

Township 21 South, Range 23 East, N.M.P.M.

Section 25:

All

Section 35:

E $\frac{1}{2}$

Section 36:

W $\frac{1}{2}$

Township 21 South, Range 24 East, N.M.P.M.

Section 19:

All

Township 22 South, Range 23 East, N.M.P.M.

Section 1:

W $\frac{1}{2}$

Section 2:

E $\frac{1}{2}$

Section 11:

E $\frac{1}{2}$

Section 12:

W $\frac{1}{2}$

Section 13:

W $\frac{1}{2}$

Section 14:

E $\frac{1}{2}$

OIL CONSERVATION DIVISION

CASE NUMBER 12782

KM EXHIBIT 2

One Federal Lease Sections:

(All)25-21S-23E

Devon SFS Operating, Inc. - Indian Basin F

- 1) Operating Agreement in place covering entire section, but not an issue. Devon owns 100% WI.
- 2) One Federal Lease covers entire section
- 3) No Fed Comm. Agmt.; No State Comm. Agmt, No State Leases.
- 4) There are ORRI's, but they cover entire section.
- 5) No Fed Comm. Agmt Needed - Leave As Is - as it is one lease - Per Armando Lopez 12/11/01.

(E/2)35-21S-23E

Marathon Oil Company - Federal C-35

- 1) No Operating Agreement, No Fed. Comm., No State Comm. No State Leases
- 2) One lease covers entire section
- 3) Marathon 100% WI Owner
- 4) No ORRI
- 5) No Comm. Agmt. necessary as one lease per Armando Lopez 12/11/01.

(W/2)1-22S-23E

Yates Petroleum Corporation - Zingaro Federal

- 1) Operating Agreement covers entire section.
- 2) All one Federal Lease.
- 3) No Fed. Comm. Agmt.
- 4) No State Leases; No State Comm. Agmt.
- 5) No ORRI
- 6) No Fed Comm. Agmt Needed – Leave As Is - Per Armando Lopez 12/11/01.

(E/2)11-22S-23E

Marathon Oil Company- Smith Fed

- 1) No Operating Agreement. Marathon 100% WI
- 2) One Federal lease covers entire section
- 3) No Fed or State Comm. Agmt; No State Leases
- 4) There are ORRI's but they cover entire section.
- 5) No Fed Comm. Agmt Needed – Leave As Is - Per Armando Lopez 12/11/01.

Sections containing State Leases:

(W/2)36-21S-23E

Kerr-McGee Oil & Gas Onshore LLC – Lowe State

- 1) Operating Agreement covers entire section.
- 2) No Fed Comm. No Fed Leases.
- 3) All State Leases involved.
- 4) Separate State Comm. Agmt. Cover E/2 and W/2.
- 5) No ORRI's
- 6) State will need to do an Amendment to State Comm. Agmt. to W/2 of Section 36 to change it from the Indian Basin Upper Penn Gas Pool Formation to the Indian Basin Upper Penn Associated Pool Formation. Per Jeff Albers 12/10/01.

(All)19-21S-24E

Marathon Oil Company Indian Federal

- 1) Operating Agreement covers entire section – covers Upper Penn
- 2) Federal Comm. Agmt. covers entire section, but as to Morrow only. There is no Fed. Comm. Agreement covering the Cisco/Canyon or Upper Penn.
- 3) There is a State lease covering Lot 1 or NW/4 NW/4 of section.
- 4) There is no State Comm. Agmt.
- 5) There are ORRI's
- 6) This section is not currently producing from the Upper Penn.
- 7) No action necessary as no communitization agreement is in place as to Indian Basin Upper Penn. (Currently there is no production from this pool.) If production is established, Comm. Agmts. will be entered into at that time.. Advised that we need to see the BLM, OCD and State for W/2. See BLM, OCD for E/2. Per Jeff Albers, 12/10/01. Space 320 because no Comm. Agmts. are in place – go with spacing requirements. Per Armando Lopez 12/11/01.

(E/2)2-22S-23E

Kerr-McGee Oil & Gas Onshore LLC- Conoco State

- 1) No Operating Agreement. No Fed. Comm. No Fed Leases.
- 2) KMG 100% WI
- 3) All State Leases involved.
- 4) State Comm. Agmt. covers entire section.
- 5) No ORRI's.
- 6) We will wish to establish separate Communitization Agreements for the E/2 and W/2 of Section 2. W/2 will cover Indian Basin Upper Penn Gas Pool and E/2 will cover Indian Basin Upper Penn Associated Pool. Per conversation with Jeff Albers 12/10/01.

Sections involving Federal Communitization Agreements:

(W/2)12-22S-23E

Yates Petroleum Corporation- Smith Fed

- 1) Operating Agreement covers entire section
- 2) Fed. Comm. Agmt. covers entire section
- 3) No State Leases or State Comm. Agmt.
- 4) Leave as is - Leave 640 acre CommAgmt. in place. - Per Armando Lopez 12/11/01.

(W/2)13-22S-23E

Yates Petroleum Corporation- HOC Federal

- 1) Operating Agreement covers entire section
- 2) Fed. Comm. Agmt. covers entire section
- 3) No State Leases or State Comm. Agmt.
- 4) Leave as is - Leave 640 acre Fed. CommAgmt. in place. Per Armando Lopez 12/11/01

(E/2)14-22S-23E

Marathon Oil Company- Federal IBB

- 1) Operating Agreement covers entire section
- 2) Fed. Comm. Covers entire section
- 5) No State Leases or State Comm. Agmt.
- 3) Leave as is - Leave 640 acre Fed. CommAgmt. in place. Per Armando Lopez 12/11/01