Rivers) interval with no production whatsoever from the Eunice-South interval.

As to Marathon's Hanson State lease located in the NE/4 Section 16, T-20-S, R-37-E, your Hanson State No. 4 produced as a Eumont gas well from November, 1955 until December, 1977. In April, 1978, the well was converted to a

Eumont oil producer. Since that time, the 120-acres consisting of the NE/4 NE/4 and W/2 NE/2 Section 20 has been non-dedicated and non-productive as to the Eumont (gas) pool.

The net effect of my proposed lease exchange would be to allow Marathon to promptly drill its Benson No. 1 well while allowing me to later this fall or early next year begin the redevelopment of portions of Marathon's above noted McDonald-State and Hanson-State leases. The reason that I am unable to specify a definite commencement date for my proposed first well on the acreage requested from Marathon is that I am presently involved as a major participant in an exhaustive and expensive lawsuit with El Paso Natural Gas Company. My lawsuit with El Paso is necessitated by that company's unilateral and illegal reduction of the price it is paying for my casinghead gas production in New Mexico and also because of El Paso's deliberate failure to honor the ratable take provisions of my gas-well contracts with El Paso. El Paso's deliberate breach of my contracts has resulted temporarily in a highly drastic and unlawful reduction in my income and has also denied me the ability of participating in Marathon's Benson No. 1 well on the schedule outlined by Marathon. My attorneys are highly confident that I will soon prevail in my suit with El Paso and once that suit is resolved I can then turn my attention to the development of the proposed leases to be received from Marathon. My trial against El Paso is now scheduled for October 20, 1986 in Fifth District Court, Lea County, New Mexico.

As to my proposed trade with Marathon, I think two points should be carefully considered by Marathon:

- (1) In light of the current financial difficulties created for me by El Paso's illegal breach of my gas contracts, I can only conclude that any force pooling of my interest by Marathon at this time would amount to a confiscation of the property rights owned by me in Section 14, T-16-S, R-36-E and I will be required to seek all legal remedies available to me (at both the NMCCD and in the courts) in order to preserve my interest. However, I would prefer to avoid any long protracted litigation by working this matter out in an amicable manner if at all possible.
- (2) I believe that Marathon as lessee of the above noted State of New Mexico leases (McDonald State Lease and Hanson State Lease) has been negligent in its duties to the State of New Mexico by failing to fully develop its State leases in a timely manner and I plan to request that a representative of the New Mexico Commission of Public Lands be present at the August 6, 1986 compulsory pool hearing to hear my testimony regarding Marathon's lack of development. A portion of my testimony to the NMCCD will emphasize Marathon's blatant failure to observe the covenants to develop (or implied covenants as the case may be).

As to the McDonald State lease, I and one of my associates have been continually making farmout requests to Marathon on portions of Section 16, T-22-S, R-36-E since 1976. For almost ten years, Marathon has consistently failed to grant any such farmout requests and has also failed to drill for its own account any new development wells on requested farmout acreage on the McDonald State lease in Section 16, T-22-S, R-36-E.

Furthermore, it is obvious to me that if Marathon at this time is willing to drill a costly 13,500' Silurian test in Section 14, T-16-S, R-38-E given the present level of oil prices, then Marathon must have in its possession favorable seismic and geological data which indicates that its proposed Benson No. 1 well is a very high quality low risk venture. I firmly believe that Marathon should be required to present such data to the NMOCD at its August 6, 1986 hearing in order to justify any possibility whatsoever of being awarded a risk penalty. Marathon's failure to present appropriate geological and seismic data in order to justify a risk penalty should automatically preclude Marathon from obtaining a risk penalty against the named parties.

Since Marathon once held for its own account the acreage in Section 14, T-16-S, R-38-E that I now have under lease and also since Marathon has been considering drilling a well in Section 14 for several years, I am appalled that Marathon would choose the very time that oil prices have plummeted and when my income has been illegally cut off by El Paso to now insist on drilling its Benson No. 1 well. I do not believe that Marathon's timing in this matter is merely a coincidence, and I will be shocked if the NMOCD permits Marathon to take advantage of the rare short-term adverse circumstances confronting me by allowing Marathon to confiscate my property rights in Section 14 through the improper use and application of the compulsory pooling statutes of the State of New Mexico. If Marathon has in mind the best interest of all parties involved in this matter including James A. Davidson, the NMOCD, the State of New Mexico as royalty owners under the above mentioned state leases as well as the royalty owners under Section 14, T-16-S, R-38-E, not to mention those individuals presently unemployed in Lea County who would benefit directly from the drilling activity that James A. Davidson would undertake, it appears to me that Marathon should attempt to work this unfortunate situation out in the amicable manner that I have suggested here-in. Any attempt by Marathon to force me at this immediate time into its proposed Benson No. 1 well can only be interpreted as an illegal and blatant attempt to confiscate my property rights and as a total disregard of all parties involved. However, the amicable solution that I have suggested will:

- (1) Allow Marathon to timely proceed with its Benson No. 1 well;
- (2) Adequately compensate me for the property rights that I will be giving up in Section 14, T-16-S, R-38-E;
- (3) Provide the State of New Mexico with additional badly needed revenues resulting from the redevelopment work that I have proposed on the McDonald State and Hanson State leases;
- (4) Create additional badly needed jobs in Lea County as a result of the additional development work that I have proposed;
- (5) Eliminate the considerable waste of time, effort and money on the part of parties involved through the pursuit of an adversarial solution to this unfortunate situation.

If Marathon has any questions concerning the above, please contact me as soon as possible.

Very truly yours,

James A. Davidson
James A. Davidson

JAD/lr

cc Mr. F. L. Stamets
✓ New Mexico Oil Conservation Division
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Santa Fe, New Mexico 87501

Mr. William F. Carr
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JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

June 30, 1986

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702

Attention: Mr. Steve Daniels
Landman

RE: Andrus-Gregory Leases
S/2 of NE/4 & S/2 of Sec. 14,
T-16-S, R-38-E
Lea County, New Mexico

Marathon Proposed Benson Well #1

Gentlemen:

Reference is made to your recent correspondence regarding the drilling of a proposed 13,500' Silurian test in the SE/4 of Section 14, T-16-S, R-28-E. I do not wish to participate in the drilling of this well or farmout under the terms in your letter of May 23, 1986.

However, I am agreeable to any one of the following alternatives regarding my approximate 152.5 net acres of leases located in the above described 400 acre tract with my earliest expiration being February 22, 1989:

1. Marathon to pay Davidson \$1,000.00 per acre and be assigned a 75% net revenue interest (lease royalty and Davidson override to equal 25%) with Marathon to have the right to develop the lease any way it sees fit up to 90 days prior to the expiration of each of my leases.
 - (a) At the beginning of each 90 day period prior to expiration of each lease which is not held by production, Marathon to reassign all rights with the net revenue interest reassigned to be the same as previously assigned to Marathon. In the event that each lease is held by production at the end of the primary term, then Marathon to reassign to Davidson without further encumbrances all acreage that is not included in a New Mexico Oil Conservation Division approved spacing unit as well as all non-productive rights in each New Mexico Oil Conservation Division approved spacing unit.
 - (b) As to each lease that becomes productive during the above noted period of time, Davidson shall have the option of selling his net part of all production to the same purchaser and under the same terms as agreed to by Marathon. Marathon shall promptly give all information relative to such proposed sales to Davidson including copies of all contracts and Davidson shall have 90 days in which to agree to such terms or make other arrangements to sell his part of all production.
 - (c) As to each well that might be drilled on Davidson's leases, Marathon shall furnish to Davidson notification of intent to drill, a daily drilling report, copies of all logs and other surveys that are run, and all other data normally required by Marathon to be furnished to it under a typical farmout letter.

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2. All terms and conditions as set out under number 1 (a) through (c) to apply with the following exceptions:
 - (a) Marathon is to pay Davidson \$500.00 per acre.
 - (b) At payout of each well completed by Marathon as a producer in paying quantities of oil and/or gas, Davidson to have the option of converting a net 1/16 override (being 1/2 of the Davidson 1/8 override) to a 50% working interest in each well. "Payout" shall be defined as such time as Marathon recoups all costs of drilling, completing, equipping and operating each well including recoupment of the Davidson override. At the date of payout of each well, Marathon shall furnish Davidson all available well data and he shall have 90 days in which to elect to either keep the override or make this conversion as outlined above. All interests subject to proportionate reduction.
3. Davidson and Marathon to exchange leases as follows:
 - (a) Davidson to assign to Marathon all interest in all his above noted leases retaining 1/8 of 8/8 override (Marathon to be assigned a 75% net revenue interest) without any development obligation whatsoever and subject only to Marathon reassigning to Davidson each lease that is not either held by production or held by drilling operations 90 days prior to the expiration thereof.
 - (b) Marathon to assign to Davidson the following acreage and limited depth rights in such acreage with Marathon to retain 1/8 of 8/8 override (so that Davidson will be assigned a 75% net revenue interest):

NW/4 NE/4, E/2 NW/4, N/2 SW/4, & SW/4 SW/4 Section 16, T-22-S, R-36-E with rights assigned to be limited from surface to the base of the Eunice South interval.

NE/4 NE/4 & W/2 NE/4 Section 16, T-20-S, R-37-E with rights assigned to be limited from surface to the base of the Eumont Gas Pool interval.
 - (c) This exchange of acreage subject to my review and approval of the present status of Marathon's gas contracts covering the acreage and intervals to be assigned to me.

Please let me hear from you in this regard as soon as possible and I will be glad to discuss with you in detail any part of this proposal.

Very truly yours,

JAMES A. DAVIDSON

JAD/gh

Jason Kellahin
W. Thomas Kellahir
Karen Aubrey

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
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Area Code 505

July 17, 1986

RECEIVED

JUL 17 1986

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

OIL CONSERVATION DIVISION

"Hand Delivered"

Re: Marathon Oil Company
Forced Pooling Application
Benson Well #1, SE/4SE/4
Section 14, T16S, R38E, NMPM
Lea County, New Mexico

Case 8960

Dear Mr. Stamets:

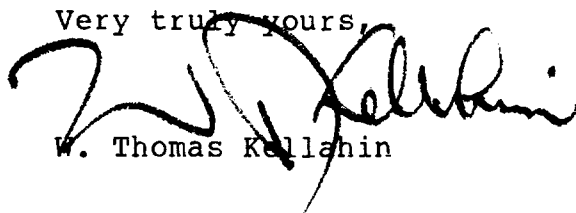
On behalf of Marathon Oil Company, on July 15, 1986 we filed a compulsory pooling application for the referenced well. That application lists Harvey E. Yates Company as one of the parties that has not yet elected to voluntarily join.

Subsequent to filing the application, I am advised that the Harvey E. Yates Company's interest is now held by the following four companies: Explorers Petroleum Corporation, Spiral Inc., Fred G. Yates Inc., and Yates Energy Corporation.

Marathon Oil Company is in contact with representatives of each of those companies in an effort to obtain voluntary joinder. However, in the event that such joinder efforts are unsuccessful, please amend our application to include those companies.

By copy of this letter to those companies we are sending a copy of our application and July 15th letter and thereby advising them of their right to appear at the August 6, 1986 hearing either in support or opposition to the application.

Very truly yours,



W. Thomas Kellahin

WTK:ca
Enc.

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets

July 17, 1986

Page 2

cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
P. O. Box 3128
Houston, Texas 77253

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

ARCO Oil & Gas
P. O. Box 1610
Midland, Texas 79702
Attn: Rita Buress

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88201
Attn: Mrs. Rosemary Avery

Mr. James Davidson
P. O. Box 494
Midland, Texas 79702

Mr. & Mrs. W. V. Lawrence
P. O. Box 2309
Hobbs, New Mexico 88240

Mrs. June D. Speight
P. O. Drawer 1689
Lovington, New Mexico 88260

"Certified Return-Receipt Requested"
All Addressees Below:

Explorers Petroleum Corporation
P. O. Box 1933
Roswell, New Mexico 88201

Spiral Inc.
P. O. Box 1933
Roswell, New Mexico 88201

Fred G. Yates Inc.
SunWest Center, Suite 1010
Roswell, New Mexico 88201

Yates Energy Corporation
SunWest Center, Suite 1010
Roswell, New Mexico 88201
Attn: Mr. Ken Hammons