



McClellan Oil Corporation

September 18, 1991

Oil Conservation Division
New Mexico Oil Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

Re: Proposal for Administrative
Approval of Water Disposal Well
Township 13 South, Range 29 East
Stevens Op. Corp #4 McClellan Fed

Gentlemen:

Regarding Stevens Operating Corporation's application for administrative approval to convert the Stevens Operating Corporation #4 McClellan Federal (formerly the Western Producers #1 McClellan Federal), Unit P, Sec. 27, Township 13 South, Range 29 East, into a water disposal well, McClellan Oil Company, as offset operator, on Federal Leases NM-2824, NM-50415, and NM-0333227 waives any objection to the conversion to a disposal well as proposed by Stevens.

We believe that your granting of the above referenced application will work to the best interest of all concerned in the development of this area.

Thank you very much.

Very Truly yours,
McCLELLAN OIL CORPORATION

Mark McClellan

Mark McClellan, Vice president

TULI
FAR
JFR
R.F.

STEVENS OPERATING CORPORATION

1250 UNITED BANK PLAZA
P. O. BOX 2408
ROSWELL, NEW MEXICO 88201
505-622-7273

September 19, 1991

RECEIVED

SEP 21 1991

MARATHON OIL COMPANY
LAND DEPARTMENT
MIDLAND, TEXAS

Mr. Randall P. Wilson
Land Department
Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Re: Proposed Water Disposal Well
T 13 S : R 29 E : NMPM
Sec. 27: SE/4SE/4

Dear Mr. Wilson:

Stevens Operating Corporation currently operates the McClellan Federal # 1, a Devonian oil well situated in the SW/4 of the NE/4 of Section 28, T 13 S : R 29 E in Chaves County, NM.

This Devonian well has a substantial water cut. However, at the present time there is no water disposal well in the area. Therefore, we wish to attempt to convert the former Western Producers #1 McClellan Federal (and renamed the Stevens Operating Corporation #4 McClellan Federal) located in the SE/4 of the SE/4 (Unit P) of Section 27 into a water disposal well in the San Andres Formation. (See copy of application attached.)

Stevens Operating Corporation has filed for administrative approval with the OCD for this conversion. They have indicated that they will grant approval of this application if all parties within the small circle (1/2 mile radius) on the map exhibit waive objection.

Only McClellan and Marathon (as TXO) have leases within this area. McClellan has approved a waiver (copy enclosed) and we are now requesting Marathon also grant a waiver.

Although we cannot guarantee that the San Andres will indeed take the water, if it does we feel it would be to every leaseholder's advantage to have a disposal well in the area.

Water Disposal Well
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September 19, 1991

If you agree, please sign the enclosed waiver and return it to us as soon as possible.

You may be assured that we appreciate your attention to this matter.

Sincerely,
STEVENS OPERATING CORPORATION



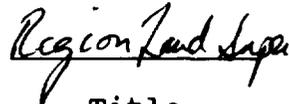
Mary Irene Stevens, President

Marathon Oil Company hereby waives objection to the conversion of the Stevens Oil Company #4 McClellan (Unit P, Sec. 27, T 13 S, R 29 E, NMPM) to a water disposal well in the San Andres Formation.

MARATHON OIL COMPANY



by:



Title



Date

RECEIVED OCT 21 1991
Mid-Cont. Joint Region
Exploration United States



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

October 17, 1991

Stevens Operating Corporation
P. O. Box 2408
Roswell, New Mexico 88201-2408

Attention: Mr. Robert Thornton

Re: Our Lease NM-5123 - U. S. Lease NM-62195
Section 34, T-18-S, R-29-E,
Chaves County, New Mexico

Dear Mr. Thornton:

Please excuse the delay in returning the enclosed executed copy of your letter dated September 19, 1991, evidencing Marathon's waiving of any objection to Stevens Operating proposed conversion of the Stevens Operating Corporation #4 McClellan Federal into a water disposal well. Hopefully, the conversion is successful as it is expected that any Marathon well drilled in the area will require water disposal. It is also hoped that this is the beginning of a healthy business relationship between Marathon and Stevens Operating in the area.

If you should require anything further, please call the undersigned at 1-800-351-1417, extension 476.

Very truly yours,

MARATHON OIL COMPANY

A handwritten signature in cursive script, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL
Landman

RPW;mmc'
Encl.

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
WILLIAM P. SLATTERY

ANNIE-LAURIE COOGAN
PATRICIA A. MATTHEWS
MICHAEL H. FELDEWERT

JACK M. CAMPBELL
OF COUNSEL

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

October 24, 1991

Mr. David R. Catanach
Hearing Examiner
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
State Land Office Building
Santa Fe, New Mexico 87503

HAND-DELIVERED

Re: Application of Stevens Operating Corporation for Salt Water Disposal,
Chaves County, New Mexico

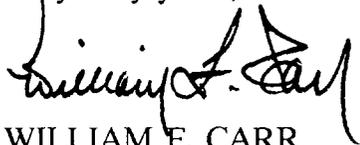
Dear Mr. Catanach:

Donald G. Stevens filed an application for Stevens Operating Corporation dated July 29, 1991 seeking authority to convert its No. 4 McClellan-Federal Well to salt water disposal. This well is located 660 feet from the South and East lines (Unit P) of Section 27, Township 13 South, Range 29 East, N.M.P.M., Chaves County, New Mexico.

Originally Mr. Stevens sought administrative approval of this application but, was advised that the application could not be approved because notice had not been provided to the leasehold operators within half-mile of the subject well location. Following our conversation, representatives of Stevens Operating Corporation have secured waivers from Marathon Oil Company and McClellan Oil Corporation. These waivers are transmitted with this. Stevens Operating Corporation, therefore, requests that this application be approved administratively. Once this approval is obtained we will be able to dismiss Division Case No. 10400 currently scheduled for hearing on October 31, 1991 which also addresses this application.

Your attention to this request is appreciated.

Very truly yours,



WILLIAM F. CARR

WFC:mlh

Enclosures

cc w/enc.: Mary Irene Stevens