

MERSHON GAS COM #2 WELL

Communication Summary

N/2 and the N/2 N/2 N/2 S/2 of Section 21, T-22-S, R-23-E, Eddy County, New Mexico

DATE	TYPE	FROM	TO	DESCRIPTION
08/04/00	Letter Agreement	Steve Foerster (Kerr-McGee)	John Kloosterman (Marathon)	Kerr-McGee withdrew its objection to Marathon's proposed unorthodox location for the Merston Gas Com #2 Well.
09/06/01	Letter Agreement	Ray M. Vaden (Chevron)	Mark Virant (Matador)	Chevron agrees to Matador's drilling of the Merston Gas Com #2 Well prior to the drilling of the I B Federal Com Well No. 1 in Section 20, T-22-S, R-23-E.
12/14/01	Phone	Mark Virant (Matador)	Mike Mullins (Chevron)	Discussion of proposed waiver.
12/14/01	Letter	Mark Virant (Matador)	Mike Mullins (Chevron)	Request for a waiver for a non-standard location.
12/17/01	Fax	Mark Virant (Matador)	Mike Mullins (Chevron)	Matador's calculation of the proposed reduced daily allowable.
01/03/02	Letter	Mark Virant (Matador)	Joe Rusnak (Marathon)	Both parties agreed on 01/04/02 that the Merston Gas Com #2 Well is a replacement well and that the Merston Gas Com #1 Well will not be produced from the same reservoir and Matador agrees to be bound by the terms of the Letter Agreement dated 08/04/00 between Kerr-McGee and Marathon.
01/03/02	Fax	Steve Foerster (Kerr-McGee)	Mark Virant (Matador)	Matador agreed on 01/04/02 to abide by the terms and conditions of the Letter Agreement dated 08/04/00 between Kerr-McGee and Marathon.
01/07/02	Phone	Scott Ingram (Chevron)	Mike Miller (Matador)	Discussion of well logs received by Chevron from Matador for Merston Gas Com #2 Well.
01/07/02	Phone	Mark Virant (Matador)	Mike Mullins (Chevron)	Discussion of calculation of the proposed daily allowable.
01/08/02	Phone	Mark Virant (Matador)	Mike Mullins (Chevron)	Discussion of provisions of 09/06/01 Letter Agreement between Chevron and Matador.
01/08/02	Letter Agreement	Mark Virant (Matador)	Scott Ingram (Chevron)	Chevron's waiver of objection to Matador's unorthodox location for the Merston Gas Com #2 Well

BEFORE THE

OIL CONSERVATION DIVISION

Case No. 112786 Exhibit No. 2

Submitted By:

Matador Operating Company

Hearing Date: January 10, 2002



KERR-McGEE OIL & GAS ONSHORE LLC

P.O. BOX 809004 • DALLAS, TEXAS 75380-9004 • PH (972) 715-4000
14311 WELCH ROAD • DALLAS, TEXAS 75244-3834 • FAX (972) 715-4069

August 4, 2000

Sent Via Fax at 915/687-8431 (2 Pages)

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

RE: Mershon Gas Com # 2
Unorthodox Location 415' FNL &
1201' FWL, Section 21, T22S-R23E,
Eddy County, New Mexico

Gentlemen:

Kerr-McGee Oil & Gas Onshore LLC ("Kerr-McGee") will withdraw its objection to the unorthodox well location for the captioned well provided Marathon agrees to the following:

- 1) Marathon will not object to an unorthodox well location for a well located no closer than 1201' FSL and 415' FEL of Section 17, T22S-R23E, Eddy County, New Mexico, for a well to be proposed or drilled to the Indian Basin-Upper Pennsylvanian Pool by Kerr-McGee in Section 17, T22S-R23E, Eddy County, New Mexico. It is understood and agreed that the existing acreage factor of 0.695 shall remain in force for this Section 17 if a well is drilled and completed in the Indian Basin-Upper Pennsylvanian Pool at this location. This reciprocal waiver is also contingent upon Marathon drilling and completing the Mershon Gas Com #2.
- 2) Marathon will promptly furnish Kerr-McGee with copies of well logs, as they are received by Marathon, for the Marathon Mershon Gas Com # 2.
- 3) It is understood and agreed that the Mershon Gas Com #2 is a replacement well and as such the Mershon Gas Com #1 well will not be produced within the Indian Basin-Upper Pennsylvanian Pool. Further, it is understood and agreed that the existing acreage factor of 0.56 shall remain in force for this unit in Section 21.

If the foregoing is acceptable, please sign and date this letter in the space provided below and return it to me via FAX at 972/715-4012.

BEFORE THE
OIL CONSERVATION DIVISION
Case No. 112786 Exhibit No. 3
Submitted By:
Matador Operating Company
Hearing Date: January 10, 2002

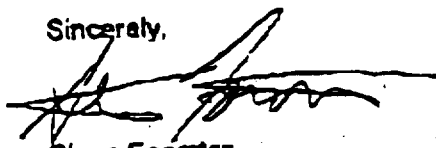
Aug-03-00 04:29P
MUS-04-2000 16:33
KERR MC-GEE
PRINT MET
6:12PM
TOTAL P.03

RECEIVED TIME
AN. 6:11PM
P.03
972 715 4981 P.03/05

RE: Merston Gas Com #2
August 4, 2000
Page 2

Thank you and should you need to reach me, my phone number is 972/715-4608.

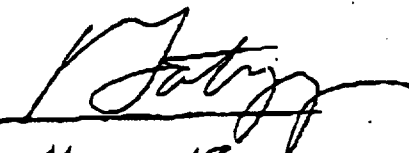
Sincerely,



Steve Foerster
Landman

Agreed to and accepted:

Marathon Oil Company

By: 
Title: Manager IB
Date: 8-4-00