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Southern U.S. Business Unit
Domestic Production

DRC



**Marathon
Oil Company**

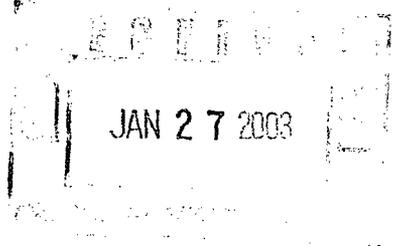
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P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

January 7, 2003

Mr. David Catanach
Oil Conservation Department
2040 South Pacheco
Santa Fe, New Mexico 87501

Re: **Request for Exception to Rule 303-A
Downhole Commingling
Yates Federal Com No. 1
860' FSL & 1980' FWL
Unit Letter "N", Section 8, Township 20-S, Range 29-E
Strawn & Morrow
Burton Flat East Field
Eddy County, New Mexico**



Dear Mr. Catanach:

Marathon Oil Company requests administrative approval for an exception to Rule 303-A to permit the downhole commingling of oil production in the above subject well from the Strawn and the Morrow pools in Eddy County, New Mexico. If this application is not approved, reserve recovery from both pools will not be maximized.

The subject well was drilled and completed as a single producer in the Strawn in late 1973. In April, 2000 the well was recompleted in the Morrow and returned to production in the Morrow only. Marathon's plans are to downhole commingle both pools.

By downhole commingling the production from these two zones, additional reserves are possible. Plunger lift equipment will be utilized to maximize efficiency. Producing the well in this manner will allow more complete recovery of the reserves by extending the economic life of both completions, thereby preventing waste.

Enclosed is pertinent data to support this application as outlined in Rule 303-A. If additional information is necessary, please contact me at (915) 687-8408 or e-mail me at TChase@MarathonOil.com.

Yours truly,

Tim L. Chase
Advanced Engineer Technician
Joint Interest Operations
Southern Business Unit