

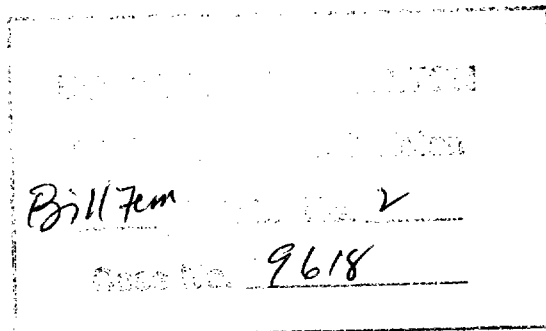


**Marathon  
Oil Company**

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

February 27, 1989

Padilla & Snyder  
Attorneys at Law  
P. O. Box 2523  
Santa Fe, New Mexico 87504-2523



Re: Unorthodox Well Location Hearing - Bill Fenn, Inc.  
Our Lease NM-1832 - North Indian Basin Unit  
NM-1797 - Indian Basin Unit  
All of Section 14, T-21-S, R-23-E  
Our Indian Basin Area  
Eddy County, New Mexico

Gentlemen:

Reference is made to Bill Fenn, Inc.'s Application to the State of New Mexico Oil Conservation Division for an unorthodox well location and dual completion of a Cisco and Morrow test to be located in Section 14, T-21-S, R-23-E, Eddy County, New Mexico.

Please be advised that Marathon will agree to Bill Fenn, Inc.'s proposed unorthodox well location of 1,650' FNL and 990' FWL of Section 14, T-21-S, R-23-E, N.M.P.M., Eddy County, New Mexico, provided that a forty percent (40%) penalty is imposed on the allowable for said well.

Please advise this office should you have any questions concerning the above.

Very truly yours,

MARATHON OIL COMPANY

A handwritten signature in cursive script, reading "Steve Daniels".  
Steve Daniels  
Landman

SMD/mts

cc: Mr. C. R. Hubacher  
Mr. J. L. Benson  
Mr. L. D. Garcia  
Mr. W. T. Kellahin  
P. O. Box 2265  
Santa Fe, New Mexico 87504-2265

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PADILLA & SNYDER

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(505) 986-7577

ERNEST L. PADILLA  
MARY JO SNYDER

FAX 986-7593  
AREA CODE 505

February 27, 1989

VIA TELECOPY

Hondo Oil and Gas Company  
Post Office Box 2208  
Roswell, New Mexico 88202

Attention: David Harle  
Vice President - Exploration

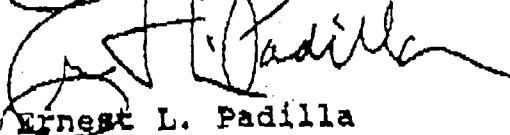
Re: Application of Bill Fenn, Inc. for Unorthodox  
Location and Dual Completion; OCD Case 9618

Dear Mr. Harle:

As you are aware, Bill Fenn, Inc. has reached a compromise with Marathon Oil Company to allow a 40 percent production penalty as to gas production from its proposed well. It is our understanding that you concur with the Bill Fenn, Inc./Marathon compromise.

Please acknowledge your concurrence with the proposed penalty in the space provided below.

Very truly yours,

  
Ernest L. Padilla

ELP:njp

cc: Bill Fenn, Inc.  
U. S. Operating

Hondo Oil & Gas Company concurs with the Bill Fenn, Inc./Marathon compromise as to the 40 percent penalty.

By: David L. Harle  
Title