

1/14/00 - 2/3/00

MS

N

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
 [DD-Directional Drilling] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Directional Drilling

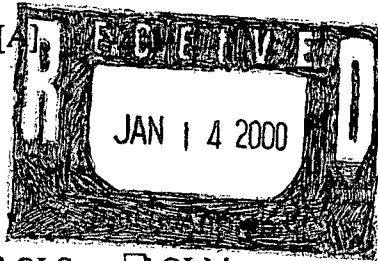
☒ NSL ☐ NSP ☐ DD ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☒ Does Not Apply[A] ☐ Working, Royalty or Overriding Royalty Interest Owners[B] ☐ Offset Operators, Leaseholders or Surface Owner[C] ☐ Application is One Which Requires Published Legal Notice[D] ☐ Notification and/or Concurrent Approval by BLM or SLO

U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,[F] ☒ Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
 P.O. BOX 1056
 SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

Signature

Title

1/14/00

Date

Print or Type Name

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

January 14, 2000

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rules 104.C and 104.F, Kerr-McGee Oil & Gas Onshore LLC ("Kerr-McGee") applies for administrative approval of an unorthodox gas well location for the following well:

West Indian Basin Unit Well No. 1Y
660 feet FSL & 2180 feet FWL
All of S17, Township 21 South, Range 23 East, NMPM
Eddy County, New Mexico

The well is in the Indian Basin-Upper Pennsylvanian Gas Pool. Rules for the pool require 640 acre spacing, with wells to be no closer than 1650 feet to the section line nor closer than 330 feet to a quarter-quarter section line.

By Administrative Order NSL-4379, the Division authorized Kerr-McGee to re-enter the West Indian Basin Unit Well No. 1, located 660 feet FSL and 1980 feet FWL, and directionally drill it to a bottom hole location no closer than 660 feet to the south line nor closer than 1650 feet to the north, east, and west lines of the section. Kerr-McGee has attempted to re-enter the well, but encountered downhole problems which make further operations impractical and uneconomic.

As a result, Kerr-McGee seeks permission to drill the above replacement well. Attached as Exhibit A is an Application for Permit to Drill, together with a well location plat. (The well will not be directionally drilled.)


The proposed location is based upon engineering and geologic reasons. Attached as Exhibit B is a production plat of the No. 1 well from 1988 to mid-1996. Gas production was stable until water

production increased, at which time the well was shut in. Kerr-McGee believes there are still reserves which can be economically recovered from a well at the proposed location. The location is geologically favorable in the Cisco/Canyon dolomite based upon the initial potential of the well in 1963 (57,000 MCF/day), and the fact that it produced for over 30 years.

Attached as Exhibit C is a land plat of the area around the West Indian Basin Unit. The only affected offset is Marathon Oil Company ("Marathon"), in the S½ of Section 20 (Marathon recently acquired the interest of Concho Resources, Inc. in the SE¼SE¼ of Section 20). Marathon previously waived objection to the location for the No. 1 well, and to a replacement well, if necessary, so long as the replacement well is within 200 feet of the No. 1 well. Marathon's waiver letter is marked Exhibit D. As a result, Marathon was not notified of this application.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,


James Bruce
Attorney for Kerr-McGee
Oil & Gas Onshore LLC

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE*
(Other instructions on
reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☐

GAS WELL ☒

OTHER

SINGLE ZONE ☐

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

KERR-McGEE OIL & GAS ONSHORE LLC

3. ADDRESS AND TELEPHONE NO.

P.O. Box 809004, Dallas, TX 75380-9004

(972) 715-4520

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements. *)
At surface

660' FSL & 2180' FWL

At proposed prod. zone

660' FSL & 2180' FWL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

35 MILES NW OF CARLSBAD

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also to nearest drlg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

640

17. NO. OF ACRES ASSIGNED
TO THIS WELL

640'

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

7800'

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4032' GR

22. APPROX. DATE WORK WILL START*

01/31/00

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
18 1/2"	16"	84 #	+/- 40'	GROUTED TO SURFACE
14 3/4"	9 5/8"	36#	1300'	1500 SXS TO SURF
8 3/4"	7 "	23 & 26#	7800'	360 SXS TO 4600' (WILL RUN TEMP SUR)

SEE ATTACHED.



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

TITLE

TECHNICAL ANALYST

DATE

01-11-00

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name WEST INDIAN BASIN UNIT	Well Number 1X
OGRID No.	Operator Name KERR-McGEE CORPORATION	Elevation 4032

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	17	21 S	23 E		660	SOUTH	2180	WEST	EDDY

Bottom Hole Location If Different From Surface

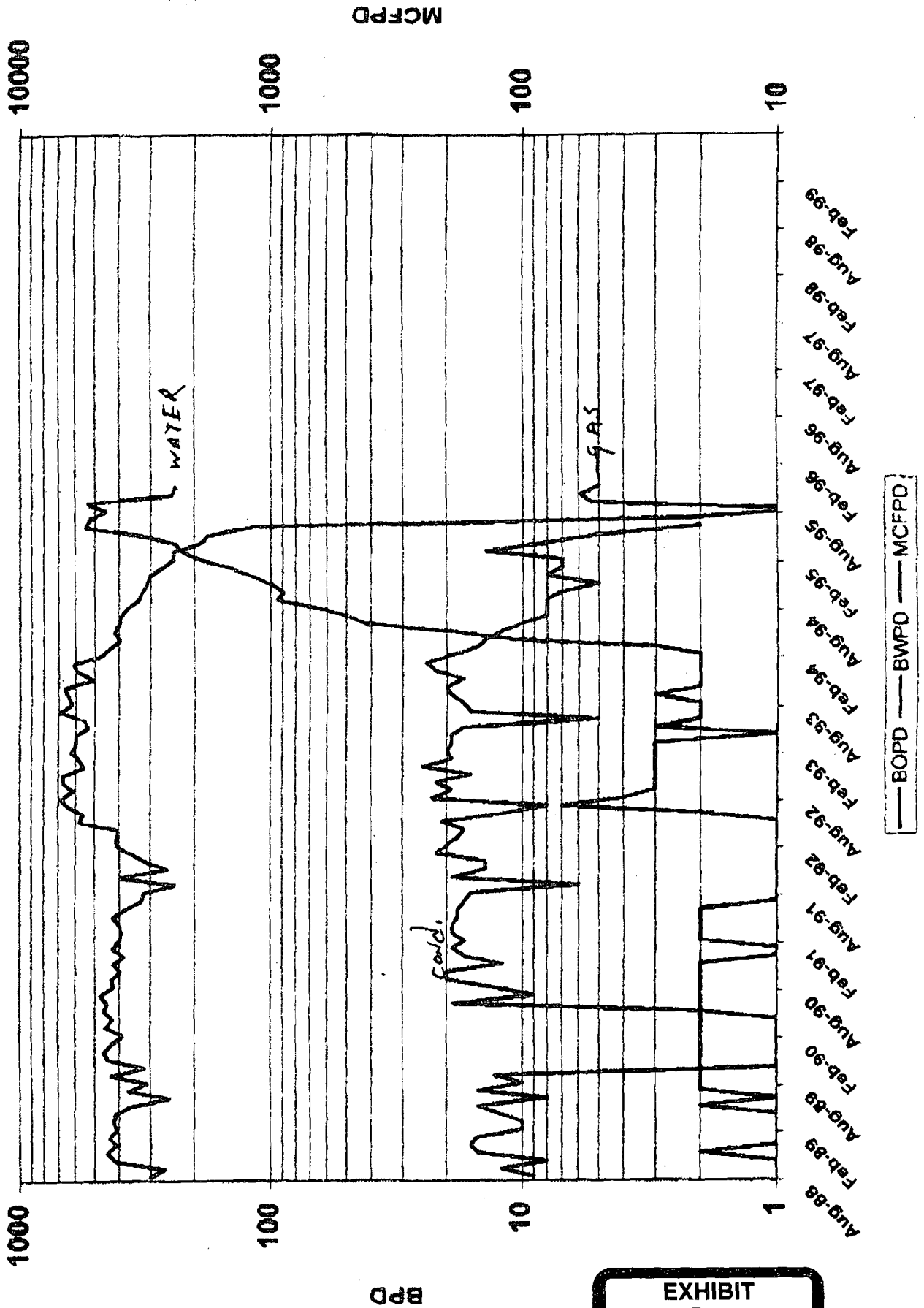
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

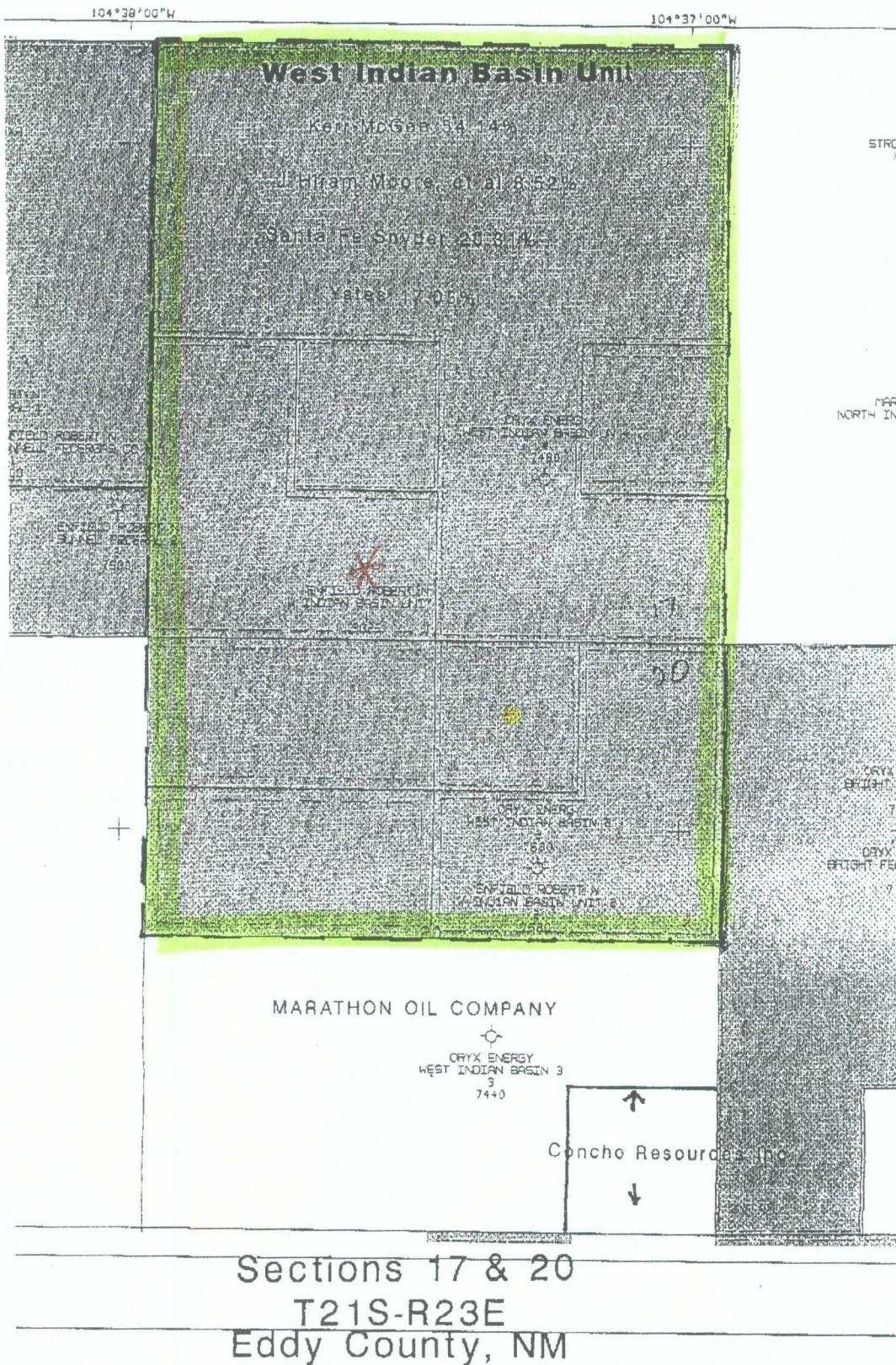
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature: <u>Stephen Fore</u> Printed Name: <u>Stephen Fore</u> Title: <u>Technical Analyst</u> Date: <u>01-04-00</u>	
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. Date Surveyed: <u>APRIL 1, 1999</u> Signature & Seal: <u>[Signature]</u> Professional Surveyor: <u>[Signature]</u> Date: <u>4-02-99</u> P.O. Num. 99-0271 Certified by: <u>RONALD G. EIDSON</u> PROFESSIONAL SURVEYOR: <u>RONALD G. EIDSON</u> 3239, 12641, 12185	



West Indian Basin Unit #1





TOTAL P.07





KERR-MCGEE OIL & GAS ONSHORE LLC

P.O. BOX 809004 • DALLAS, TEXAS 75380-9004 • PH (972) 715-4000
14311 WELCH ROAD • DALLAS, TEXAS 75244-3934 • FAX (972) 715-4069

November 12, 1999

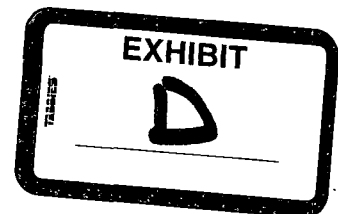
**Sent Via Fax at 915/687-8431 &
Certified Return Receipt Requested**

Mr. John Kloosterman
Marathon Oil Company
PO Box 552
Midland, Texas 79702

RE: Request for Waiver of Objection
to Unorthodox Well Location due to Sidetrack or
Replacement Well
West Indian Basin Well No. 1 Sidetrack,
Surface Location 660' FSL &
1980' FWL of Section 17, T21S, R23E, N.M.P.M.,
Eddy County, New Mexico

Gentlemen:

Kerr-McGee Oil & Gas Onshore LLC (formerly Oryx Energy Company) requests offset working interest owner's approval of a non-standard Indian Basin, Upper Pennsylvanian Gas Pool location for the West Indian Basin Well No. 1 Sidetrack to be located at a surface location 660' FSL & 1980' FWL of Section 17, T21S, R23E, N.M.P.M., Eddy County, New Mexico. The bottom hole location will fall into a window within Section 17 such that it will be no closer than 1650' from the North, East and West outer boundary lines of Section 17 and no closer than 660' from the South outer boundary of Section 17. If Kerr-McGee is unsuccessful in its attempt to sidetrack the West Indian Basin Well No. 1 Sidetrack, the undersigned also waives objection to Kerr-McGee to drill a replacement well within 200' of the surface location of the West Indian Basin Well No. 1 Sidetrack, or as close thereto as reasonably possible due to topographical constraints or requirements by governmental agencies having jurisdiction, provided however, such replacement well will not be located closer than 660' to the South outer boundary line of Section 17. Pool rules for the Indian Basin, Upper Pennsylvanian Gas Pool require wells to be spaced no closer than 1650' from the outer boundaries nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary. The proration unit for the proposed sidetrack will be a previously approved 640 acre standard proration unit consisting of Section 17, T21S, R23E, Eddy County, New Mexico.

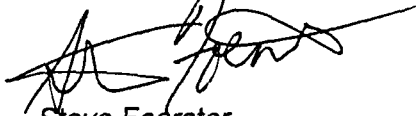


Marathon Oil Company
November 12, 1999
Page 2

Should you have no objection to this request for waiver, please sign and date this letter in the space provided below and return it to my attention at the address on this letterhead. Also, we would appreciate being furnished a copy via fax at 972/715-4012.

Thank you, and if you should have any questions, please feel free to call me at 972/715-4608.

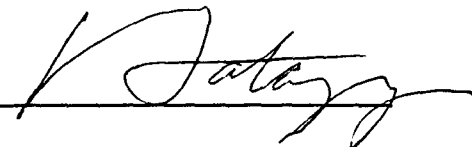
Sincerely,
Kerr-McGee Oil & Gas Onshore LLC



Steve Foerster
Landman

Marathon Oil Company waives objection to Kerr-McGee Oil & Gas Onshore LLC's request to drill the West Indian Basin Well No. 1 Sidetrack at a non-standard location in the Indian Basin, Upper Pennsylvanian Gas Pool at a surface location 660' FSL & 1980' FWL of Section 17, T21S, R23E, N.M.P.M., Eddy County, New Mexico. The bottom hole location will fall into a window within Section 17 such that it will be no closer to the than 1650' from the North, East and West outer boundary lines of Section 17 and no closer than 660' from the South outer boundary of Section 17. If Kerr-McGee is unsuccessful in its attempt to sidetrack the West Indian Basin Well No. 1 Sidetrack, the undersigned also waives objection to Kerr-McGee to drill a replacement well within 200' of the surface location of the West Indian Basin Well No. 1 Sidetrack, or as close thereto as reasonably possible due to topographical constraints or requirements by governmental agencies having jurisdiction, provided however, such replacement well will not be located closer than 660' to the South outer boundary line of Section 17.

Marathon Oil Company

By: 
Title Manager, Indian Basin Team

Date: November 17, 1999

JAMES BRUCE

ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

January 14, 2000

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rules 104.C and 104.F, Kerr-McGee Oil & Gas Onshore LLC ("Kerr-McGee") applies for administrative approval of an unorthodox gas well location for the following well:

West Indian Basin Unit Well No. 1Y
660 feet FSL & 2180 feet FWL
All of §17, Township 21 South, Range 23 East, NMPM
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As a result, Kerr-McGee seeks permission to drill the above replacement well. Attached as Exhibit A is an Application for Permit to Drill, together with a well location plat. (The well will not be directionally drilled.)

The proposed location is based upon engineering and geologic reasons. Attached as Exhibit B is a production plat of the No. 1 well from 1988 to mid-1996. Gas production was stable until water

production increased, at which time the well was shut in. Kerr-McGee believes there are still reserves which can be economically recovered from a well at the proposed location. The location is geologically favorable in the Cisco/Canyon dolomite based upon the initial potential of the well in 1963 (57,000 MCF/day), and the fact that it produced for over 30 years.

Attached as Exhibit C is a land plat of the area around the West Indian Basin Unit. The only affected offset is Marathon Oil Company ("Marathon"), in the S½ of Section 20 (Marathon recently acquired the interest of Concho Resources, Inc. in the SE¼SE¼ of Section 20). Marathon previously waived objection to the location for the No. 1 well, and to a replacement well, if necessary, so long as the replacement well is within 200 feet of the No. 1 well. Marathon's waiver letter is marked Exhibit D. As a result, Marathon was not notified of this application.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for Kerr-McGee
Oil & Gas Onshore LLC

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☐

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

KERR-McGEE OIL & GAS ONSHORE LLC

3. ADDRESS AND TELEPHONE NO.

P.O. Box 809004, Dallas, TX 75380-9004

(972) 715-4520

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
At surface

660' FSL & 2180' FWL

At proposed prod. zone

660' FSL & 2180' FWL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

35 MILES NW OF CARLSBAD

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

660'

16. NO. OF ACRES IN LEASE

640

17. NO. OF ACRES ASSIGNED
TO THIS WELL

640'

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH

7800'

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

4032' GR

22. APPROX. DATE WORK WILL START*

01/31/00

23.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
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24.

SIGNED

TITLE

TECHNICAL ANALYST

DATE

01-11-00

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY

TITLE

DATE

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I

P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer 22, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV

P.O. Box 2088, Santa Fe, NM 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name WEST INDIAN BASIN UNIT	Well Number 1Y
OGRID No.	Operator Name KERR-McGEE CORPORATION	Elevation 4032

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	17	21 S	23 E		660	SOUTH	2180	WEST	EDDY

Bottom Hole Location If Different From Surface

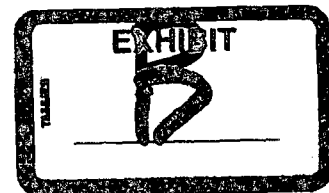
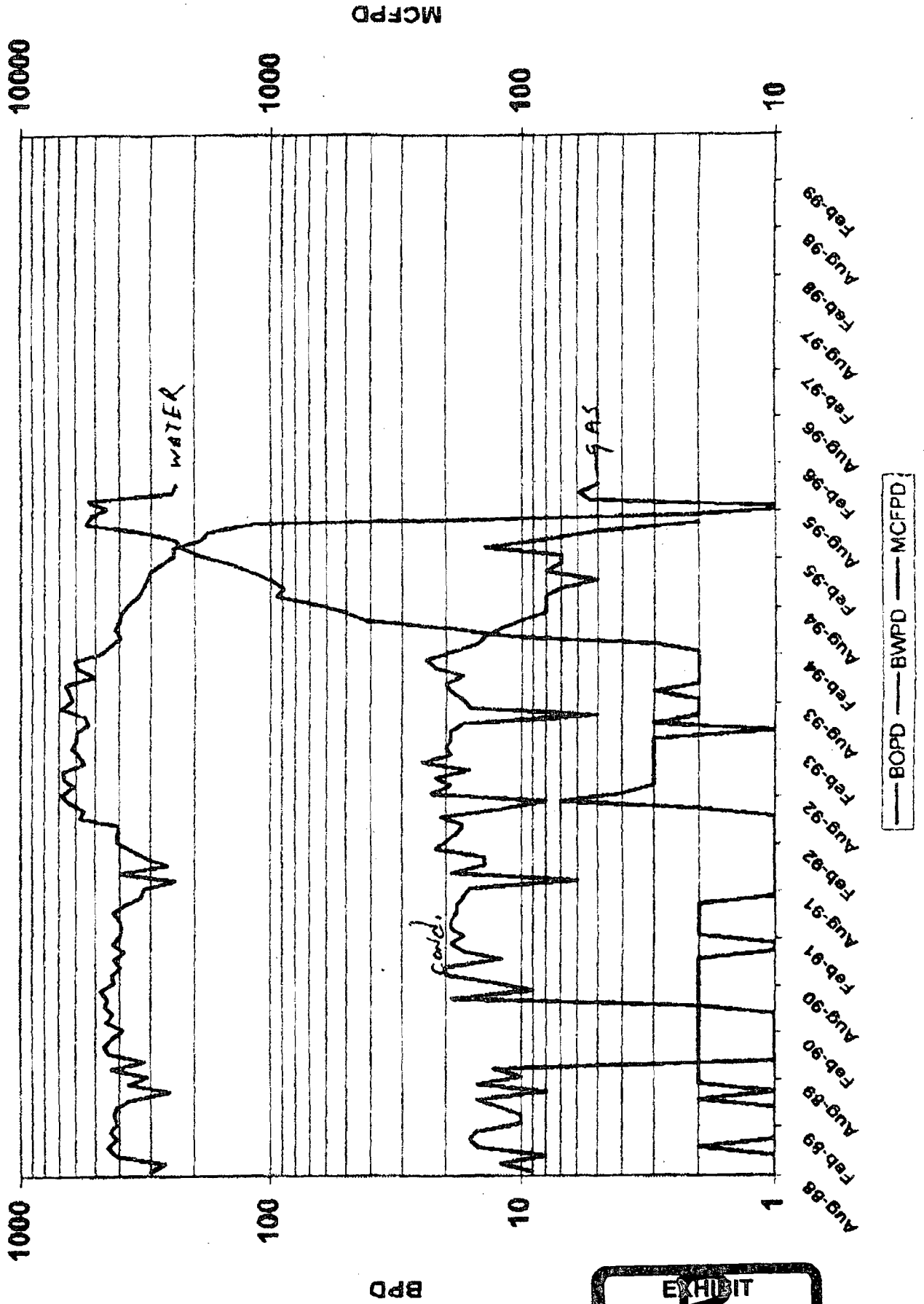
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

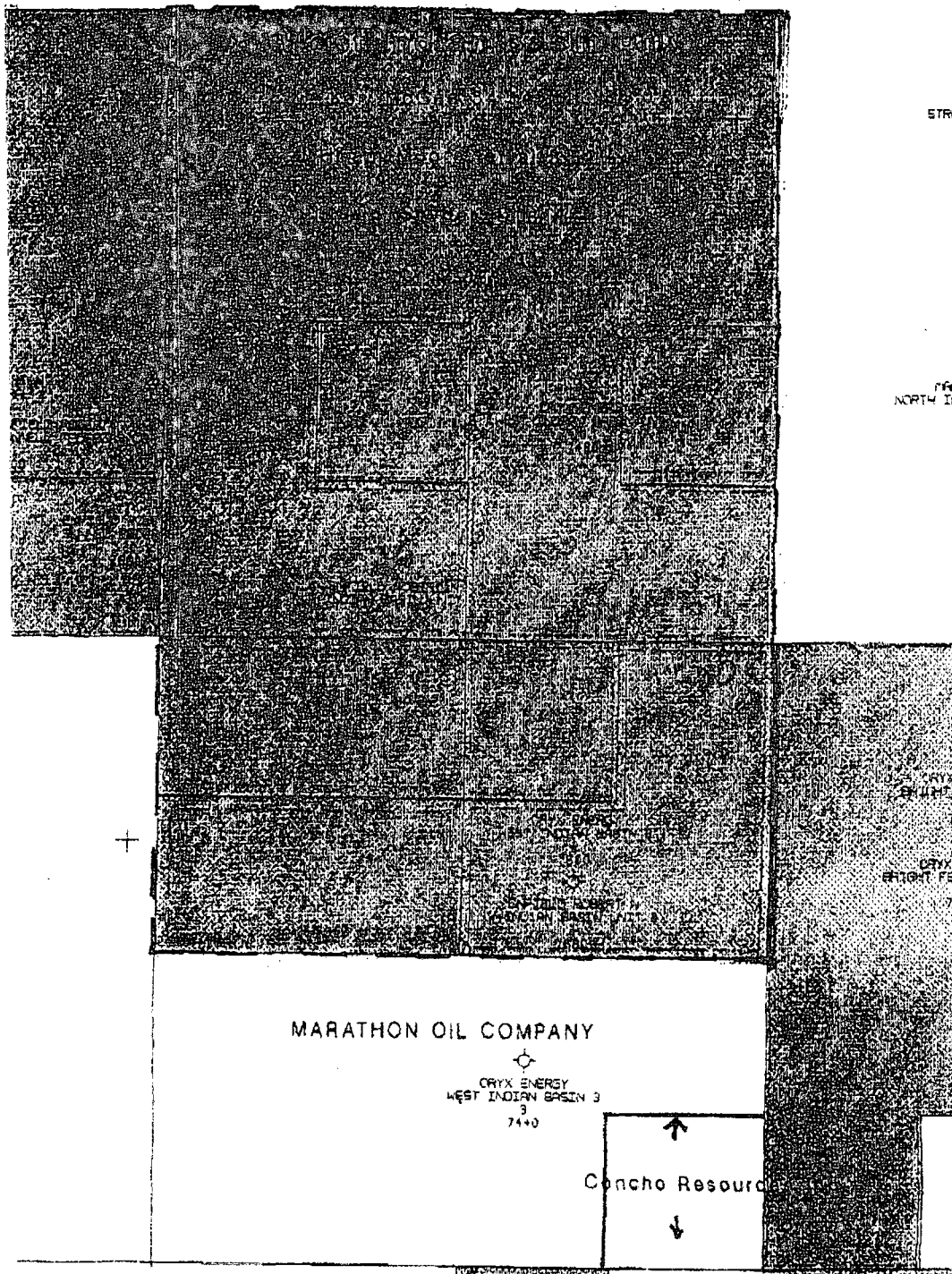
	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Stephen Fore Printed Name Technical Analyst Title 01-04-00 Date
	SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. APRIL 1, 1999 Date Surveyed JLP Signature Professional Surveyor NEW MEXICO 3239 W.O. Num. 99-5-0271 Cert. No. RONALD S. EIDSON, 3239 G. EIDSON, 12641 WILSON McDONALD, 12185

West Indian Basin Unit #1



104°38'00"W

104°37'00"W



Sections 17 & 20
T21S-R23E
Eddy County, NM

TOTAL P.07





KERR-MCGEE OIL & GAS ONSHORE LLC

P.O. BOX 809004 • DALLAS, TEXAS 75380-9004 • PH (972) 715-4000
14311 WELCH ROAD • DALLAS, TEXAS 75244-3934 • FAX (972) 715-4069

November 12, 1999

**Sent Via Fax at 915/687-8431 &
Certified Return Receipt Requested**

Mr. John Kloosterman
Marathon Oil Company
PO Box 552
Midland, Texas 79702

RE: Request for Waiver of Objection
to Unorthodox Well Location due to Sidetrack or
Replacement Well
West Indian Basin Well No. 1 Sidetrack,
Surface Location 660' FSL &
1980' FWL of Section 17, T21S, R23E, N.M.P.M.,
Eddy County, New Mexico

Gentlemen:

Kerr-McGee Oil & Gas Onshore LLC (formerly Oryx Energy Company) requests offset working interest owner's approval of a non-standard Indian Basin, Upper Pennsylvanian Gas Pool location for the West Indian Basin Well No. 1 Sidetrack to be located at a surface location 660' FSL & 1980' FWL of Section 17, T21S, R23E, N.M.P.M., Eddy County, New Mexico. The bottom hole location will fall into a window within Section 17 such that it will be no closer than 1650' from the North, East and West outer boundary lines of Section 17 and no closer than 660' from the South outer boundary of Section 17. If Kerr-McGee is unsuccessful in its attempt to sidetrack the West Indian Basin Well No. 1 Sidetrack, the undersigned also waives objection to Kerr-McGee to drill a replacement well within 200' of the surface location of the West Indian Basin Well No. 1 Sidetrack, or as close thereto as reasonably possible due to topographical constraints or requirements by governmental agencies having jurisdiction, provided however, such replacement well will not be located closer than 660' to the South outer boundary line of Section 17. Pool rules for the Indian Basin, Upper Pennsylvanian Gas Pool require wells to be spaced no closer than 1650' from the outer boundaries nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary. The proration unit for the proposed sidetrack will be a previously approved 640 acre standard proration unit consisting of Section 17, T21S, R23E, Eddy County, New Mexico.

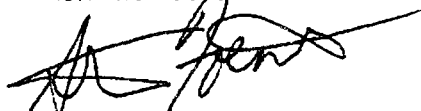


Marathon Oil Company
November 12, 1999
Page 2

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Thank you, and if you should have any questions, please feel free to call me at 972/715-4608.

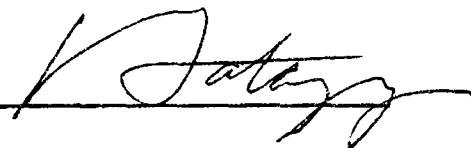
Sincerely,
Kerr-McGee Oil & Gas Onshore LLC



Steve Foerster
Landman

Marathon Oil Company waives objection to Kerr-McGee Oil & Gas Onshore LLC's request to drill the West Indian Basin Well No. 1 Sidetrack at a non-standard location in the Indian Basin, Upper Pennsylvanian Gas Pool at a surface location 660' FSL & 1980' FWL of Section 17, T21S, R23E, N.M.P.M., Eddy County, New Mexico. The bottom hole location will fall into a window within Section 17 such that it will be no closer to the than 1650' from the North, East and West outer boundary lines of Section 17 and no closer than 660' from the South outer boundary of Section 17. If Kerr-McGee is unsuccessful in its attempt to sidetrack the West Indian Basin Well No. 1 Sidetrack, the undersigned also waives objection to Kerr-McGee to drill a replacement well within 200' of the surface location of the West Indian Basin Well No. 1 Sidetrack, or as close thereto as reasonably possible due to topographical constraints or requirements by governmental agencies having jurisdiction, provided however, such replacement well will not be located closer than 660' to the South outer boundary line of Section 17.

Marathon Oil Company

By: 
Title Manager, Indian Basin Team

Date: November 17, 1999