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Of Counsel

September 11, 1986

CERTIFIED MAIL: P 176 135 248
RETURN RECEIPT REQUESTED

Mr. James Davidson
Post Office Box 494
Midland, Texas 79702

Re: Marathon Oil Company
Benson #1 Well
T16S, R38E, NMPM
Section 14: SE/4 SE/4
New Mexico Oil Conservation Division
Compulsory Pooling Order R-8282

Dear Mr. Davidson:

In accordance with the terms of the enclosed New Mexico Oil Conservation Division Order R-8282, we are sending you a copy of this order and a copy of the estimated costs of the subject well as set forth on the AFE for the Benson #1 well.

On behalf of Marathon Oil Company, you are hereby notified that pursuant to paragraph (4) of the order you have thirty (30) days from receipt of this letter to pay your share of the subject well costs and avoid the penalty which will apply if your share of the costs is taken out of production.

Should you elect to exercise your right to participate under this order, then you are required to timely prepay your total share of the cost of this well by tendering a certified cashier's check to Steve Daniels, Marathon Oil Company, Post Office Box 552, Midland, Texas 79702, in the proper amount prior to the end of the thirty day period.

Very truly yours,



W. Thomas Kellahin

BEFORE THE	
OIL CONSERVATION COMMISSION	
Santa Fe, New Mexico	
Case No. <u>8960</u>	EXHIBIT No. <u>18</u>
Submitted by <u>Marathon</u>	
WTK:mb	
Hearing Date	Enclosures <u>10/23/86</u>

Mr. James Davidson
September 11, 1986
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cc: Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

✓ Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701

Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

William F. Carr, Esq.
Campbell & Black
Post Office Box 2208
Santa Fe, New Mexico 87504

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 8960
Order No. R-8282

APPLICATION OF MARATHON OIL COMPANY
FOR COMPULSORY POOLING, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on August 6, 1986, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 21st day of August, 1986, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) The applicant, Marathon Oil Company, seeks an order pooling all mineral interests from the surface to the base of the Siluro-Devonian formation underlying the SE/4 SE/4 (Unit P) of Section 14, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico.
- (3) Prior to the hearing James A. Davidson, who owns 38.125 percent interest in the above-described unit, requested a two week continuance of this case.
- (4) This request was denied inasmuch as the applicant provided proper notification pursuant to Division General Rule 1207(a)1. and 1207(b).
- (5) James A. Davidson was represented at the time of the hearing and objected to said pooling application.
- (6) The applicant has the right to drill and proposes to drill a well at a standard oil well location thereon.

(7) There are interest owners in the proposed proration unit who have not agreed to pool their interests.

(8) To avoid the drilling of unnecessary wells, to protect correlative rights, to avoid waste, and to afford the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the oil in any pool completion resulting from this order, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(9) The applicant should be designated the operator of the subject well and unit.

(10) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(11) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of the reasonable well costs plus an additional 200 percent thereof as a reasonable charge for the risk involved in the drilling of the well.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4598.00 per month while drilling and \$459.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in

escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Upon the failure of the operator of said pooled unit to commence drilling of the well to which said unit is dedicated on or before November 15, 1986, the order pooling said unit should become null and void and of no effect whatsoever.

(17) Should all the parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(18) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, from the surface to the base of the Siluro-Devonian formation underlying the SE/4 SE/4 (Unit P) of Section 14, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, are hereby pooled to form a standard 40-acre oil spacing and proration unit to be dedicated to a well to be drilled at a standard well location thereon.

PROVIDED HOWEVER THAT, the operator of said unit shall commence the drilling of said well on or before the fifteenth day of November, 1986, and shall thereafter continue the drilling of said well with due diligence to a depth sufficient to test the Siluro-Devonian formation;

PROVIDED FURTHER THAT, in the event said operator does not commence the drilling of said well on or before the fifteenth day of November, 1986, Ordering Paragraph No. (1) of this order shall be null and void and of no effect whatsoever, unless said operator obtains a time extension from the Division for good cause shown.

PROVIDED FURTHER THAT, should said well not be drilled to completion, or abandonment, within 120 days after commencement thereof, said operator shall appear before the Division Director and show cause why Ordering Paragraph No. (1) of this order should not be rescinded.

(2) Marathon Oil Company is hereby designated the operator of the subject well and unit.

(3) After the effective date of this order and within 90 days prior to commencing said well, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(4) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(5) The operator shall furnish the Division and each known working interest owner an itemized schedule of actual well costs within 90 days following completion of the well; if no objection to the actual well costs is received by the Division and the Division has not objected within 45 days following receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within said 45-day period the Division will determine reasonable well costs after public notice and hearing.

(6) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(7) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.
- (B) As a charge for the risk involved in the drilling of the well, 200 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within

30 days from the date the schedule of estimated well costs is furnished to him.

(8) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(9) \$4598.00 per month while drilling and \$459.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(10) Any unsevered mineral interest shall be considered a seven-eighths ($7/8$) working interest and a one-eighth ($1/8$) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(11) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(12) All proceeds from production from the subject well which are not disbursed for any reason shall immediately be placed in escrow in Lea County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(13) Should all parties to this forced pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(14) The operator of the well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the forced pooling provisions of this order.

(15) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 8960
Order No. R-8282
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DONE at Santa Fe, New Mexico, on the day and year
hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


R. L. STAMETS,
Director

S E A L

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

AFE NO. _____
 DATE 9/10/86

SHEET _____ OF _____ SHEETS

Lease or Facility Benson #1
 Field or Prospect East Garrett Deep
 Location: Sec. 14, T-16-S, R-38-E
Lea County, New Mexico

Wildcat Development Development Exploratory Recompletion Workover
 Est. Total Depth 13,500' Est. Drilling Days 64 Est. Completion Days 20

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	COND	ESTIMATED COST
DRILLING COSTS – TANGIBLE					
		Drive Pipe	1		-
		Conductor	2		-
	300'	13-3/8" Surface	3		6,000
	5,000'	9-5/8" Intermediate-Casing, Liner, or Tieback	4		80,000
		Liner Hanger and Tieback Equipment	5		-
		Casinghead	6		20,000
		Miscellaneous	7		2,000
TOTAL DRILLING COSTS – TANGIBLE					108,000
DRILLING COSTS – INTANGIBLE					
		Location and Access	9		36,000
	4	Daywork Drilling	10		14,000
	13,500'	Footage Basis Drilling	11		304,000
		Direct Supervision	14		22,000
		Bits, Hole Openers, Stabilizers, etc.	15		-
		Mud and Mud Services	16		35,000
		Rig Fuel	17		-
		Water	18		30,000
		Rental Equipment and Tools	19		36,000
		Casing/Drive Pipe Tools, Services and Accessories	20		8,000
		Cement and Cementing Service	21		22,000
		Well Logging and Services	22		24,000
		Mud Logging	23		18,000
		Pipe Inspection	24		6,000
		Directional Services	25		-
		Coring	26		-
		Formation Testing 1 DST	27		5,000
		Diving Services	28		-
		Mobilization/Demobilization	29		-
		Air Transportation	30		-
		Marine Transportation	31		-
		Land Transportation	32		18,000
		Shore Base Services	33		-
		Communications	34		-
		Fishing Tools and Services	35		-
		Abandoning Tools and Services	36		-
		Miscellaneous Material and Services	37		30,000
		Dry Hole Contributions	38		-
		Overhead	39		-
		Indirect Expense	40		10,000
TOTAL DRILLING COSTS – INTANGIBLE					618,000
TOTAL DRILLING COSTS					\$ 726,000
COMPLETION COSTS – TANGIBLE					
	13,500'	5-1/2" Production Casing	42		115,000
		Liners	43		-
	13,500'	Tubing	44		70,000
		Liner Hanger and Tieback Equipment	45		-
		Christmas Tree	46		25,000
		Subsurface Safety Shut-In Devices	47		-
		Packers	48		4,000
		Subsurface Artificial Lift Equipment	49		-
TOTAL COMPLETION COSTS – TANGIBLE					214,000

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

AFE NO. _____
 DATE 9/10/86

SHEET _____ OF _____ SHEETS

Lease or Facility Benson #1

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	COND	ESTIMATED COST
COMPLETION COSTS -- INTANGIBLE					
		Location and Access	51		-
		Completion Rig	62		24,000
		Contract Service Units	63		-
		Direct Supervision	54		6,000
		Company Labor	55		-
		Contract Labor	56		-
		Rig Fuel	57		-
		Completion and Packer Fluids	58		6,000
		Rental Equipment and Tools	59		20,000
		Casing Tools, Services and Accessories	60		8,000
		Cement and Cementing Service	61		18,000
		Logging Services	62		5,000
		Perforating	63		5,000
		Wireline Services	64		-
		Formation Treating	65		25,000
		Sand Control Equipment and Services	66		-
		Formation Testing	67		-
		Tubular Testing and Cleaning	68		-
		Mobilization and Demobilization of Completion Rig	69		-
		Air Transportation	70		-
		Marine Transportation	71		-
		Land Transportation	72		6,000
		Shore Base Services	73		-
		Communications	74		-
		Fishing Tools and Services	75		-
		Wireline Cased-hole Plugbacks	76		-
		Miscellaneous Material and Services	77		10,000
		Sidetrack or Milling Sections	78		-
		Overhead	79		-
		Indirect Expense	80		-
TOTAL COMPLETION COSTS -- INTANGIBLE					133,000

TOTAL COMPLETION COSTS \$ 347,000

SURFACE EQUIPMENT -- TANGIBLE					
		Pumping Equipment	83		-
		Tanks and Related Equipment	84		10,000
		Company Labor and Non-Hauling Units	85		-
		Contract Labor and Non-Hauling Units	96		-
		Water Injection Equipment	87		-
		Heater-Treater	88		10,000
		Miscellaneous Supplies	89		5,000
		Dehydrating Equipment	90		-
		Separator-Trap	91		10,000
		Transportation	92		3,000
		Metering Equipment	93		2,000
		Line Pipe	94		-
		Electrical Equipment	95		-
		Compressors	96		-
TOTAL SURFACE EQUIPMENT -- TANGIBLE					\$ 40,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS

Total Drilling Cost

Total Completion Cost

Total Surface Equipment

Grand Total Cost

Marathon's Share of Grand Total Cost to be Booked This Year

If Wildcat Well, Give Marathon's Share of Dry Hole Cost

TOTAL COST	MARATHON'S SHARE (%)
\$ 726,000	\$
347,000	
40,000	
\$ 1,113,000	\$

SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery.

3. Article Addressed to: <i>Mr. James Davidson</i> <i>copy</i>	4. Article Number <i>P176 135 248</i>
	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail
5. Signature — Addressee <i>X</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent <i>X</i> <i>Helen L. Kelly</i>	
7. Date of Delivery <i>9-15-86</i>	

PS Form 3811, Feb. 1986 DOMESTIC RETURN RECEIPT

MARATHON OIL COMPANY

SENDER: Complete items 1, 2, 3 and 4.
 Put your address in the "RETURN TO" space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for service(s) requested.

1. Show to whom, date and address of delivery.
 2. Restricted Delivery.

3. Article Addressed to: Mr. James Davidson Post Office Box 494 Midland, Texas 79702	4. Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail	Article Number P 176 135 248
Always obtain signature of addressee or agent and DATE DELIVERED.		
5. Signature — Addressee <i>X</i>	6. Signature — Agent <i>X</i>	7. Date of Delivery
8. Addressee's Address (ONLY if requested and fee paid)		

PS Form 3811, July 1983 447-845 DOMESTIC RETURN RECEIPT