



**Marathon
Oil Company**

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

June 17, 1987

Shell Western E&P, Inc.
P. O. Box 576
Houston, Texas 77001-0576

Attention: Mr. Bob Davis

Re: Farmout Request - North Vacuum Field Area
SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 16,
T-17-S, R-35-E, N.M.P.M.,
Lea County, New Mexico

Gentlemen:

Marathon is proposing to drill a 12,500' Atoka-Morrow test at a legal location in Section 16, T-17-S, R-35-E, N.M.P.M., Lea County, New Mexico.

Marathon respectfully requests a farmout of your interest in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 16, T-17-S, R-35-E, under the following terms:

1. Farmout your interest from the surface to 100' below the stratigraphic equivalent of the total depth drilled in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 16, T-17-S, R-35-E, delivering a 75% net revenue interest lease in the spacing unit prescribed by the New Mexico Oil Conservation Division before payout and retaining an overriding royalty interest equal to the difference between existing burdens and 25%. In addition you will have the option to convert said override to a proportionate 25% working interest at payout.
2. Marathon will commence drilling operations at a legal location in Section 16 within 180 days after the execution of a mutually acceptable Farmout Agreement and will develop said lands on a 180 day continuous development basis until all farmout lands are located within a standard spacing unit prescribed by the New Mexico Oil Conservation Division.

Marathon appreciates your consideration concerning this matter and would appreciate your favorable response by July 6, 1987. Should you have any questions concerning this matter, please advise.

Very truly yours,

MARATHON OIL COMPANY

Steve Daniels
Landman

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<u>MARATHON</u>	EXHIBIT NO. <u>8</u>
CASE NO. <u>9222</u>	

SMD;mmc'

6-26-87 - Talked to C.W. Trainer and he advised + that
he would wait until he sees the results of the Midway
State 17 Com well No 2 before making decision to FO.

7-7-87 - Talked to C.W. Trainer and he advised + that
he would wait until he sees the results of the Midway
State 17 Com well No 2 before making decision to FO.

9-2-87 - C.W. Trainer - 915-388-3674

File Application for Force Pooling

Called C.W. Trainer and he advised him that Marathon
had filed for Force Pooling Proceedings with the State OCO for
the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E. Advised him that
the hearing would be held on September 23, 1987.

9-15-87 - called Mr. Trainer to check on the status of our well proposal.
I will call him back tomorrow A.M. as he was not in. SM4

9-16-87 - called Mr. Trainer + he was not in

BEFORE EXAMINER CATHY HACH
OIL CONSERVATION DIVISION
<u>MARATHON</u> EXHIBIT NO. _____
CASE NO. <u>9222</u>

50

Shell Western E&P Inc.

A Subsidiary of Shell Oil Company



P.O. Box 831
Houston, TX 77001

July 24, 1987

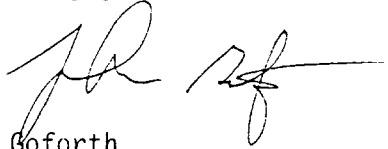
Mr. Steve Daniels
Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Dear Mr. Daniels:

SUBJECT: NM-1648
VACUUM FIELD
LEA COUNTY, NEW MEXICO

Pursuant to your letter of June 17, 1987, please be advised that we are not interested in farming out our acreage in T17S-R35E, Section 16: SW $\frac{1}{4}$ SE Lea County, New Mexico.

Very truly yours,


John Goforth
Land Department
Rocky Mountain Division

JG:bjc

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<u>MARATHON</u>	EXHIBIT NO. _____
CASE NO.	<u>9222</u>

CUUE8720515



**Marathon
Oil Company**

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

August 12, 1987

Shell Western E. & P., Inc.
P. O. Box 576
Houston, Texas 77001-0576

Attention: Bob Davis

Re: Well Proposal - State "16" Com. No. 1
S $\frac{1}{2}$ Section 16, T-17-S, R-35-E,
North Vacuum Field Area
Lea County, New Mexico

Gentlemen:

Attached for your consideration is Marathon Oil Company's AFE No. 44555 to drill a 12,500' Basal Atoka-Morrow test located 1,980' FSL and 1,980' FWL of Section 16, T-17-S, R-35-E, N.M.P.M., Lea County, New Mexico. Marathon anticipates spudding this well in the latter part of the third quarter 1987. If completed as a commercial producer, the proration unit would encompass the S $\frac{1}{2}$ of Section 16. A proposed operating agreement will be forwarded for your review under separate cover in the near future.

In the event you do not wish to participate in the drilling of the proposed well, Marathon respectfully requests a farmout of your interest in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E, under the following terms:

1. Within 180 days of execution of a mutually agreeable farmout letter agreement, Marathon will commence drilling a 12,500' Basal Atoka-Morrow test at a legal location in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E.
2. Upon completion of a commercial producer you will assign 100% of your working interest in the S $\frac{1}{2}$ of Section 16, T-17-S, R-35-E, delivering a 75% net revenue leasehold, retaining an overriding royalty interest equal to the difference between 25% and existing burdens proportionately reduced.
3. At payout of the well, you will have the option to convert the retained overriding royalty interest to a 25% working interest proportionately reduced.

Marathon appreciates your consideration concerning this matter and would appreciate your favorable response by September 11, 1987. Should you have any questions, please advise.

Very truly yours,

MARATHON OIL COMPANY

Wayne L. Ransbottom
Wayne L. Ransbottom
Area Land Supervisor

BEFORE EXPLORATION CATASTROPHES	
OIL CONSERVATION DIVISION	
MARATHON	EXHIBIT NO. _____
CASE NO. 9222	

VLR:mmc'
Attachment

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

SHEET 3 OF 4 SHEETS

AFE NO. 44555
DATE 8/3/87

Lease or Facility State "16" Com No. 1
Field or Prospect North Vacuum (Atoka)
Location 1980' FSL, 1980' FWL, Sec. 17, T17S R35E
Lea County, New Mexico

Wildcat ☒ Development ☐ Development Exploratory ☐ Recompletion ☐ Workover ☐
Est. Total Depth 12,500 Est. Drilling Days 60 Est. Completion Days 6

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		DRILLING COSTS – TANGIBLE			
		Drive Pipe	1		
	40'	Conductor	2		1,000
	300'	Surface	3		6,000
	5000'	Intermediate Casing, Liner, or Tieback	4		45,000
		Liner Hanger and Tieback Equipment	5		
		Casinghead	6		10,000
		Miscellaneous	7		1,000
		TOTAL DRILLING COSTS – TANGIBLE			63,000
		DRILLING COSTS – INTANGIBLE			
		Location and Access	9		30,000
12,500	6 days	Daywork Drilling	10		21,000
		Footage Basis Drilling	11		230,000
	60 days	Direct Supervision	14		21,000
		Bits, Hole Openers, Stabilizers, etc.	15		
		Mud and Mud Services	16		34,000
		Rig Fuel	17		
		Water	18		15,000
		Rental Equipment and Tools	19		36,000
		Casing/Drive Pipe Tools, Services and Accessories	20		10,000
		Cement and Cementing Service	21		22,000
		Well Logging and Services	22		10,000
		Mud Logging	23		10,000
		Pipe Inspection	24		5,000
		Directional Services	25		
		Coring	26		
		Formation Testing 1 DST	27		5,000
		Diving Services	28		
		Mobilization/Demobilization	29		
		Air Transportation	30		
		Marine Transportation	31		
		Land Transportation	32		20,000
		Shore Base Services	33		
		Communications	34		
		Fishing Tools and Services	35		
		Abandoning Tools and Services	36		
		Miscellaneous Material and Services	37		26,000
		Dry Hole Contributions	38		
		Overhead	39		
		Indirect Expense	40		6,000
		TOTAL DRILLING COSTS – INTANGIBLE			501,000
		TOTAL DRILLING COSTS			\$ 564,000
	12,500'	5 1/2" COMPLETION COSTS – TANGIBLE			
		Production Casing	42		88,000
		Liners	43		
	12,400'	2 7/8" Tubing N-80 @ 2.94/ft.	44	1	36,000
		Liner Hanger and Tieback Equipment	45		
		Christmas Tree	46	1	29,000
		Subsurface Safety Shut-In Devices	47		
		Packers	48	1	3,000
		Subsurface Artificial Lift Equipment	49		
		TOTAL COMPLETION COSTS – TANGIBLE			156,000

BEFORE EVALUATION OIL CONSERVATION DIVISION MARATHON EXHIBIT NO. _____ CASE NO. 9222

Marathon Oil Company
AUTHORITY FOR EXPENDITURE
DETAIL OF ESTIMATED WELL COSTS

AFE NO. 44555
DATE 8/3/87

SHEET 4 OF 4 SHEETS

Lease or Facility State "16" Com No. 1

SOURCE	QUANTITY	DESCRIPTION	FEATURE NO.	C O N D	ESTIMATED COST
		COMPLETION COSTS -- INTANGIBLE			
		Location and Access	51		
	6 days	Completion Rig	62		7,000
		Contract Service Units	63		4,000
		Direct Supervision	64		3,500
		Company Labor	65		
		Contract Labor	66		2,500
		Rig Fuel	67		
		Completion and Packer Fluids	68		5,000
		Rental Equipment and Tools	69		3,000
		Casing Tools, Services and Accessories	70		6,000
		Cement and Cementing Service	71		15,000
		Logging Services	72		3,000
		Perforating	73		2,000
		Wireline Services	74		
		Formation Treating	75		7,000
		Sand Control Equipment and Services	76		
		Formation Testing	77		
		Tubular Testing and Cleaning	78		3,000
		Mobilization and Demobilization of Completion Rig	79		
		Air Transportation	80		
		Marine Transportation			
		Land Transportation			
		Shore Base Services			
		Communications			
		Fishing Tools and Services			
		Wireline Cased-hole Plugbacks			
		Miscellaneous Material and Services			4,000
		Sidetrack or Milling Sections			
		Overhead			
		Indirect Expense			
		TOTAL COMPLETION COSTS -- INTANGIBLE			65,000
TOTAL COMPLETION COSTS					\$ 221,000
		SURFACE EQUIPMENT -- TANGIBLE			
		Pumping Equipment	83		
		Tanks and Related Equipment	84		5,000
		Company Labor and Non-Hauling Units	85		5,000
		Contract Labor and Non-Hauling Units	86		2,000
		Water Injection Equipment	87		
		Heater-Treater	88		
		Miscellaneous Supplies	89		5,000
		Dehydrating Equipment	90		15,000
		Separator-Trap	91		7,000
		Transportation	92		3,000
		Metering Equipment	93		
		Line Pipe	94		43,000
		Electrical Equipment	95		
		Compressors	96		
		TOTAL SURFACE EQUIPMENT -- TANGIBLE			\$ 85,000
SUMMARY OF ESTIMATED DRILLING WELL COSTS					
Total Drilling Cost	<div>BEFORE EXAMINATION OIL CONSERVATION DIVISION MARATHON EXHIBIT NO. _____ CASE NO. 9222</div>			TOTAL COST	MARATHON'S SHARE
Total Completion Cost				\$ 564,000	\$ 141,000
Total Surface Equipment				221,000	55,300
Grand Total Cost				85,000	21,200
Marathon's Share of Grand Total Cost to be Booked This Year				\$ 870,000	\$ 217,500
If Wildcat Well, Give Marathon's Share of Dry Hole Cost					217,500

SE
WA
SP

Shell Western E&P Inc.

A Subsidiary of Shell Oil Company



P.O. Box 831
Houston, TX 77001

August 19, 1987

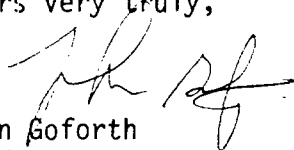
Mr. Wayne L. Ransbottom
Marathon Oil Company
P. O. Box 552
Midland, TX 79702

Dear Mr. Ransbottom:

SUBJECT: NM-1648
VACUUM FIELD
LEA COUNTY, NEW MEXICO

Pursuant to your letter of August 12, 1987, wherein you requested that Shell Western E&P Inc. participate or farmout our interest in SW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 16, T17S-R35E for the support of your Basal Atoka-Morrow test, please refer to our letter sent to Mr. Steve Daniels on July 24, 1987. We stated that we would not be interested in participating or farming out our interest at this time. However, we thank you for your proposal.

Yours very truly,


John Goforth
Land Department
Rocky Mountain Division

JG:jp

BEFORE EXAMINER CATANACH	
OIL CONSERVATION DIVISION	
<u>MARATHON</u>	EXHIBIT NO. _____
CASE NO.	<u>9222</u>

CUUD8723123

John Goforth - 713-870-3176

Shell Western E&P 713-

9-2-87 - Filed an Application

9-3-87 - called + he was out

9-4-87 - called John Goforth and advised him that Marathon had commenced Force Pooling Operations in the S¹/₂ of Section 16, T-17-S, R-35-E and that said hearing is scheduled for September 23, 1987.

9-16-87 - Called John to check on the Status of our 8-12-87 offer letter.

9-17-87 - Called John but No one Answered.

Called but no Answer

3:46 p.m. Called but No Answer

9-18-87 - called and no Answer 2:30 p.m.

main office - 713-870-2121, the main office would not take a message but gave me his direct number as being 870-3176. SWB

- called Again - No Answer

9-21-87 - called John but No answer. 11:11 a.m.

called main number and asked for his secretary - still No Answer.

9-21-87 - talked to John Goforth about what Shell's position would be at the hearing on September 23, 1987. He advised that he had been out of the office quite a bit but stated that Shell was not going to oppose Marathon at the hearing and would wait and see what would happen at the ~~heg~~ hearing. He advised that he had received a request from Terra Resources for ^{Shell's} ~~the~~ ^{Agency} and that evidently there had been a lot of interest in this area. Per the results of the hearing, Shell would ~~be~~ have the opportunity to participate or go non-consent.

BEFORE EXAMINER CAP 2011
OIL CONSERVATION LITIGATION

MARATHON

EXHIBIT

CASE NO. 9222