

ARCO Oil and Gas Company ⇄

Western District
600 N. Marientfeld
Midland, Texas 79701
Post Office Box 1610
Midland, Texas 79702
Telephone 915 688 5200

March 4, 1993

**Marathon Oil Company
P. O. Box 552
Midland, Texas 79702**

Attn: T. N. Tipton

Dear Mr. Tipton:

On March 15th, 1993, Atlantic Richfield Company ("ARCO") and Marathon Oil Company ("Marathon"), completed a property exchange whereby ARCO assigned to Marathon all of its gas rights in the West Half of Section 15, T22S, R36E, NMPM, Lea County, New Mexico, including ARCO's Jalmat gas production from those lands. As a result of this exchange, ARCO will not oppose any request by Marathon to amend NMOCD Order R-9503, dated May 10, 1991, to allow injection in the McDonald State A/C-1 injection wells Nos. 33, 34, and 40 into that portion of the Seven Rivers formation which is part of the South Eunice Seven Rivers Queen Pool. Further, ARCO releases Marathon from the requirements of the parties' letter agreement executed by ARCO on March 20, 1991, and Marathon on March 21, 1991, which was the basis for the special provisions set out in paragraphs 13 and 14 of the findings portion of NMOCD Order R-9503.

ARCO has no objection to Marathon expanding its Seven Rivers Queen waterflood into the west half of Section 15-T22S-R36E, with injection in any injection wells on said lands being permitted throughout the designated pool interval, as long as injection does not enter the Jalmat Tansill Yates Seven Rivers Pool interval in the East Half of Section 15-T22S-R36E.

Sincerely,



**C. D. Owens
Southeast New Mexico Asset Manager
ARCO Oil and Gas Company**

CDO/pb

Before The
OIL CONSERVATION DIVISION
Santa Fe, New Mexico
Case No. 10704 Exhibit No. 2
Submitted by: Marathon Oil Company
Hearing Date: 4/8/93