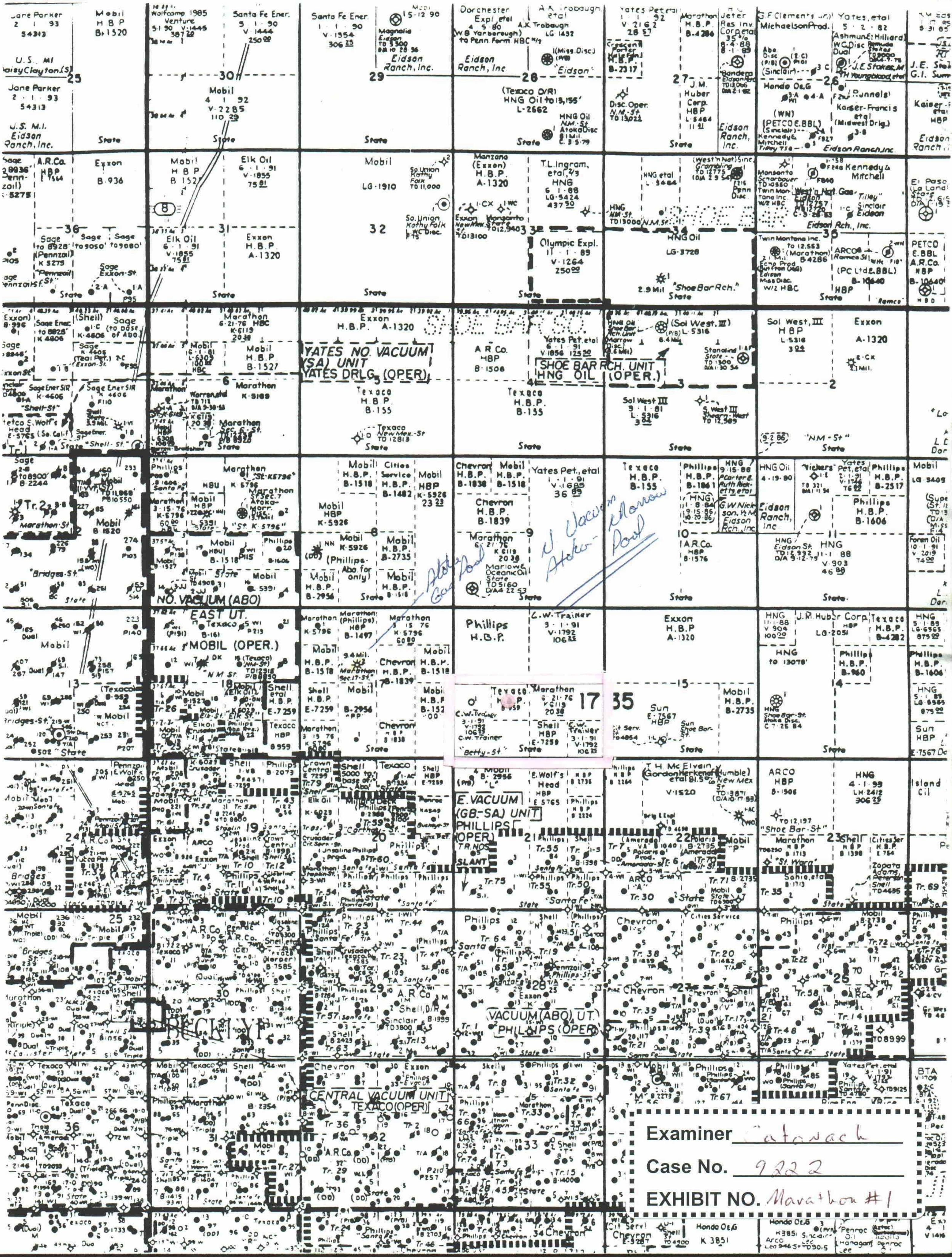

Examiner Catanach

Case No. 9222

EXHIBIT NO. Marathon #1

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
MARATHON EXHIBIT NO. 1
CASE NO. 9222

phb

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
MARATHON EXHIBIT NO. 2
CASE NO. 9222

Marathon Oil Company
EXPLORATION & PRODUCTION
AUTHORITY FOR EXPENDITURE

AFE NO. 44555

[ ] WILDCAT
[X] DEVELOPMENT
[ ] DEVELOPMENT EXPL
[ ] RECOMPLETION
[ ] WORKOVER
[ ] FACILITY
[ ] OTHER

Sheet 1 of 4 Sheets — Mid-Continent Region — District Midland — Date 7/31/87

Lease or Facility: State "16" Com No. 1
Field or Prospect: North Vacuum Field — Location: 1980' FWL & 1980' FSL, Sec. 16, T17S, R35E
State: New Mexico — County/Parish: Lea County
Operator: Marathon Oil Co. — Starting Date: Sept. 15, 1987 — Estimated Completion Date: Dec. 31, 1987
Marathon Net Interest in Expenditures: 25.000 % — Marathon Net Interest in Revenue: 21.875 %
Is Joint Interest Owners Approval Required? Yes

Estimated Gross Cost This AFE .... $ 870,000 — Marathon Share This AFE .... $ 217,500

Budget Reference Category: DEVELOPMENT WELLS - Funds requested in Budget Letter #6
[ ] Included in Budget — Amount Included in Budget $
[ ] Not Included in Budget — Are Funds Available? [ ] Yes [ ] No

Description of Project & Reason for Expenditure:

DRILL 12,500' NORTH VACUUM STATE "16" COM. NO. 1

Funds are requested to drill and complete the 12,500' State "16" Com No. 1. This Basal Atoka test will be a southeasterly offset to the recently drilled State "17" Com No. 2, which encountered 48' of sand. In addition, the proposed well is a northwesterly offset to T. H. McElvain's New Mexico AC State No. 1. The McElvain well is currently producing at a rate of 4881 MCFPD/65 BCPD with a SIBHP of 4400 psi.

The attached cross-section shows good reservoir continuity from "17" No. 2 to AC State 1 across the proposed location. A structure map is shown at the bottom of the cross-section. A Basal Atoka isopach is also attached which is based on a tidal sand deposition model along a narrow elevation range on the paleo-structure.

The reservoir parameters are as shown in the following table:

A (Acres)	h (Feet)	Ø (%)	Sg (%)	Pi (Psia)	Pab (Psia)
320	25	10	80	2500	500

It is expected that the proposed well will have an initial rate of 1000 MCFPD with ultimate recovery of 5 BCF and 60 MBC. A sales market is available for the deliverable gas.

The Morrow and Strawn formations are secondary targets for this well should the Atoka be nonproductive.

Project economics reflect current guidelines concerning product prices and taxes.

Prepared by P.H. Benefiel
P. H. Benefiel

SENT TO WORKING INTEREST OWNERS FOR APPROVAL 8-13-87 jmb

PARTICIPANTS' ESTIMATED PRORATED COST OF PROJECT

	W.I. (%)	Amount
Marathon Oil Company	25.000	217,500
C. W. Trainer	50.000	435,000
Texaco	12.500	108,750
Shell	12.500	108,750
TOTAL	100.000	870,000

CONTROLLER

Marathon's Share—Total Cost—Investment $ 217,500
Marathon's Share—Total Cost—Expense $
Investment—Applicable to Current Budget $ 217,500
Expense—Applicable to Current Budget $
Accounting Charge DPC S/T

Signature: Tommy Hartl — Date 8-4-87

PHB/46/dah

DATE	REGION APPROVAL	DATE	REGION APPROVAL	DATE	GENERAL OFFICE APPROVAL
8/5/87	T A Deimus	8/5/87	J. J Pletcher		
8/5/87	James J. Hahnenberg				
8/5/87	C.R. Hubacher				
8-5-87	W. D Holmes				
	MGR.	8/12/87	MGR. S.O. Snyder		

PARTICIPANT'S APPROVAL

Name of Company

Representative's Signature — Date

Title

Authorization — VICE PRESIDENT — DATE

Authorization — VICE PRESIDENT

Marathon Oil Company

AUTHORITY FOR EXPENDITURE

DETAIL OF ESTIMATED WELL COSTS

SHEET 3 OF 4 SHEETS

AFE NO.

DATE 8/3/87

Lease or Facility: State "16" Com No. 1

Field or Prospect: North Vacuum (Atoka)

Location: 1980' FSL, 1980' FWL, Sec. 17, T17S R35E
Lea County, New Mexico

Wildcat [X] Development [ ] Development Exploratory [ ] Recompletion [ ] Workover [ ]

Est. Total Depth 12,500 Est. Drilling Days 60 Est. Completion Days 6

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
MARATHON EXHIBIT NO. 5
CASE NO. 9222

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	COND	ESTIMATED COST
		DRILLING COSTS — TANGIBLE			
		Drive Pipe	1		
	40'	Conductor	2		1,000
	300'	Surface	3		6,000
	5000'	Intermediate Casing, Liner, or Tieback	4		45,000
		Liner Hanger and Tieback Equipment	5		
		Casinghead	6		10,000
		Miscellaneous	7		1,000
		TOTAL DRILLING COSTS — TANGIBLE			63,000
		DRILLING COSTS — INTANGIBLE			
		Location and Access	9		30,000
	6 days	Daywork Drilling	10		21,000
12,500		Footage Basis Drilling	11		230,000
	60 days	Direct Supervision	14		21,000
		Bits, Hole Openers, Stabilizers, etc.	15		
		Mud and Mud Services	16		34,000
		Rig Fuel	17		
		Water	18		15,000
		Rental Equipment and Tools	19		36,000
		Casing/Drive Pipe Tools, Services and Accessories	20		10,000
		Cement and Cementing Service	21		22,000
		Well Logging and Services	22		10,000
		Mud Logging	23		10,000
		Pipe Inspection	24		5,000
		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		20,000
		Shore Base Services	33		
		Communications	34		
		Fishing Tools and Services	35		
		Abandoning Tools and Services	36		
		Miscellaneous Material and Services	37		26,000
		Dry Hole Contributions	38		
		Overhead	39		
		Indirect Expense	40		6,000
		TOTAL DRILLING COSTS — INTANGIBLE			501,000
		TOTAL DRILLING COSTS			$ 564,000
		COMPLETION COSTS — TANGIBLE			
	12,500"	5 1/2" Production Casing	42		88,000
		Liners	43		
	12,400'	2 7/8" Tubing N-80 @ 2.94/ft.	44	1	36,000
		Liner Hanger and Tieback Equipment	45		
		Christmas Tree	46	1	29,000
		Subsurface Safety Shut-In Devices	47		
		Packers	48	1	3,000
		Subsurface Artificial Lift Equipment	49		
		TOTAL COMPLETION COSTS — TANGIBLE			156,000

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Page 4

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Marathon Oil Company

AUTHORITY FOR EXPENDITURE

DETAIL OF ESTIMATED WELL COSTS

SHEET 4 OF 4 SHEETS

AFE NO. ______

DATE 8/3/87

Lease or Facility State "16" Com No. 1

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION
MARATHON EXHIBIT NO. ___
CASE NO. 9222

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	COND	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		
	6 days	Completion Rig	52		7,000
		Contract Service Units	53		4,000
		Direct Supervision	54		3,500
		Company Labor	55		
		Contract Labor	56		2,500
		Rig Fuel	57		
		Completion and Packer Fluids	58		5,000
		Rental Equipment and Tools	59		3,000
		Casing Tools, Services and Accessories	60		6,000
		Cement and Cementing Service	61		15,000
		Logging Services	62		3,000
		Perforating	63		2,000
		Wireline Services	64		
		Formation Treating	65		7,000
		Sand Control Equipment and Services	66		
		Formation Testing	67		
		Tubular Testing and Cleaning	68		3,000
		Mobilization and Demobilization of Completion Rig	69		
		Air Transportation	70		
		Marine Transportation	71		
		Land Transportation	72		
		Shore Base Services	73		
		Communications	74		
		Fishing Tools and Services	75		
		Wireline Cased-hole Plugbacks	76		
		Miscellaneous Material and Services	77		4,000
		Sidetrack or Milling Sections	78		
		Overhead	79		
		Indirect Expense	80		
		TOTAL COMPLETION COSTS – INTANGIBLE			65,000
			TOTAL COMPLETION COSTS		$ 221,000
		SURFACE EQUIPMENT – TANGIBLE			
		Pumping Equipment	83		
		Tanks and Related Equipment	84		5,000
		Company Labor and Non-Hauling Units	85		5,000
		Contract Labor and Non-Hauling Units	86		2,000
		Water Injection Equipment	87		
		Heater-Treater	88		
		Miscellaneous Supplies	89		5,000
		Dehydrating Equipment	90		15,000
		Separator-Trap	91		7,000
		Transportation	92		3,000
		Metering Equipment	93		
		Line Pipe	94		43,000
		Electrical Equipment	95		
		Compressors	96		
			TOTAL SURFACE EQUIPMENT – TANGIBLE		$ 85,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS	TOTAL COST	MARATHON'S SHARE (25.000 %)
Total Drilling Cost	$ 564,000	$ 141,000
Total Completion Cost	221,000	55,300
Total Surface Equipment	85,000	21,200
Grand Total Cost	$ 870,000	$ 217,500
Marathon's Share of Grand Total Cost to be Booked This Year		217,500
If Wildcat Well, Give Marathon's Share of Dry Hole Cost		

PHB/49/dah