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**Marathon  
Oil Company**

Mid-Continent Region  
Production United States

P.O. Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626

February 16, 2000

Energy, Minerals and Natural Resources Department  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico  
Attn: Mr. M.E. Stogner



Re: Request for Administrative Approval for Non-Standard Location Blanco Mesaverde Pool

Dear Mr. Stogner,

Marathon Oil Company respectfully requests administrative approval for a non-standard location for its Gross # 1-A to be drilled at 506' FSL & 2064' FWL of Section 7, T-31-N, R-12-W, San Juan Co., New Mexico. Pool rules for the Blanco Mesaverde require wells to be spaced no closer than 660' from exterior boundaries.

During the onsite location review, the BLM required that the location be moved from a standard location to the proposed site to avoid a significant hillside drainage and archaeological disturbance. The proposed location avoids any significant drainage and minimizes cut and fills requirements for location construction, thus avoiding the potential cultural disturbance.

Marathon Oil Company proposes to drill this well to test the Blanco Mesaverde formation and upon completion, surrender the well to Greystone Energy to operate in the same 160 acre SE/4 proration unit as Greystone's Gross # 1-E well. NMOCD order No. R-6760 provides for a 160-acre non-standard gas proration unit in the SE and SW quarters of Section 7, T-31-N, R-12-W. This proposed non-standard location would encroach upon the E/2 proration unit of Section 18 T-31-N, R-12-W, which is operated by Marathon Oil Company. The proposed location will also encroach upon the SW/4 of section of Section 7, T-31-N, R-12-W, which is also operated by Marathon Oil Company.

Attached for your review, please find an ownership map describing the proposed proration units with the proposed well, a topographic map and a waiver letter from Greystone Energy regarding the non-standard location and assumption of operations after Marathon's completion of the well.

Should anything additional be required, please contact me at (800) 351-1417.

Very truly yours,

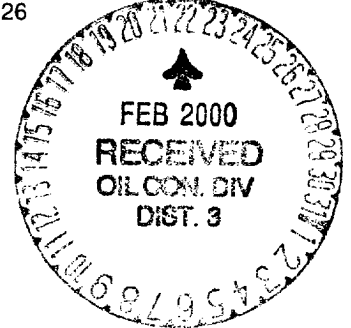
*Walter Dueease*

Walter Dueease

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P.O. Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626



January 27, 2000

Attn: Brian Ary  
Greystone Energy Inc.  
9155 E. Nichols Ave., Ste 350  
Englewood, CO 80112

Re: Application of Marathon Oil for Administrative  
Approval of an Unorthodox Well Location  
San Juan County, New Mexico

Dear Mr. Ary:

Enclosed is a copy of a plat for Gross 1-A to be drilled by Marathon Oil Company, which will be an unorthodox well location, in the Blanco Mesaverde Pool. The well will be drilled at 506' FSL and 2064' FWL of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico. The pool rules for the Blanco Mesaverde Pool state that wells are to be spaced 660' from the exterior boundaries. The proposed location is unorthodox due to BLM requirements to minimize archeological disturbance in this very sensitive area.

The well shall be dedicated to the non-standard 160-acre proration unit in the SE/4 of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico set by the State of New Mexico Oil Conservation Division Order No. R-6760. Greystone Energy Inc. is the operator of record for the said proration unit and shall assume operatorship upon the completion of the proposed well.

If you have an objections to this application it must be filed in writing with the New Mexico Oil Conservation Division at its Santa Fe Office within twenty days from the date of this letter. Should you have no objections to this request, please signify by signing below and returning one executed copy to me in the envelope provided. I can be reached at 1-800-351-1417 if you need to contact me

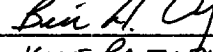
Yours truly,

A handwritten signature in cursive script, appearing to read 'Walter J. Dueease'.

Walter J. Dueease

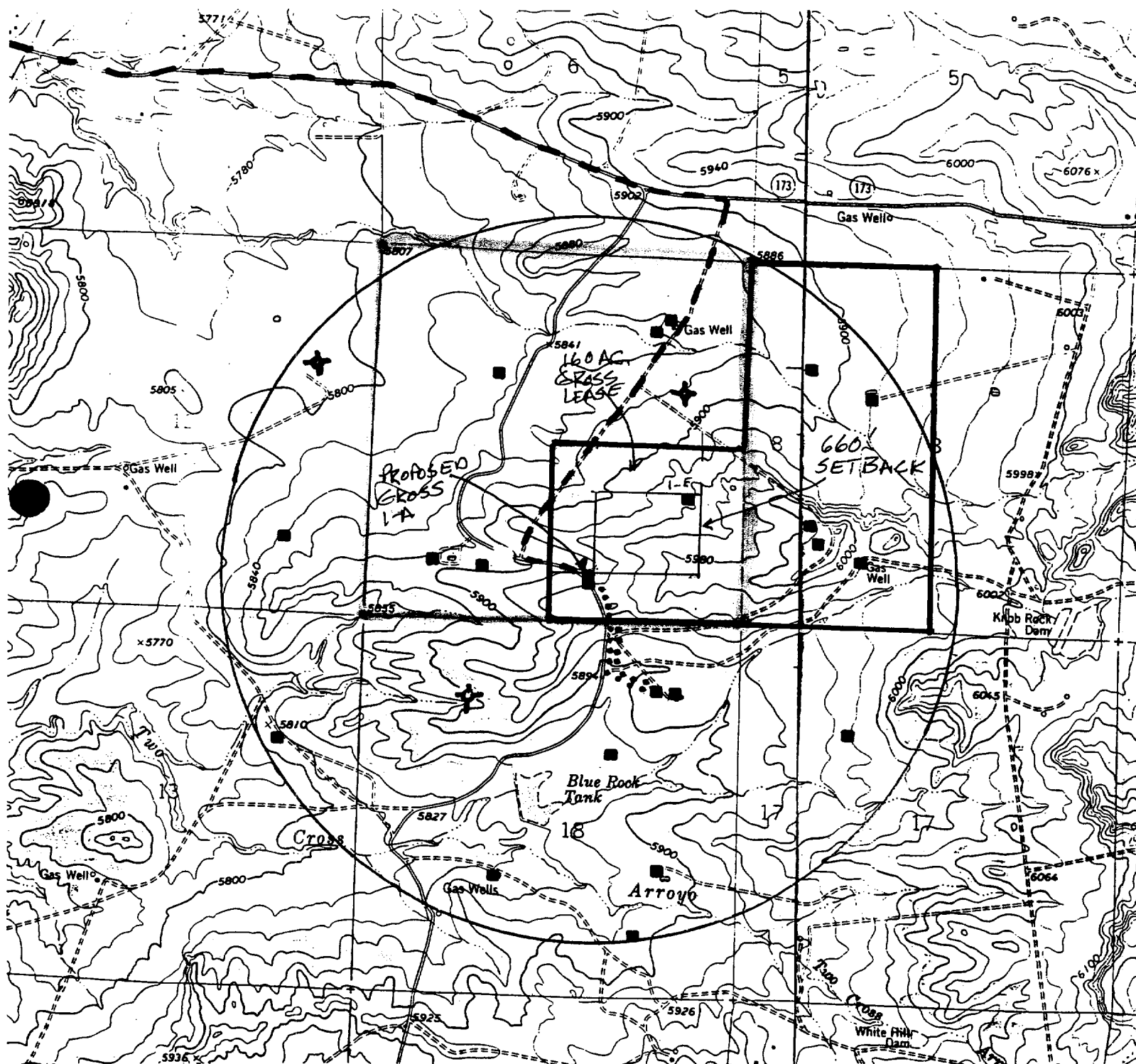
I/WE, AS OFFSET OPERATOR, WAIVE OBJECTION TO MARATHON'S INTENT TO DRILL ITS GROSS 1-A AT 506' FSL AND 2064' FWL OF SECTION 7, TOWNSHIP 31 NORTH, RANGE 12 WEST, SAN JUAN COUNTY, NEW MEXICO. I/WE ALSO AGREE TO ASSUME OPERATORSHIP UPON THE COMPLETION OF THE WELL.

GREYSTONE ENERGY INC.

By:   
Title: VICE PRESIDENT

Marathon Oil Company  
 Gross 1 A  
 506' FSL & 2064' FEL  
 Sec. 7, T. 31 N., R. 12 W.  
 San Juan County, New Mexico

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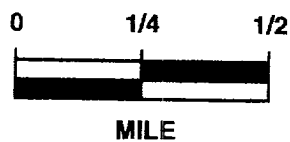
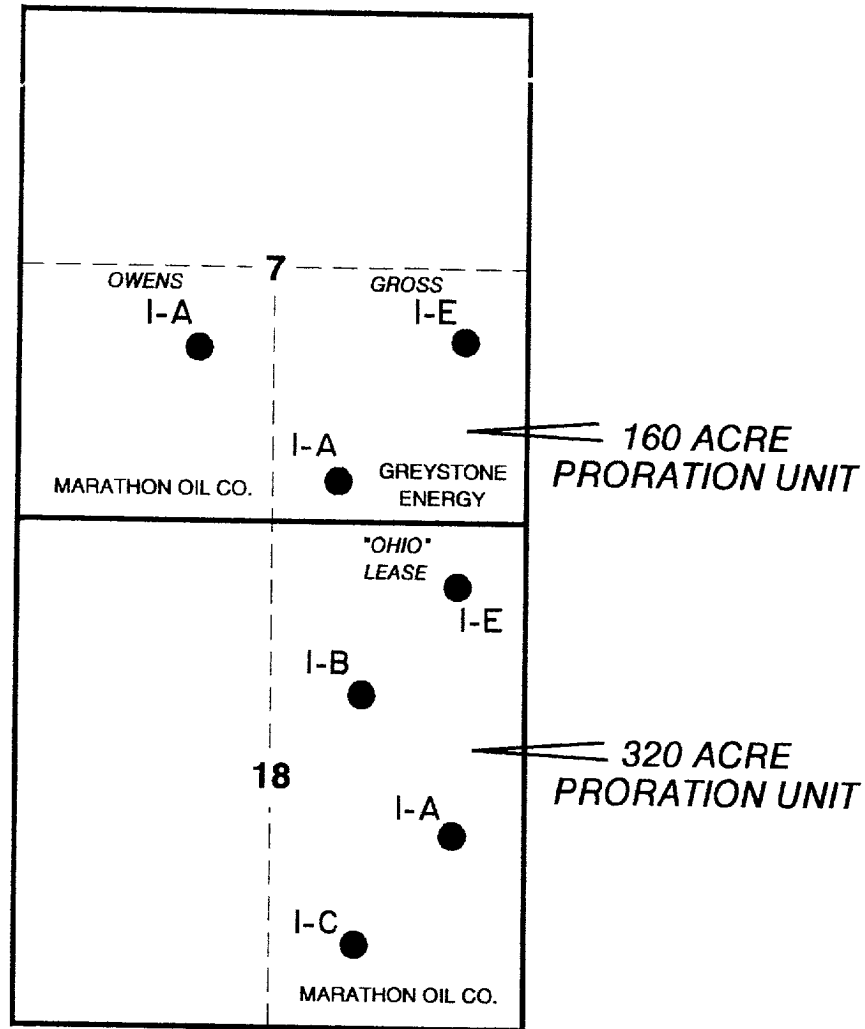


PROPOSED WELL: ■  
 LEASE LINE: —  
 ON LEASE GAS LINE: ...  
 EXISTING WELL: ■  
 EXISTING ROAD: - - -  
 OFF LEASE GAS LINE: . . .

**PERMITS WEST** INC.  
 PROVIDING PERMITS for LAND USERS

R 12 W

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31  
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MARATHON OIL COMPANY  
MID-CONTINENT REGION

**"GROSS" 1-A**  
SAN JUAN COUNTY, NEW MEXICO