

United States Department of the Interior

Roswell District Office P.O. Box 1397

Roswell, New Mexico 88202-1397



IN REPLY REFFR TO

Tamano (BSSC) Unit 3180 (065)

RECEIVED MARATHON OIL CO

JUN 07 1991

Region Counsel

MARAI HUN UIL COMPANY Continent Region Law Dept.

LAND DEPARTMENT N 0 5 M: 1991 Texas

MIDLAND. TEXAS

Marathon Oil Company Attention: Mr. Thomas C. Lowry P. O. Box 552 Midland, TX 79702

Gentlemen:

Your application of May 24, 1991, filed with the BLM requests the designation of the Tamano (BSSC) Unit area, embracing 880.00 acres, more or less, Eddy County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Marathon Oil Company, Tamano (BSSC) Unit, Eddy County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations. Waterflooding will be limited to the following interval: That vertical interval underlying the Unit Area, known as the Bone Spring Second Carbonate. This interval is correlative to the interval shown in the type log from the Marathon Johnson "B" Federal No. 4, Section 11, T. 18 S., R. 31 E., Eddy County, New Mexico. This interval is 7,908 feet below KB (-4,156 feet subsea) to 8,190 feet below KB (-4,438 feet subsea). This designation is valid for a period of one year from the date of this letter.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections requested by the Bureau of Land Management are shown in red on p. 24 of the Form of Agreement and Tracts 1, 6, 7, 8, and 9 of Exhibit B.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area n

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MAKAIMUN UIL COMPANY LAND DEPARTMENT MIDLAND, TEXAS When the executed agreement is transmitted to the BLM for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form.

Sincerely,

Armando A. Lopez

Assistant District Manager.

Minerals

2 Enclosures:

1 - Page 24 of Unit Agreement

2 - Exhibit B

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. Eddy County, New Mexico local time on the later of (1) January 1, 1992 or (2) the first day of the calendar month next following the approval of this Agreement by all of the Working Interest Owners and all of the Royalty Owners and final approval of this Agreement by the A.O. and the approval of the Plan of Operations by the A.O. and the Division.

If this Agreement does not become effective on or before January 1, 1993, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least eighty percent (80%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Eddy County, New Mexico, a Certificate of Effectiveness describing the lands and unitized formation committed and stating the effective date of the Agreement.

The term of this Agreement shall be for and during the time that Unitized in paging quantities

Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations (including improved recovery operations)

EXHIBIT '8'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF CHARESHIP OF OIL AND GAS INTERESTS IN ACCOMPANCE WITH THE PARTICIPATION FORMULA FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT EDOT COUNTY, HEW MEXICO

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EXHIBIT '8' SCHEDULE SHOWING THE PERCENTAGE AND KIND OF GAMERSHIP OF DIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA FOR THE UNITIZED FORMATION FOR THE TAPANO (BSSC) UNIT EDDY COUNTY, HEW HERICO

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SCHEDULE SMOWING THE PERCENTAGE AND KIND OF DAMERSHIP OF OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA FOR THE UNITIZED FORMATION FOR THE TANAMO (BSSC) UNIT EDDY COUNTY, NEW MEXICO EXHIBIT '8'

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EXHIBIT 'R'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF CHARTESHIP OF OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA FOR THE UNITIZED FORMATION FOR THE TANAMO (BSSC) UNIT EDDY COUNTY, NEW MEXICO

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EXHIBIT '8'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF CHARESHIP OF OIL AND GAS INTERESTS IN ACCOMPANCE WITH THE PARTICIPATION FORMULA FOR THE UNITIZED FORMATION FOR THE TANAMO (BSSC) UNIT EDDY COUNTY, WEN MEXICO

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June 20, 1991

Working Interest Owners Tamano (BSSC) Unit

Re: Change to Unit Operating Agreement Tamano (BSSC) Unit Eddy County, New Mexico

To the Working Interest Owners:

In the hopes of achieving 100% sign-up to the Unit Agreement and the Unit Operating Agreement for the Tamano (BSSC) Unit in advance of the New Mexico Oil Conservation Division hearing on June 27, 1991, Marathon has agreed with Pennzoil Exploration and Production Company to change the voting procedure in the Unit Operating Agreement to provide that passage of any item voted on shall only occur upon the affirmative vote of three Working Interest Owners owning 80% of total Unit Participation.

To facilitate this change you will find enclosed replacement pages for pages 6 and 7 of the Unit Operating Agreement sent to you by overnight mail on June 13, 1991. Please remove pages 6 and 7 from the document as originally sent to you and replace them with these two new pages. Please then execute the signature pages for the Unit Operating Agreement, Unit Agreement and Amendment to Unit Agreement as sent to you last week and return them to me. If you have already executed these pages and returned them, and wish to withdraw your execution of any of the documents because of this change, please let me know and I will return your signature pages to you. If I do not hear from you then I will assume you are in agreement with the change. Both Marathon and Pennzoil will be executing the Unit Operating Agreement in this amended form and we would encourage you to do likewise.

If you have any questions at all regarding this change please call me at your earliest convenience.

Very truly yours,

Thomas C. Lowry Attorney

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