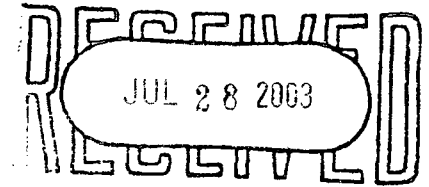




KERR-McGEE OIL & GAS ONSHORE LLC
16666 NORTHCHASE • HOUSTON, TEXAS 77060

July 22, 2003



Sent Via Fax at 915/687-8431 (3 Pages)

Mr. John Kloosterman
Marathon Oil Company
PO Box 552
Midland, Texas 79702

Sent via FAX 405/552-8113 (3 Pages)

Mr. Ken Gray
Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Sent via FAX 505/748-4572 (3 Pages)

Ms. Janet Richardson
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210-2118

RE: Lowe State Gas Com No. 6
660' FSL and 990' FWL, Section 36, T21S-R23E,,
Indian Basin Upper Pennsylvanian Associated Pool
Eddy County, New Mexico
Certified Mail – Return Receipt Requested

Ladies and Gentlemen:

We are enclosing a plat depicting the proposed location for the Lowe State Gas Com No. 6 well. Also on the plat is the location of the Lowe State Gas Com No. 5 well which is drilled and completed in the Indian Basin Upper Pennsylvanian Associated Pool. Please notice that both the location for the No. 5 well and the proposed location for the No. 6 well are in the SW/4 of Section 36. The Pool Rules for this 320 acre stand-up unit only allow for one well in the same quarter section. We are writing to request that a waiver of objection be granted for the drilling of the No. 6 well in the same quarter section as the No. 5 well.

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LoweState#6


CD 13202

Exhibit #3

RE: Lowe State Gas Com No. 6
July 22, 2003
Page 2

Thank you and I hope each of you are doing well. Please notice our new Houston, Texas address on this letterhead. My phone number is 281/673-6043.

Sincerely,


Steve Foerster
Landman

Agreed to and accepted

Marathon Oil Company

By: _____

Title: _____

Date: _____

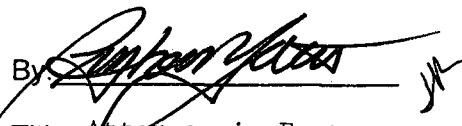
Devon Energy Corporation

By: _____

Title: _____

Date: _____

Yates Petroleum Corporation

By: 
Title: Attorney-in-Fact

Date: August 7, 2003

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
Property Code	Property Name LOWE STATE GAS COM	Well Number 6
OGRID No.	Operator Name KERR-McGEE OIL & GAS ONSHORE, LLC	Elevation 3860'

Surface Location

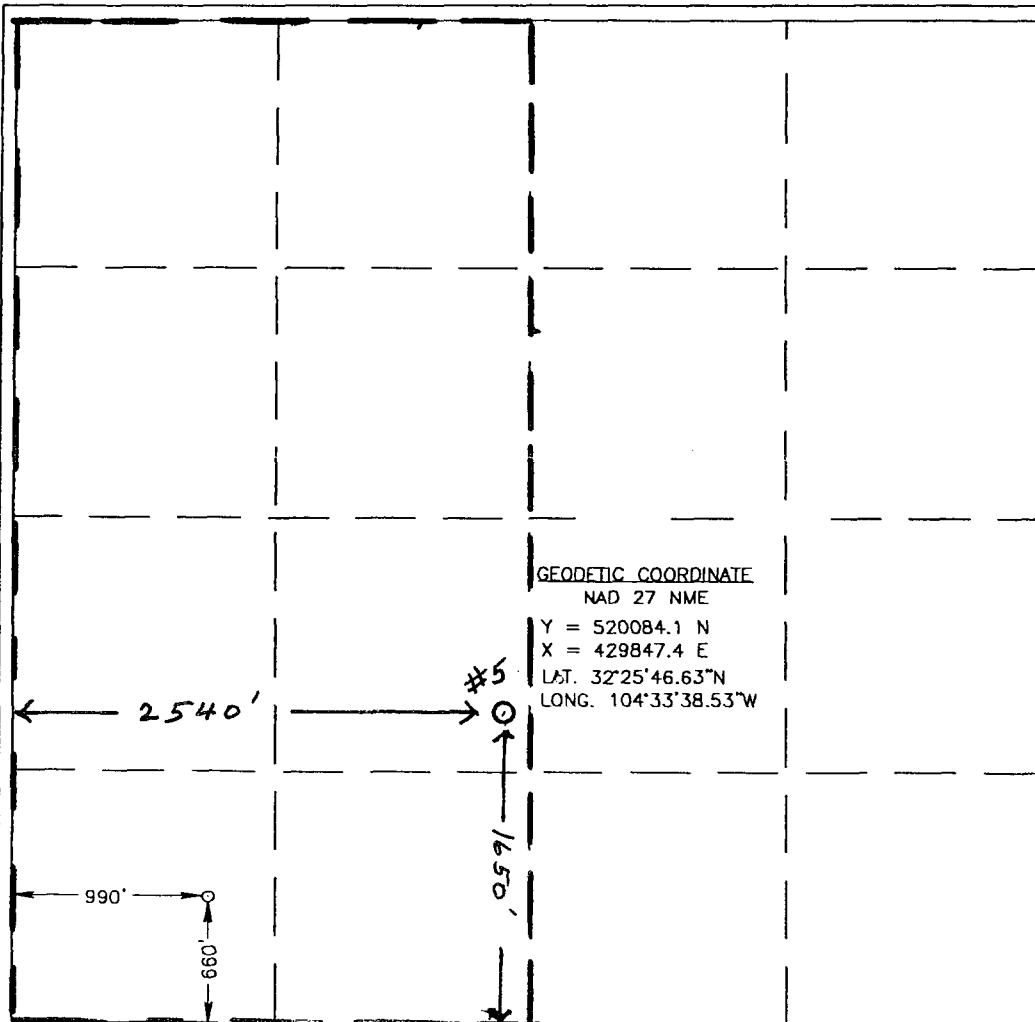
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	36	21-S	23-E		660'	SOUTH	990'	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the the information
contained herein is true and complete to the
best of my knowledge and belief.

Signature

Printed Name

Title

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown
on this plat was plotted from field notes of
actual surveys made by me or under my
supervision, and that the same is true and
correct to the best of my belief.

June 23, 2003

Date Surveyed AWB

Signature & Seal of Professional Surveyor

GARY EDISON
03.11.0437

Certificate No. RONALD J. EDISON 3239
GARY EDISON 12641



KERR-McGEE OIL & GAS ONSHORE LLC
16666 NORTHCHASE • HOUSTON, TEXAS 77060

July 22, 2003

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Marathon Oil Company
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Midland, Texas 79702

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LoweState#6

RECEIVED

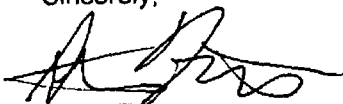
JUL 25 2003

LAND DEPARTMENT

RE: Lowe State Gas Com No. 6
July 22, 2003
Page 2

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Sincerely,



Steve Foerster
Landman

Agreed to and accepted

Marathon Oil Company

Yates Petroleum Corporation

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

Devon Energy Production Company, L.P.

By: 

Ken Gray
Title: Senior Land Advisor

Date: September 25, 2003



KERR-McGEE OIL & GAS ONSHORE LLC
16666 NORTHCHASE • HOUSTON, TEXAS 77060

July 22, 2003

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LoweState#6

RECEIVED

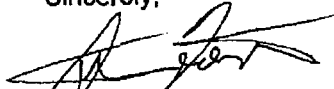
JUL 28 2003

JBAT

RE: Lowe State Gas Com No. 6
 July 22, 2003
 Page 2

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Sincerely,



Steve Foerster
 Landman

Agreed to and accepted

Marathon Oil Company

Yates Petroleum Corporation

By: 

By: _____

Title: ISAT-MANAGER

Title: _____

Date: 10-1-03

Date: _____

SUBJECT TO THE CONDITIONS BELOW.

Devon Energy Corporation

By: _____

Title: _____

Date: _____

(KML)
 AS DISCUSSED BETWEEN MARK PEAVY AND JOHN KLOOSTERMAN (MOC)
 AND CONFIRMED IN EMAIL FROM MARK PEAVY TO JOHN KLOOSTERMAN
 ON SEPT 26 2003, KERR MCQUEE AGREES TO THE FOLLOWING CONDITIONS
 AND MARATHON'S ACCEPTANCE OF THE LOWE ST #6 IS CONTINGENT
 UPON THESE CONDITIONS.

LoweState#6

1. THERE WILL BE NO ADDITIONAL DRILLING IN THE WEST PRODUCTION UNIT OF THE LOWE ST. SPECIFICALLY THE PLANS FOR LOWE ST #7 NEAR THE LOWE ST #1 WILL BE DROPPED.
2. KERR MCQUEE AGREES TO GRANT MARATHON A MIRROR LOCATION IN ITS FEDERAL CREEK LEASE (RC-215-235)



KERR-McGEE OIL & GAS ONSHORE LLC

16666 NORTHCHASE • HOUSTON, TEXAS 77060

October 14, 2003

Via Facsimile Transmission
(432) 687-8431

Marathon Oil Company
Attn: Mr. John Kloosterman
P.O. Box 552
Midland, Texas 79702

RE: Lowe State Gas Com. No. 6
Indian Basin Upper Pennsylvanian Associated Pool
Eddy County, New Mexico

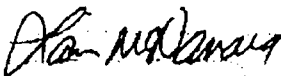
Dear John,

I am in receipt of your fax today of the conditional waiver regarding the above referenced well. I need to clarify your first condition. Kerr-McGee will agree not to drill any additional wells in the west proration unit of the Lowe State, unless one of the existing wells becomes incapable of economic production, for whatever reason, be it mechanical or other. A new well drilled in the west proration unit as a replacement well for one of the wells currently producing from the west proration unit would be allowed.

If this clarification meets with your approval, please sign below and return by fax to my attention at 281 673-4819. Should you have any questions, please call me.

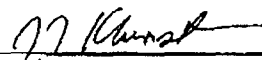
Sincerely,

Kerr-McGee Oil & Gas Onshore LLC


Laurie McNamara
Landman

Agreed to and accepted this 14 day of October, 2003.

Marathon Oil Company

By: 
Title: LEAD ENGINEER