



**Marathon
Oil Company**

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

June 17, 1987

Texaco, Inc.
P.O. Box 3109
Midland, Texas 79702-3109

Attention: Land Department

Re: Farmout Request - North Vacuum Field Area
NE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 16,
T-17-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Gentlemen:

Marathon is proposing to drill a 12,500' Atoka-Morrow test at a legal location in Section 16, T-17-S, R-35-E, N.M.P.M., Lea County, New Mexico.

Marathon respectfully requests a farmout of your interest in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 16, T-17-S, R-35-E, under the following terms:

1. Farmout your interest from the surface to 100' below the stratigraphic equivalent of the total depth drilled in the NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 16, T-17-S, R-35-E, delivering a 75% net revenue interest lease in the spacing unit prescribed by the New Mexico Oil Conservation Division before payout and retaining an overriding royalty interest equal to the difference between existing burdens and 25%. In addition you will have the option to convert said override to a proportionate 25% working interest at payout.
2. Marathon will commence drilling operations at a legal location in Section 16 within 180 days after the execution of a mutually acceptable Farmout Agreement and will develop said lands on a 180 day continuous development basis until all farmout lands are located within a standard spacing unit prescribed by the New Mexico Oil Conservation Division.

Marathon appreciates your consideration concerning this matter and would appreciate your favorable response by July 6, 1987. Should you have any questions concerning this matter, please advise.

Very truly yours,

MARATHON OIL COMPANY

Steve Daniels
Landman

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION <i>MARATHON</i> EXHIBIT NO. <u>9</u> CASE NO. <u>9222</u>

SMD;mmc'

~~54477~~
7-16

July 14, 1987

54477 - STATE OF NEW MEXICO "W" LEASE
LEA COUNTY, NEW MEXICO

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

Attention: Mr. Steve Daniels

Gentlemen:

Reference is made to your letter dated June 17, 1987, requesting a farmout in the NE/4 SW/4 Section 16, T-17-S, R-35-E, Lea County, New Mexico, for the drilling of a 12,500' Atoka-Morrow test.

Please be advised that after careful consideration we have decided not to farmout this acreage at the present time.

Thank you for allowing us to evaluate this proposal.

Yours very truly,

S. L. Chandler
Land Manager
Texaco Inc.

By Curtis D. Smith
Curtis D. Smith

CDS-ES

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION <u>MARATHON</u> EXHIBIT NO. _____ CASE NO. <u>9222</u>
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**Marathon
Oil Company**

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

August 12, 1987

Texaco, Inc.
P. O. Box 3109
Midland, Texas 79702-3109

Attention: S. L. Chandler

Re: Well Proposal - State "16" Com. No. 1
S $\frac{1}{2}$ Section 16, T-17-S, R-35-E,
North Vacuum Field Area
Lea County, New Mexico

Gentlemen:

Attached for your consideration is Marathon Oil Company's AFE No. 44555 to drill a 12,500' Basal Atoka-Morrow test located 1,980' FSL and 1,980' FWL of Section 16, T-17-S, R-35-E, N.M.P.M., Lea County, New Mexico. Marathon anticipates spudding this well in the latter part of the third quarter 1987. If completed as a commercial producer, the proration unit would encompass the S $\frac{1}{2}$ of Section 16. A proposed operating agreement will be forwarded for your review under separate cover in the near future.

In the event you do not wish to participate in the drilling of the proposed well, Marathon respectfully requests a farmout of your interest in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E, under the following terms:

1. Within 180 days of execution of a mutually agreeable farmout letter agreement, Marathon will commence drilling a 12,500' Basal Atoka-Morrow test at a legal location in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E.
2. Upon completion of a commercial producer you will assign 100% of your working interest in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E, delivering a 75% net revenue leasehold, retaining an overriding royalty interest equal to the difference between 25% and existing burdens proportionately reduced.
3. At payout of the well, you will have the option to convert the retained overriding royalty interest to a 25% working interest proportionately reduced.

Marathon appreciates your consideration concerning this matter and would appreciate your favorable response by September 11, 1987. Should you have any questions, please advise.

Very truly yours,

MARATHON OIL COMPANY

Wayne L. Ransbottom

Wayne L. Ransbottom
Area Land Supervisor

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION MARATHON EXHIBIT NO. _____ CASE NO. <u>9222</u>

WLR;mmc'
Attachment

Marathon Oil Company
 AUTHORITY FOR EXPENDITURE
 DETAIL OF ESTIMATED WELL COSTS

AFE NO. 44535
 DATE 8/3/87

SHEET 3 OF 4 SHEETS

Lease or Facility State "16" Com No. 1
 Field or Prospect North Vacuum (Atoka)
 Location: 1980' FSL, 1980' FWL, Sec. 17, T17S R35E
Lea County, New Mexico

Wildcat Development Development Exploratory Recompletion Workover
 Est. Total Depth 12,500 Est. Drilling Days 60 Est. Completion Days 6

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		DRILLING COSTS – TANGIBLE			
		Drive Pipe	1		
	40'	Conductor	2		1,000
	300'	Surface	3		6,000
	5000'	Intermediate Casing, Liner, or Tieback	4		45,000
		Liner Hanger and Tieback Equipment	5		
		Casinghead	6		10,000
		Miscellaneous	7		1,000
		TOTAL DRILLING COSTS – TANGIBLE			63,000
		DRILLING COSTS – INTANGIBLE			
		Location and Access	9		30,000
	6 days	Daywork Drilling	10		21,000
12,500		Footage Basis Drilling	11		230,000
	60 days	Direct Supervision	14		21,000
		Bits, Hole Openers, Stabilizers, etc.	15		
		Mud and Mud Services	16		34,000
		Rig Fuel	17		
		Water	18		15,000
		Rental Equipment and Tools	19		36,000
		Casing/Drive Pipe Tools, Services and Accessories	20		10,000
		Cement and Cementing Service	21		22,000
		Well Logging and Services	22		10,000
		Mud Logging	23		10,000
		Pipe Inspection	24		5,000
		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		20,000
		Shore Base Services	33		
		Communications	34		
		Fishing Tools and Services	35		
		Abandoning Tools and Services	36		
		Miscellaneous Material and Services	37		26,000
		Dry Hole Contributions	38		
		Overhead	39		
		Indirect Expense	40		6,000
		TOTAL DRILLING COSTS – INTANGIBLE			501,000
		TOTAL DRILLING COSTS			\$ 564,000
		COMPLETION COSTS – TANGIBLE			
	12,500'	5 1/2" Production Casing	42		88,000
		Liners	43		
	12,400'	2 7/8" Tubing N-80 @ 2.94/ft.	44	1	36,000
		Liner Hanger and Tieback Equipment	45		
		Christmas Tree	46	1	29,000
		Subsurface Safety Shut-In Devices	47		
		Packers	48	1	3,000
		Subsurface Artificial Lift Equipment	49		
		TOTAL COMPLETION COSTS – TANGIBLE			156,000

PHB/48/dah

BEFORE EXAMINER CATALANACH
 OIL CONSERVATION DIVISION
 MARATHON EXHIBIT NO. _____
 CASE NO. 9222

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

AFE NO. 44555
 DATE 8/3/87

SHEET 4 OF 4 SHEETS

Lease or Facility State "16" Com No. 1

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		
	6 days	Completion Rig	52		7,000
		Contract Service Units	53		4,000
		Direct Supervision	54		3,500
		Company Labor	55		
		Contract Labor	56		2,500
		Rig Fuel	57		
		Completion and Packer Fluids	58		5,000
		Rental Equipment and Tools	59		3,000
		Casing Tools, Services and Accessories	60		6,000
		Cement and Cementing Service	61		15,000
		Logging Services	62		3,000
		Perforating	63		2,000
		Wireline Services	64		
		Formation Treating	65		7,000
		Sand Control Equipment and Services	66		
		Formation Testing	67		
		Tubular Testing and Cleaning	68		3,000
		Mobilization and Demobilization of Completion Rig	69		
		Air Transportation	70		
		Marine Transportation	71		
		Land Transportation	72		
		Shore Base Services	73		
		Communications	74		
		Fishing Tools and Services	75		
		Wireline Cased-hole Plugbacks	76		
		Miscellaneous Material and Services	77		4,000
		Sidetrack or Milling Sections	78		
		Overhead	79		
		Indirect Expense	80		
		TOTAL COMPLETION COSTS -- INTANGIBLE			65,000

TOTAL COMPLETION COSTS \$ 221,000

		SURFACE EQUIPMENT -- TANGIBLE		
		Pumping Equipment	83	
		Tanks and Related Equipment	84	5,000
		Company Labor and Non-Hauling Units	85	5,000
		Contract Labor and Non-Hauling Units	86	2,000
		Water Injection Equipment	87	
		Heater-Treater	88	
		Miscellaneous Supplies	89	5,000
		Dehydrating Equipment	90	15,000
		Separator-Trap	91	7,000
		Transportation	92	3,000
		Metering Equipment	93	
		Line Pipe	94	43,000
		Electrical Equipment	95	
		Compressors	96	
		TOTAL SURFACE EQUIPMENT -- TANGIBLE		\$ 85,000

SUMMARY OF ESTIMATED DRILLING WELL COSTS

		TOTAL COST	MARATHON'S SHARE
Total Drilling Cost	BEFORE ESTIMATION OIL CONSULTANT DIVISION <i>MARATHON</i> EXHIBIT NO. _____ CASE NO. <u>9222</u>	\$ 564,000	\$ 141,000
Total Completion Cost		221,000	55,300
Total Surface Equipment		85,000	21,200
Grand Total Cost		\$ 870,000	\$ 217,500
Marathon's Share of Grand Total Cost to be Booked This Year			
If Wildcat Well, Give Marathon's Share of Dry Hole Cost			

Phillips L 1/2 -

Texaco - 688-4100

9-2-87 - Advised Texaco that Marathon had proceeded with force pooling proceeds in the S 1/2 of Section 16. The date of the hearing will be the 23rd of September. ~~For this~~ Curtis advised that they are still evaluating the proposal and at this time did not have a recommendation. Curtis did say that Texaco had received a request from Phillips to drill a well in the W 1/2 of Section 16 and that they were presently evaluating the W 1/2 unit. He advised that the geology would be the deciding factor. SMC.

9-16-87 - Called Curtis and he was not in his office.

meeting tomorrow - W 1/2

BEFORE EXAMINER CATANACH OIL CONSERVATION DIVISION <u>MARATHON</u> EXHIBIT NO. _____ CASE NO: <u>9222</u>
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TEXACO

9-21-87 - called Curtis and he was not in. I left a message for him to call me back. SMJ

9-21-87 - Curtis advised that TEXACO was going to back C. W. Trainor for the formation of a W $\frac{1}{2}$ of Section 22.

BEFORE EXAMINER CANTONACH OIL CONSTRUCTION DIVISION <u>MARATHON</u> EXHIBIT NO. _____ CASE NO. <u>9222</u>
