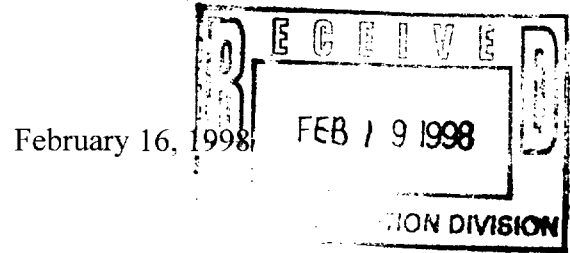




P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626



New Mexico Oil Conservation Division
Attn: Mr. Ben Stone
2040 South Pacheco
Santa Fe, New Mexico 87505

Certified Mail
Return Receipt Requested

Dear Ben:

As we discussed in our phone conversation on February 12, 1998, attached are the copies of the letters of approval and the return receipt cards from the working interest owners for the original commingle permit, CTB-397, and the amended permit, PLC-124, for Marathon Oil Company's MOC Federal Consolidated Battery. I have also attached a list of the current interest owners for all leases covered by this permit, a map of the area, a flow diagram of the Satellite facility in Section 11, and a flow diagram of the battery in question.

Our interpretation of the rules governing this facility is that Administrative approval may be granted if the following requirements are met:

1. Exception to Rule 303 has been obtained.
2. Production from each well may be accurately determined at reasonable intervals.
3. All interest owners were notified by registered or certified mail of our intent.
4. Production from each lease must be measured separately, unless the ownership is common.
5. The hydrocarbon production from each lease shall be accurately measured and determined in accordance with the "Manual for the Installation and Operation of Commingling Facilities."

Marathon Oil Company has complied with all the requirements listed above.

1. We were granted an exception to Rule 303 on June 24, 1996 when PLC-124 was approved. Before that, an exception to Rule 303 was not required, because all production came from the same pool.
2. The production from each well is determined by well tests at least once each month.
3. All interest owners were notified by certified mail of our intention to commingle the production from all leases into a single gathering facility, (see attachments).

4. The production from each lease is measured by its own separator, except the NIBU Gas Com. Lease and the Comanche Federal "3" Lease. However, these two leases are part of Communitization Agreement #SW-242, and have common ownership.
5. And the hydrocarbon production from these leases is measured accurately and in accordance with the "Manual for the Installation and Operation of Commingling Facilities."

Thank you for calling me to let me know there was a problem, and, if you need any other information, please do not hesitate to call me at (915) 687-8449. I look forward to hearing from you soon on this matter.

Sincerely,

A handwritten signature in black ink that reads "Ginny Larke". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

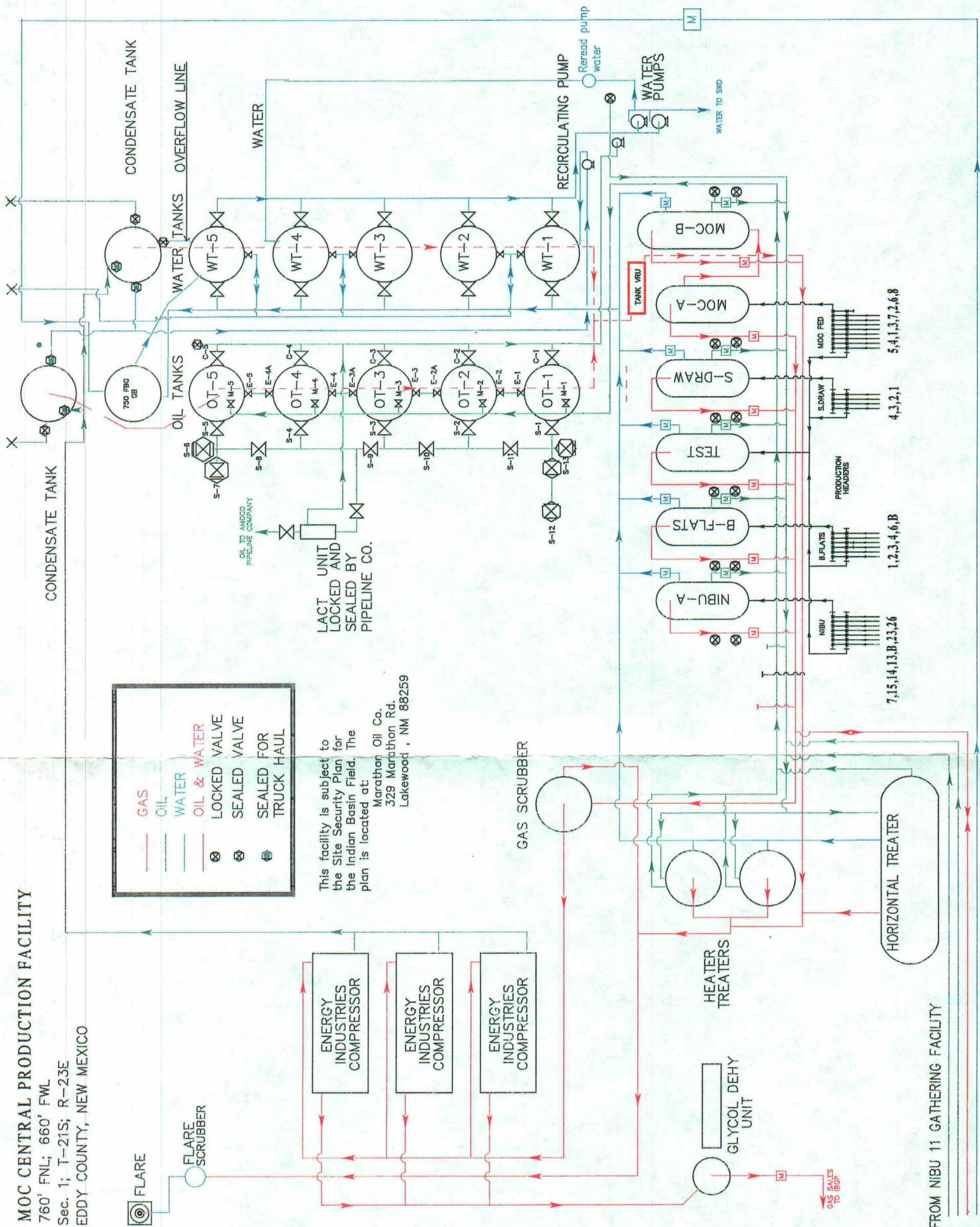
Ginny Larke
Engineer Technician

attachments

VLL\wperfect\mocfed98.wpd

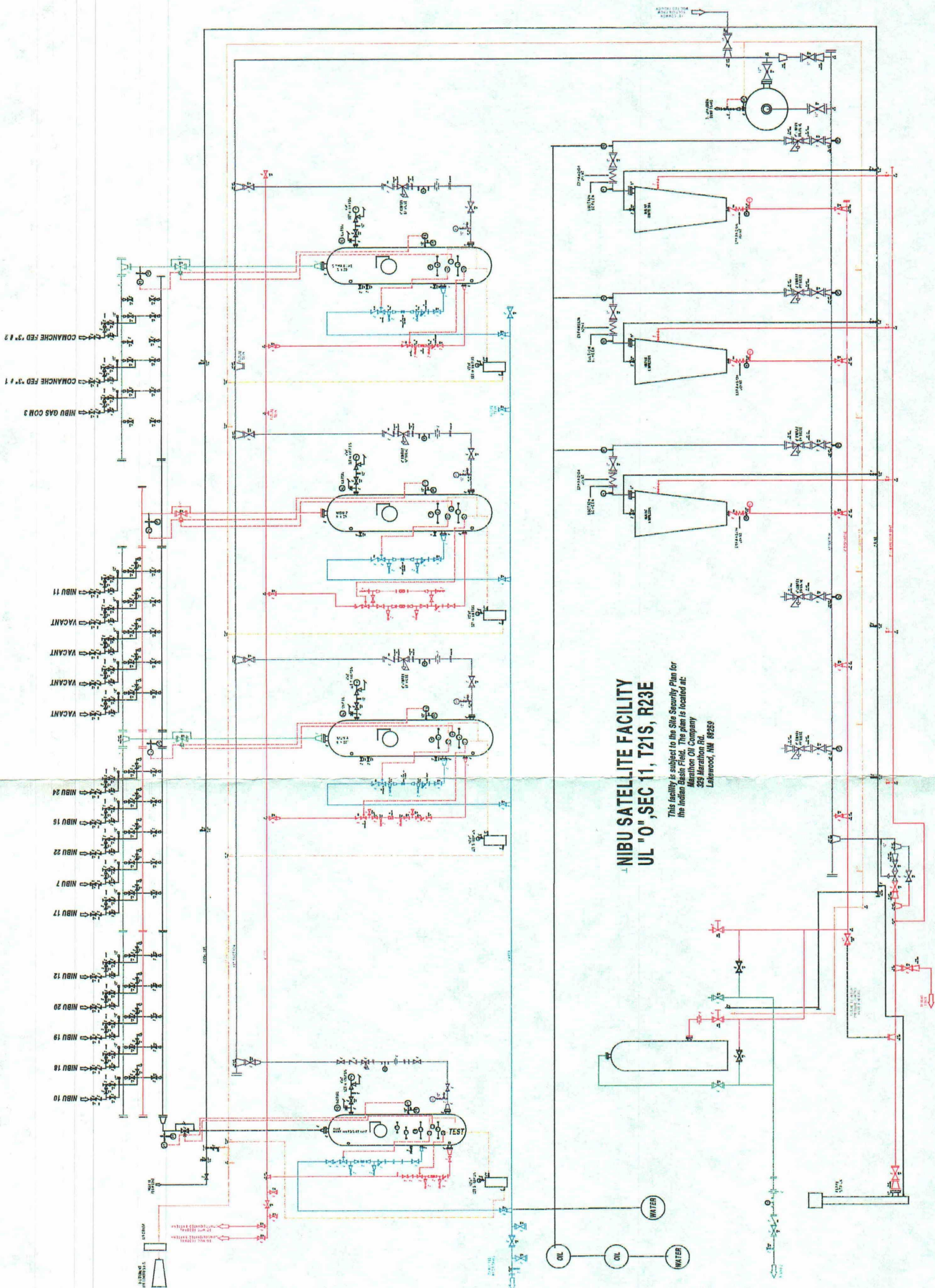
MOC CENTRAL PRODUCTION FACILITY

760' FNL; 660' FWL
Sec. 1; T-21S; R-23E
EDDY COUNTY, NEW MEXICO



This facility is subject to the Site Security Plan for the Indian Basin Field. The plan is located at:
Marathon Oil Co.
329 Marathon Rd.
Lakewood, NM 88259

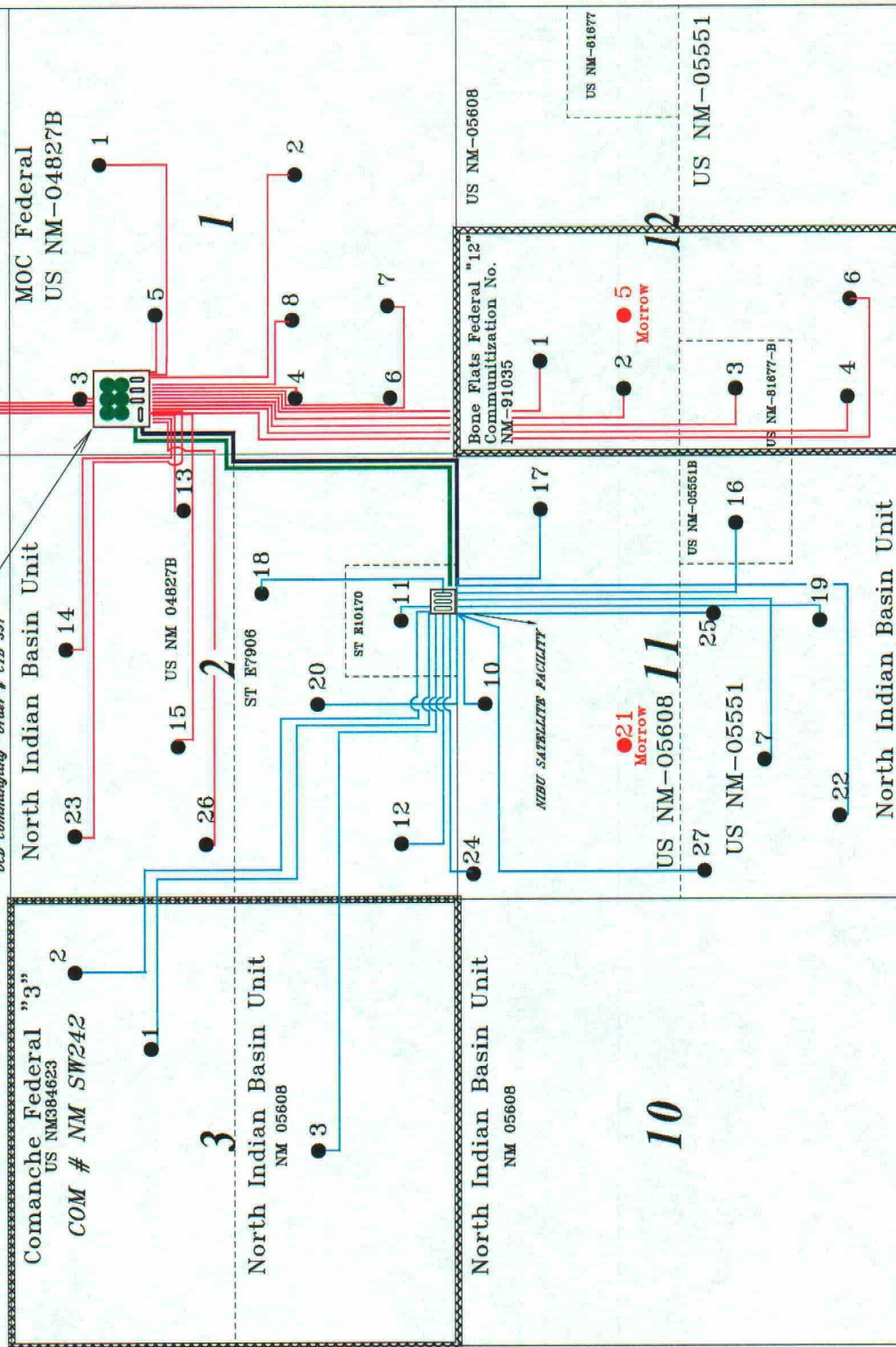
FROM NIBU 11 GATHERING FACILITY



**NIBU SATELLITE FACILITY
UL "O", SEC 11, T21S, R23E**

This facility is subject to the Site Security Plan for
the Indian Basin Field. The plan is located at:
Marathon Oil Company
329 Marathon Rd.
Lakewood, NM 88259

NOT TO SCALE
MOC Federal Consolidated Tank Battery
UL "D", Section 1, T-21-S, R-23-E
OCD Commingling Order # CTB 397



MOC FEDERAL	
1	990' FNL & 1855' FEL, SEC 1
2	1980' FSL & 1980' FEL, SEC 1
3	760' FNL & 660' FWL, SEC 1
4	1980' FSL & 660' FWL, SEC 1
5	1650' FNL & 1650' FWL, SEC 1
6	860' FSL & 1750' FWL, SEC 1
7	890' FSL & 1750' FWL, SEC 1
8	2030' FSL & 1650' FWL, SEC 1
BONE FLATS "12" FEDERAL COM	
1	990' FNL & 990' FWL, SEC 12
2	1980' FNL & 660' FWL, SEC 12
3	1980' FSL & 660' FWL, SEC 12
4	660' FSL & 660' FWL, SEC 12
6	660' FSL & 1980' FWL, SEC 12
STINKING DRAW	
1	660' FNL & 1650' FEL, SEC 36
2	660' FSL & 1980' FWL, SEC 36
3	990' FNL & 990' FWL, SEC 36
4	970' FSL & 2076 FSL, SEC 36
COMANCHE FEDERAL "3"	
1	1650' FNL & 1850' FEL, SEC 3
NORTH INDIAN BASIN UNIT	
7	1650' FSL & 1650' FWL, SEC 11
10	330' FNL & 2310' FWL, SEC 11
11	660' FSL & 1980' FWL, SEC 2
12	660' FSL & 660' FWL, SEC 2
13	2050' FNL & 660' FEL, SEC 2
14	660' FNL & 2310' FEL, SEC 2
15	1980' FNL & 1830' FWL, SEC 2
16	1980' FSL & 825' FEL, SEC 11
17	990' FNL & 660' FWL, SEC 11
18	2310' FSL & 1650' FEL, SEC 2
19	990' FSL & 1986' FEL, SEC 11
20	1650' FSL & 2310' FWL, SEC 2
22	760' FSL & 990' FWL, SEC 11
23	760' FNL & 760' FWL, SEC 2
24	122' FNL & 310' FWL, SEC 11
25	2310' FNL & 1894' FEL, SEC 11
26	2310' FNL & 660' FWL, SEC 2
27	2340' FSL & 255' FWL, SEC 11
NORTH INDIAN BASIN UNIT GAS COM	
1	1650' FSL & 2310' FWL, SEC 3

Communitization Boundry Line

Lease Line

MOC Facility Gathering Line

NIBU Satellite Gathering Line

NIBU Satellite to MOC Oil Line

NIBU Satellite to MOC Water Line