

Mid-Continent Region
Exploration United States



**Marathon
Oil Company**

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

May 8, 1987

CERTIFIED MAIL & RETURN
RECEIPT REQUESTED

WORKING INTEREST OWNERS
(ADDRESS LIST ATTACHED)

Re: Itemized Schedule of Actual Well Costs
Our Benson #1 - 990' FEL & 330' FSL of Section 14
Our Lease NM-3867 - Jessie Benson, et al
Our East Garrett Area
Lea County, New Mexico

Gentlemen:

Pursuant to Article 5, Page 4, of Compulsory Pooling Case No. 8960, Order No. R-8282, dated August 21, 1986, enclosed please find an Itemized Schedule of Actual Well Costs for the drilling and completion of the Marathon Oil Company Benson #1.

This Itemized Schedule of Actual Well Costs includes invoices paid by Marathon through May 1, 1987, and it is anticipated that more costs will be booked for this well in the future.

In the event the Director of the New Mexico Oil Conservation Division feels that it is necessary for Marathon to obtain an extension of time, please be advised that Marathon hereby respectfully requests that an extension be granted.

Should you have any questions concerning this matter, please advise.

Very truly yours,

MARATHON OIL COMPANY

Steve Daniels
Landman

SMD:mmc
Encl.

WORKING INTEREST OWNERS

ARCO Oil & Gas Company
P. O. Box 1610
Midland, Texas 79702-1610
Attention: Ms. Rita Buress

Mr. James A. Davidson
P. O. Box 494
Midland, Texas 79702-0494

State of New Mexico Oil Conservation Division
P. O. Box 2088
State Land Office Building
Santa Fe, New Mexico 87501-2088
Attention: Mr. Michael E. Stogner

Fred G. Yates, Inc.
Yates Energy Corporation
Sunwest Centre, Suite 1010
Roswell, New Mexico 88201
Attention: Mr. Ken Hammons

Harvey H. Yates Company
Explorers Petroleum Corp.
Spiral, Inc.
P. O. Box 1933
Roswell, New Mexico 88201-1933
Attention: Ms. Rosemary T. Avery

Marathon Oil Company

ITEMIZED SCHEDULE OF ACTUAL WELL COSTS

AFE NO. _____

SHEET 1 OF 2 SHEETS

DATE _____

(INCLUDES INVOICES PAID BY MARATHON THROUGH MAY 1, 1987)

Lease or Facility Benson #1
 Field or Prospect East Garrett Deep
 Location 330' FSL and 990' FEL of Section 14, T-16-S, R-38-E, N.M.P.M., Lea County, New Mexico

Wildcat ☒ Development ☐ Development Exploratory ☐ Recompletion ☐ Workover ☐
 Total Depth 13,345' Drilling Days 73 Completion Days 55

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		DRILLING COSTS – TANGIBLE			
		Drive Pipe	1		
		Conductor	2		
		Surface	3		9,464.73
		Intermediate –Casing, Liner, or Tieback	4		77,806.42
		Liner Hanger and Tieback Equipment	5		
		Casinghead	6		3,995.83
		Miscellaneous	7		
		TOTAL DRILLING COSTS – TANGIBLE			91,266.98
		DRILLING COSTS – INTANGIBLE			
		Location and Access	9		39,850.88
		Daywork Drilling	10		71,973.06
		Footage Basis Drilling	11		256,862.37
		Direct Supervision	14		16,642.97
		Bits, Hole Openers, Stabilizers, etc.	15		
		Mud and Mud Services	16		38,633.88
		Rig Fuel	17		826.27
		Water	18		12,894.25
		Rental Equipment and Tools	19		25,077.23
		Casing/Drive Pipe Tools, Services and Accessories	20		3,902.99
		Cement and Cementing Service	21		14,839.92
		Well Logging and Services	22		35,139.50
		Mud Logging	23		
		Pipe Inspection	24		1,646.67
		Directional Services	25		3,052.46
		Coring	26		
		Formation Testing	27		9,489.25
		Diving Services	28		
		Mobilization/Demobilization	29		
		Air Transportation	30		
		Marine Transportation	31		
		Land Transportation	32		1,970.06
		Shore Base Services	33		
		Communications	34		
		Fishing Tools and Services	35		
		Abandoning Tools and Services	36		
		Miscellaneous Material and Services	37		7,246.04
		Dry Hole Contributions	38		
		Overhead	39		
		Indirect Expense	40		8,334.44
		TOTAL DRILLING COSTS – INTANGIBLE			548,382.24
		TOTAL DRILLING COSTS			\$ 639,649.22
		COMPLETION COSTS – TANGIBLE			
		Production Casing	42		95,683.10
		Liners	43		
		Tubing	44		30,523.92
		Liner Hanger and Tieback Equipment	45		
		Christmas Tree	46		25,611.58
		Subsurface Safety Shut-In Devices	47		
		Packers	48		466.56
		Subsurface Artificial Lift Equipment	49		34,585.07
		TOTAL COMPLETION COSTS TANGIBLE			186,870.23

Marathon Oil Company

ITEMIZED SCHEDULE OF ACTUAL WELL COSTS

SHEET 2 OF 2 SHEETS

(INCLUDES INVOICES PAID BY MARATHON THROUGH MAY 1, 1987)

AFE NO _____
DATE _____

Lease or Facility **Benson #1**

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		339.65
		Completion Rig	52		28,928.13
		Contract Service Units	53		1,164.60
		Direct Supervision	54		18,761.35
		Company Labor	55		448.14
		Contract Labor	56		1,820.70
		Rig Fuel	57		1,954.68
		Completion and Packer Fluids	58		4,970.06
		Rental Equipment and Tools	59		10,884.35
		Casing Tools, Services and Accessories	60		4,810.94
		Cement and Cementing Service	61		20,561.51
		Logging Services	62		
		Perforating	63		5,587.22
		Wireline Services	64		
		Formation Treating	65		36,422.84
		Sand Control Equipment and Services	66		
		Formation Testing	67		4,668.81
		Tubular Testing and Cleaning	68		7,425.18
		Mobilization and Demobilization of Completion Rig	69		
		Air Transportation	70		
		Marine Transportation	71		
		Land Transportation	72		8,881.43
		Shore Base Services	73		
		Communications	74		
		Fishing Tools and Services	75		
		Wireline Cased-hole Plugbacks	76		
		Miscellaneous Material and Services	77		173.64
		Sidetrack or Milling Sections	78		
		Overhead	79		
		Indirect Expense	80		1,137.05
		TOTAL COMPLETION COSTS -- INTANGIBLE			158,940.28
		TOTAL COMPLETION COSTS			\$ 345,810.51
		SURFACE EQUIPMENT -- TANGIBLE			
		Pumping Equipment	83		41,933.60
		Tanks and Related Equipment	84		15,567.79
		Company Labor and Non-Hauling Units	85		7,291.04
		Contract Labor and Non-Hauling Units	86		8,635.33
		Water Injection Equipment	87		
		Heater-Treater	88		2,644.33
		Miscellaneous Supplies	89		8,451.13
		Dehydrating Equipment	90		
		Separator-Trap	91		1,908.73
		Transportation	92		257.86
		Metering Equipment	93		
		Line Pipe	94		1,571.56
		Electrical Equipment	95		862.86
		Compressors	96		
		TOTAL SURFACE EQUIPMENT -- TANGIBLE			\$ 89,124.23

SUMMARY OF ESTIMATED DRILLING WELL COSTS

	TOTAL COST	MARATHON'S SHARE
Total Drilling Cost	\$ 639,649.22	\$
Total Completion Cost	345,810.51	
Total Surface Equipment	89,124.23	
Grand Total Cost	\$ 1,074,583.96	\$
Marathon's Share of Grand Total Cost to be Booked This Year		
If Wildcat Well, Give Marathon's Share of Dry Hole Cost		

STATE OF NEW MEXICO

ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION



GARREY CARRUTHERS
GOVERNOR

March 3, 1987

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE NEW MEXICO 87501
(505) 827 5800

Mr. James A. Davidson
P. O. Box 494
Midland, Texas 79702

Re: Case 8960, Order R-8282, Marathon Oil Co.
Compulsory Pooling

Dear Mr. Davidson:

This refers to your letter of February 18, 1987.

In our view, as a non-consenting "Owner", you are not entitled to any proprietary information from the operator until payout of well and risk penalty. As a royalty owner you are entitled to all information and royalty payments accorded to any and all royalty owners.

You should expect periodic reports of the payout status. The files of the OCD at Hobbs are open to the public unless the operator, for good cause, requests they be held confidential for up to 90 days as provided in Rule 1105, with reference to Form C-105.

Should further forced-pooling applications be filed for this area the results of the drilling of this well may have influence on any risk factor assigned for the drilling of subsequent wells.

If you have further questions, please feel free to call me or my staff at any time.

Yours very truly,

A handwritten signature in dark ink, appearing to read "William J. Lema". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

WILLIAM J. LEMAY,
Director

WJL/VTL/dr

cc: Marathon Oil Co.
Attention: S. C. Schraub
cc: Jerry Gentry

Case 8960
file

JAMES A. DAVIDSON
Oil & Gas Properties
P. O. BOX 494
MIDLAND, TEXAS 79702

February 18, 1987

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE

New Mexico Oil Conservation Division
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. Bill LeMay
Director

RE: Case 8960, Order R-8282
Marathon Oil Company -
Compulsory Pooling

Gentlemen:

Reference is made to the above noted case wherein Marathon force pooled my 38.125% interest in a drilling unit composed of SE/4 SE/4 Section 14, T-16-S, R-38-E, Lea County, New Mexico.

I have various leases and mineral interests under and surrounding this unit upon which Marathon has drilled its No. 1 Benson well. I believe that the well is being completed but I cannot be certain since Marathon has absolutely refused to furnish me any information. I am enclosing copy of letter from Marathon dated February 13, 1987, and you can see that the only information that it intends to furnish is well costs. I am even required to get production data from "the State of New Mexico at such time as the State makes them available to the public".

I need the well data of every kind for the following reasons:

- (1) I need to be able to respond if Marathon proposes another well on my leases since it can continue to force pool me on a location by location basis.
- (2) I need to be able to determine if the #1 Benson is draining my leases and minerals in the area.
- (3) I need to be able to determine if Marathon owes me an offset on minerals owned by me under lease to that company and offset to the well.

Assuming that the #1 Benson is completed as a commercial discovery, please advise me if the rules provide for me to ask for a hearing before the NMOCD to determine whether or not Marathon should be ordered to furnish all well data to me.

The reason that I need to try to get some help from the NMOCD is that it appears that Marathon and various of its employees are engaged in a pattern of activity whose aim is to deprive me of all information thereby enabling it to practice fraud and deceit on me to the end that I will be intentionally and maliciously defrauded by Marathon out of some very valuable property rights.

I would appreciate your reply in writing so if the rules do not provide for such a hearing, at the very least, I can show that I have exhausted my administrative remedies.

Very truly yours,



JAMES A. DAVIDSON

JAD/gh

enclosure

cc: Mr. S.C. Schraub - Marathon - Midland

Mr. L.D. Garcia - Marathon - Houston



**Marathon
Oil Company**

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

February 13, 1987

Mr. James A. Davidson
Oil & Gas Properties
P. O. Box 494
Midland, Texas 79702-0494

Re: New Mexico Oil and Gas Conservation
Division Case No. 8960
Order No. R-8382, dated August 21, 1986

Dear Mr. Davidson:

Thank you for your letter of February 4, 1987. For your information, the #1 Benson well, which is located in Section 14, T-16-S, R-38-E, Lea County, New Mexico, has not been completed to-date. In accordance with Article (5) on page 4 of the above-captioned Order, we will furnish you an itemized schedule of actual well costs within 90 days following completion of the well. As to your request for copies of the monthly NMOCD forms that we file with the State in the event the well is productive, it is our understanding that these forms can be obtained by you from the State of New Mexico at such time as the State makes them available to the public.

As you will recall, you were given the opportunity to participate in this well and pay your share of the estimated well costs, but elected instead to go non-consent. Since Marathon took all of the risk to drill this well and the costs associated therewith have not been recouped, we do not feel you are entitled to copies of any logs and surveys and must turn down your request for this information at this time.

Yours very truly,

MARATHON OIL COMPANY

S. C. Schraub
Region Landman

SCS:mmc'

xc: Mr. S. H. Raymond
Mr. L. D. Garcia



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

TONEY ANAYA
GOVERNOR

November 12, 1986

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501-2088
(505) 827-5800

Mr. Thomas Kellahin
Kellahin & Kellahin
Attorneys at Law
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Dear Mr. Kellahin:

Based upon your letter of November 12, 1986, and provisions of Order No. R-8282-A, Marathon Oil Company is hereby granted an extension of time to begin the well on the unit pooled by said order until November 25, 1986.

Sincerely,

A handwritten signature in cursive script, appearing to read "R. L. Stamets", with a long horizontal line extending to the right.

R. L. STAMETS
Director

RLS/fd

cc: ✓ Case 8960
Jerry Sexton

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

KELLAHIN and KELLAHIN
Attorneys at Law
El Patio - 117 North Guadalupe
Post Office Box 2265
Santa Fe, New Mexico 87504-2265

Telephone 982-4285
Area Code 505

November 12, 1986

RECEIVED

NOV 12 1986

OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Marathon Oil Company
Compulsory Pooling
Order R-8282 and R-8282-A (DeNovo)

Dear Mr. Stamets:

Our firm represents Marathon Oil Company and has obtained from the Commission the referenced compulsory pooling order which requires that the subject well be commenced on or before November 15, 1986.

On November 4, 1986, the Commission entered the DeNovo Order in this case and Marathon is in the process of moving a rig onto the location in anticipation of drilling by Saturday, November 15, 1986.

However, because of the possibility of bad weather or other unforeseen difficulties that may delay commencement, we would respectfully request an extension of the commencement date to noon, November 25, 1986.

Very truly yours,

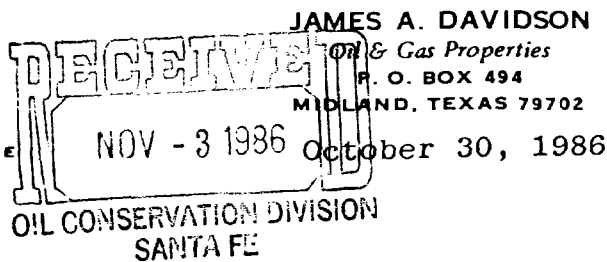


W. Thomas Kellahin

WTK:ca
Enc.

cc: Larry Garcia, Esq.
William F. Carr, Esq.

(915) 682-6482 - OFFICE
694-5472 - RESIDENCE



Case 8960
Case File

Marathon Oil Company
Post Office Box 552
Midland, Texas 79702

Attention: Mr. Steve Daniels, Landman

RE: Marathon Oil Company
Benson No. 1
SE/4 SE/4 Section 14,
T-16-S, R-38-E
Lea County, New Mexico
(Your #NM-3867)

Gentlemen:

Reference is made to the recent NMOCD De Novo hearing pertaining to the above described tract. At the hearing, Marathon declined to agree to furnish me with any well data or drilling reports, which is very unfair because if you make a well you will charge the payout account with its proportionate part of the cost of all such data, logs, and surveys.

I want the record to reflect that if you make a well and start proposing any offsets to it, then we are going to be back at the NMOCD for another hearing requesting all such data be furnished to me as a predicate for any other hearings that Marathon might request on this well or acreage.

I want to make it absolutely clear that I will not be faced with any further forced pooling hearings without being furnished with all data concerning the first well, if it is successful. I will exhaust all my administrative remedies in this regard and if I do not receive the data, I will reserve all further action available to me including any protection the courts may afford me.

Marathon's uncooperative and uncompromising attitude both before and at the hearing was surprising but not unexpected.

Very truly yours,

JAMES A. DAVIDSON

JAD/gh

✓ cc: Mr. R.L. Stamets - NMOCD - Santa Fe

KELLAHIN and KELLAHIN

Attorneys at Law

El Patio - 117 North Guadalupe

Post Office Box 2265

Santa Fe, New Mexico 87504-2265

Telephone 982-4285

Area Code 505

W. Thomas Kellahin
Karen Aubrey

Jason Kellahin
Of Counsel

RECEIVED

September 16, 1986

SEP 17 1986

OIL CONSERVATION DIVISION

Mr. Richard L. Stamets
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

"Hand Delivered"

Re: Marathon Oil Company
Compulsory Pooling Case
Benson Well #1, SE/4SE/4
Section 14, T16S, R38E, NMPM
Lea County, New Mexico
NMOCD Case 8960 (DeNovo)
Examiner Order R-8282

Dear Mr. Stamets:

On behalf of Marathon Oil Company, I request that Commission Case 8960, (DeNovo), now set for hearing on September 18, 1986, be continued to the next Commission docket.

In response to Mr. Carr's September 10, 1986 letter to you and as an explanation for our request for a continuance I wish to provide you with the following statement of our position. First, Mr. Carr characterizes our application for a DeNovo hearing as "further evidence of the bad faith Marathon has brought to the negotiations with Mr. Davidson."

Mr. Carr's statement is not true and we deeply resent his misstatement of the truth in an effort to attempt to gain an advantage for his client. Marathon's undisputed sworn testimony before the examiner on August 6, 1986 was that Marathon has attempted to form a voluntarily unit with Mr. Davidson since June 8, 1984. Since then there has been more than twenty different contacts between the parties in an effort to form a voluntary unit and drill this well on a voluntary basis. I have enclosed a copy of Marathon's Exhibit 2 from the examiner hearing showing the summary of those contacts.

The bad faith in this case has been entirely the doing of Mr. Davidson. Mr. Carr, on behalf of Mr. Davidson, before the Division Examiner stated that Mr.

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets
September 16, 1986
Page 2

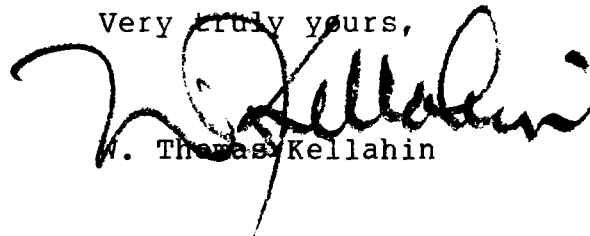
Davidson will seek a DeNovo Hearing if he could not extract the type of concessions he wanted from Marathon. In virtually every conversation I have had with Mr. Davision's attorney, both before and after the examiner hearing, Mr. Carr has repeated Mr. Davidson's strategy of attempting to delay the compulsory pooling as long as possible. The possibility of a voluntary agreement has long since past.

Having recognized that Mr. Davidson was using the hearing procedure for delay and hearing Mr. Davidson's attorney tell the Examiner that they would seek a DeNovo Hearing, Marathon requested a DeNovo hearing on the September 18th docket in order to expedite the hearing process and save the potential loss of drilling funds if this well could not be timely commenced.

As you can see from Mr. Carr's September 10, 1986 letter, Mr. Davidson is simply seeking another delay. There has been no meaningful discussions between the parties since the Examiner hearing and we need the Commission to resolve this matter.

Marathon is prepared to go forward with the September 18, 1986 hearing. However, because Mr. Davidson has objected we desire to avoid any possible procedural defect that may occur by not giving Mr. Davidson all time allowed by the statute. Accordingly, we are requesting that our application be re-set for the October Commission hearing.

Very truly yours,



W. Thomas Kellahin

WTK:ca

cc: William F. Carr, Esq.
Campbell & Black
P. O. Box 2208
Santa Fe, New Mexico 87504

Lawrence D. Garcia, Esq.
Marathon Oil Company
Post Office Box 3128
Houston, Texas 77253

KELLAHIN and KELLAHIN

Mr. Richard L. Stamets
September 16, 1986
Page 3

Steve Daniels
Marathon Oil Company
125 West Missouri
Midland, Texas 79701