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**INTRACOMPANY CORRESPONDENCE**

TO S. C. Schraub DATE October 16, 1986  
 OFFICE Midland, TX FROM T. Hawthorne  
FA-86377 OFFICE Midland, TX  
 (USE THIS LINE FOR FILE REFERENCE OR SUBJECT)

RE: Proposed Operating Agreement  
 Benson No. 1  
 SE 1/4 SE 1/4 Section 14  
 T-16-S, R-38-E, N.M.P.M.  
 Lea County, New Mexico

We have reviewed the AAPL Form 610-1982 Model Form Operating Agreement and its attached COPAS-1984 Accounting Procedure and recommend its approval.

Accounting Procedure

III.1.A.(1) Overhead-Fixed Rate Basis

The proposed rates of \$4598 per drilling well and \$459 per producing well are equal to Marathon's current rates for Aetna Eaves and the Delmont Hatfield. This is slightly below comparable rates for Lea County, New Mexico, but selecting provision (iii) "(X) shall not," does provide for charging Technical Employees and Consultants assigned to the property as a direct charge and is some justification for a lower rate. Other rates in Lea County, New Mexico are shown below:

<u>Operator</u>	<u>Property</u>	<u>Drilling/Producing</u>
Adobe Oil and Gas	Hannah	\$4899/\$492.00
Mobil	State "ZZ" Com	\$5163/\$516.00
Phillips	State Fed "A" Com	\$2861/\$520.00
Shell	State "VB" Com	\$5210/\$521.00
Harvey E. Yates	Young Deep No. 7	\$5879/\$587.00

Approval of Marathon's actual overhead cost of \$808.00 per producing well would be difficult to obtain.

KAS/rh

BEFORE THE  
 OIL CONSERVATION COMMISSION  
 Santa Fe, New Mexico

Case No. 8960 Exhibit No. 19

Submitted by Marathon

Hearing Date 10/23/86

**RECEIVED**

OCT 17 1986

**MARATHON OIL COMPANY  
 LAND DEPARTMENT  
 MIDLAND, TEXAS**