

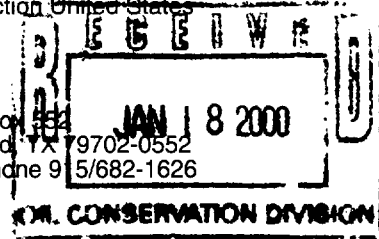
#10341



**Marathon
Oil Company**

Mid-Continent Region
Production United States

P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626



January 5, 2000

ATTENTION: MR. ARMANDO A. LOPEZ
United States Department of the Interior
Bureau of Land Management
Roswell District Office
P. O. Drawer 1397
Roswell, New Mexico 88202-1397

ATTENTION: MS. LORI WROTENBERY
State of NM Oil Conservation Division
2040 S. Pacheco Street
Santa Fe, New Mexico 87505

Re: Resignation of Operator
Tamano (BSSC) Unit Agreement – BLM NO. NMNM85311X
NMOCD Order R-9548
TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Section 10: S/2NE/4, SE/4
Section 11: All
Eddy County, New Mexico

Ladies and Gentlemen:

Please be advised that effective October 1, 1999, Marathon Oil Company assigned 100% of its interest in the Tamano (BSSC) Unit (Subject Unit) to Moriah Resources, Inc. (50%) and Brothers Production Company, Inc. (50%). As a result, Marathon hereby resigns as Unit Operator effective October 1, 1999, and hereby recommends that Brothers Production Company be selected as successor Unit Operator.

Brothers Production Company, Inc.'s address is 6 Desta Drive, Suite 5700, Midland, Texas 79705 and mailing address is P. O. Box 7515, Midland, Texas 79708-7515. Please contact Mr. Kyle A. McGraw, Vice President of Brothers Production, at 915-682-2516, if you have any questions regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read 'Vince Borrello'.

Vince Borrello
Business Development Manager

M:\BusDev\Tamano~1.doc
cc: Working Interest Owners (See Attached List)

Tamano (BSSC) Unit
Working Interest Owners

HEYCO
Attn: Mr. Vernon Dyer
PO Box 1933
Roswell, NM 88202

Yates Energy Company
PO Box 2323
Roswell, NM 88202-2323

Jalapeno Corporation
PO Box 1608
Albuquerque, NM 87103-1608

Lindy's Living Trust
6300 Ridglea Place, Ste. 1005A
Fort Worth, TX 76116

Moore & Shelton Co. LTD
PO Box 3070
Galveston, TX 77552

Hudson, Edward R. Estate
TR-Will of Edward R. Hudson
616 Texas St.
Fort Worth, TX 76102-4612

Lewis, Delmar Hudson
6300 Ridglea Place, Ste. 1005A
Fort Worth, TX 73116

Hudson, Edward R. Trust #4
4808 Westridge Avenue
Fort Worth, TX 76116

Mallon Oil Company
999 18th Street, Suite 1700
Denver, CO 80202

Devon Energy Corp. (Nevada)
20 N. Broadway, Ste. 1500
Oklahoma City, OK 73102-8260

Aston Family LTD. Partnership
c/o Mr. Rogers Aston
Roswell, NM 88202-1090

Bright Hawk/Burkard Venture
PO Box 79790
Houston, TX 77279-9790

Mr. Chris Williams
New Mexico Oil Conservation Division
PO Box 1980
Hobbs, NM 88241

Ayco Energy, L.L.C.
5524 Beecave Rd, Ste. D-3
Austin, TX 78746

Walking X Inc.
PO Box 175
Whiteface, TX 79379-0175

Stephens, Tom P. Trust
PO Box 832407
Dallas, TX 75283-2407

Manzano Oil Corp.
PO Box 2107
Roswell, NM 88202-2107

Laurelind Corporation
PO Box 2143
Roswell, NM 88202

HEYCO Employees
PO Box 1933
Roswell, NM 88202

Bearing Services
PO Box 100
Artesia, NM 88210

Fletcher, Loy G.
Box 852
Artesia, NM 88211-0852

Explorers Petroleum Corp.
PO Box 1933
Roswell, NM 88202

Spiral, Inc.
PO Box 1933
Roswell, NM 88202

Crosby, S. W.
PO Box 2346
Roswell, NM 88202

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

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TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

July 17, 1991

Mr. Michael E. Stogner
Oil Conservation Division
State Land Office
Santa Fe, New Mexico 87504

HAND DELIVERED

Re: NMOCD Case Nos. 10341 and 10342
Statutory Unitization and
Pressure Maintenance Project
Tamano (BSSC) Unit
Marathon Oil Company

Dear Mr. Stogner:

On behalf of Marathon Oil Company, please find enclosed a proposed order for your consideration in each of the referenced cases. Also, to aid you, I have enclosed a diskette which includes the draft orders.

Please call me if you have any questions.

Very truly yours,



W. Thomas Kellahin

WTK/tic
Enclosures

cc: Thomas C. Lowry, Esq.
Marathon Oil Company
Post Office Box 552
Midland, Texas 79702

889/1trt717.092

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10341
ORDER NO. R-

APPLICATION OF MARATHON OIL COMPANY FOR
STATUTORY UNITIZATION, LEA COUNTY,
NEW MEXICO

MARATHON OIL COMPANY'S PROPOSED
ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 27, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ____ day of July, 1991, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 10341 and 10342 were consolidated at the time of the hearing for the purpose of testimony.

CASE NO. 10341
ORDER NO. R-
PAGE NO. 2

(3) The applicant, Marathon Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, N.M.S.A. (1978), of 880 acres, more or less, being the Second Bone Springs Carbonate which is a portion of the Tamano Bone Springs Pool, Eddy County, New Mexico, said portion to be known as the Tamano (BSSC) Unit Area; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibit Nos. 44 and 45, as modified by the BLM (Exhibit 42) in this case.

(4) The horizontal limits of said unit area should be comprised of the following described Federal lands in Eddy County, New Mexico:

T18S, R31E

Section 10: S/2NE/4 and SE/4

Section 11: All

(5) The vertical limits of said unit area should comprise that interval which is known as the Second Bone Springs Carbonate and which is defined from an upper point at 7,908 feet below the Kelly Drive Bushing (4,156 feet subsea) to a lower point at 8,190 feet below the Kelly Drive Bushing (4,438 feet subsea) as recorded by the Atlas Wireline compensated neutron-density-gamma ray log measured in the Marathon Johnson "B" Federal No. 4 well, Unit K, Section 11, T18S, R31E Eddy County, New Mexico.

(6) The horizontal and vertical limits of said unit have been reasonably defined by development and should be known as the Tamano (BSSC) Unit, being a portion of the Tamano Bone Springs Pool.

(7) The unit area contains 9 separate tracts of land owned by 25 different working interest owners.

(8) The applicant has made a good faith effort to secure voluntary unitization within the Unit Area and at the time of the hearing 75.01 percent of the working interest owners and approximately 86.2 percent of the royalty

CASE NO. 10341
ORDER NO. R-
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interest owners (including the federal royalty based upon the BLM preliminary approval) were effectively committed to the unit.

(9) The applicant proposes to institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate, and all associated hydrocarbons within and to be produced from the proposed unit area (being the subject of Division Case No. 10342).

(10) No working interest owner or royalty owner appeared in opposition to the case.

(11) The working interest owners in the proposed unit area participated in a technical review beginning in March, 1991 which concluded in May, 1991:

- a) that the proposed unit had sufficient secondary recovery potential to justify unitization estimating a secondary to primary recovery ratio of 1.0 recovering an estimated 2.26 million barrels of additional oil; and
- b) that for an investment of approximately \$1.125 million dollars the incremental profit (BFIT) using a 10% discount factor is \$13 million dollars.

(12) The unit working interest owners developed equity parameters for negotiation purposes which included cumulative oil production, remaining primary oil and gas reserves, ultimate primary oil reserves, current oil and gas production rates and gross acreage.

(13) Based upon those equity parameters a majority of the unit working interest owners agreed upon a participation formula consisting of 5% acreage, 6% usable wellbores, 56% average oil rate between Oct 1, 1990 through March 31, 1991 plus 33% remaining primary oil reserves per tract as each tract's relative share of secondary oil recovery from the proposed unit.

CASE NO. 10341
ORDER NO. R-
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(14) The participation formula contained in the Unit Agreement allocate the produced and saved unitized substances to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

(15) The resulting participation of each unit tract using the proposed participation formula is set forth on applicant's Exhibit 2, page 33 which shows that all tracts have a positive participation percentage.

(16) The proposed secondary recovery operations should result in the additional recovery of approximately 2.26 million barrels of oil.

(17) The unitized management, operation and further development of the Tamano (BSSC) Unit, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(18) The proposed unitized method of operation as applied to the Tamano (BSSC) Unit is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(19) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(20) Such unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Tamano (BSSC) Unit Area.

(21) The applicant, designated operator of the Unit Area pursuant to the Unit Agreement and Unit Operating Agreement, has made a good faith effort to secure voluntary unitization within the Unit Area.

CASE NO. 10341
ORDER NO. R-
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(22) The granting of the application in this case will have no adverse effect upon the Bone Springs Pool.

(23) The applicant's Exhibit Nos. 44 and 45, as modified by the BLM (Exhibit 42) in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(24) The Tamano (BSSC) Unit Agreement and the Unit Operating Agreement provide for unitization and unit operation of the Tamano (BSSC) Unit Area upon terms and conditions that are fair, reasonable and equitable, and include:

- a) an allocation to the separately owned tracts in the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;
- b) a provision for the credits and charges to be made and the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;
- c) a provision governing how the costs of unit operations, including capital investments, shall be determined and charged to the separately owned tracts and how said costs shall be paid, including a provision providing when, how, and by whom the unit production allocated to an owner who does not pay his share of the costs of unit operations shall be charged to such owners, of the interest of such owners, and how his interest may be sold and the proceeds applied to the payment of his costs;

- d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable, and allowing an appropriate charge for interest for such service payable out of such owner's share of production, providing that any non-consenting working interest owner being so carried shall be deemed to have relinquished to the unit operator all of his operating rights and working interests in and to the unit until his share of the costs, service charge and interest are repaid to the unit operator;
- e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal or substitution of an operator from among the working interest owners to conduct the unit operations;
- f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- g) the time when the unit operations shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

CASE NO. 10341
ORDER NO. R-
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(25) Section 70-7-7.F N.M.S.A. of said "Statutory Unitization Act" provides that any working interest owner who has not agreed in writing to participate in a unit could have relinquished to the Unit Operator all of its operating rights and working interest in and to the unit until his share of the costs has been repaid plus an additional 200 percent thereof as a non-consent penalty.

(26) At the time of the hearing, the applicant requested that no 200% penalty be assessed these working interest owners in said unit who have not committed their interests.

(27) The statutory unitization of the Tamano (BSSC) Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed unit area, and should be approved.

IT IS THEREFORE ORDERED:

(1) The application of Marathon Oil Company for the Tamano (BSSC) Unit Agreement covering 880 acres, more or less, of Federal lands in the Tamano Bone Springs Pool, Eddy County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act", Section 70-7-1 through 70-7-21, N.M.S.A. (1978).

(2) The lands covered by said Tamano (BSSC) Unit Agreement shall be designated the Tamano (BSSC) Unit Area and shall comprise the following described acreage in Eddy County, New Mexico:

T18S, R31E:

Sec 10: S/2NE/4 and SE/4
Sec 11: All

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(3) The vertical limits of said unit area shall comprise that interval which extends from an upper limit of 7,908 feet below the Kelly Drive Bushing (4,156 feet subsea) to a lower limit of 8,190 feet below the Kelly Drive Bushing (4,438 feet subsea) in the Marathon Johnson "B" Federal No. 4 Well as recorded by the Atlas Wireline compensated neutron-density-gamma ray log dated December 17, 1987 in Marathon's Johnson "B" Federal No. 4 well located in Unit K, Section 11, T18S, R31E, N.M.P.M., Eddy County, New Mexico.

(4) The applicant shall institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate and all associated hydrocarbons within and produced from the unit area, and said waterflood project is the subject of Division Case No. 10342.

(5) The Tamano (BSSC) Unit Agreement and the Tamano (BSSC) Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibit Nos. 44 and 45, respectively, as modified by the BLM (Exhibit 42) are hereby incorporated by reference into this order.

(6) The Tamano (BSSC) Unit Agreement and the Tamano (BSSC) Unit Operating Agreement provide for unitization and unit operation of the Tamano (BSSC) Unit Area upon terms and conditions that are fair, reasonable and equitable, are in compliance with the Statutory Unitization Act and are hereby approved.

(7) This order shall not become effective unless and until seventy-five percent of the working interest and seventy-five percent of the royalty interest owners in the Unit Area have approved the plan for unit operations as required by Section 70-7-8, N.M.S.A., 1978 Compilation.

(8) If the persons owning the required percentage of interest in the Unit Area as set out in Section 70-7-8, N.M.S.A., 1978 Compilation, do not approve the plan for unit operations within a period of six months from the date of entry of this order, this order shall cease to be of further force and effect and shall be revoked by the

CASE NO. 10341
ORDER NO. R-
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Division, unless the Division shall extend the time for ratification for good cause shown.

(9) When the persons owning the required percentage of interest in the Unit Area have approved the plan for unit operations, the interests of all persons in the Unit Area are unitized whether or not such persons have approved the plan or unitization in writing.

(10) Any working interest owner who has not agreed in writing to participate in the unit prior to the effective date of this order shall be deemed to have relinquished to the Unit Operator all of his operating rights and working interest in and to the unit until his share of the costs has been repaid. Such repayment shall not include a non-consent penalty (Section 70-7-7.F N.M.S.A. 1978).

(11) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the area.

(12) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE in Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

WILLIAM J. LEMAY
Director

S E A L

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN
KAREN AUBREY

JASON KELLAHIN
OF COUNSEL

September 25, 1991

Case 10341

Mr. William J. LeMay
Oil Conservation Division
Post Office Box 2088
Santa Fe, New Mexico 87501

HAND DELIVERED

Re: Certificate of Effectiveness for
Statutory Unitization for
Marathon Oil Company for
Tamano (BSSC) Unit
Order R-9548

RECEIVED

SEP 25 1991

OIL CONSERVATION DIVISION

Dear Mr. LeMay:

On behalf of Marathon Oil Company, Inc., I would appreciate you signing and returning to me the enclosed certificate showing that Marathon has obtained the necessary seventy-five percent of both the working interest owners and royalty owners so that the referenced order can be made effective as of January 1, 1992.

Enclosed is a certificate of ratification from Thomas Lowry, Attorney for Marathon Oil Company, Inc. in which he tabulated that as of August 8, 1991 the percentage of ratification to be 85.5% percent for working interests and 87.6% for royalty interests. In addition, I have enclosed a copy of OCD Order R-9548 for your information.

If there are any questions, please call me.

Very truly yours,


W. Thomas Kellahin

WTK/jcl
Enclosure
cc: Thomas Lowry-Marathon Oil

cert924.092

TAMANO (BSSC) UNIT AREA

EDDY COUNTY, NEW MEXICO

CERTIFICATE OF EFFECTIVENESS

The Oil Conservation Division of the Energy, Minerals and Natural Resources Department, State of New Mexico, hereby certifies as follows:

(1) In accordance with the provision of the Statutory Unitization Act (Section 70-7-1 through 70-7-21, NMSA-1978), the Division entered Order R-9548 dated July 22, 1991 which, among other things, approved the statutory unitization of the Tamano Unit Area and found that more than seventy-five percent of the working interest and seventy-five percent of the royalty interest owners in the Tamano Unit Area have approved the plan for unit operations as required by Section 70-7-8, NMSA-1978.

(2) Marathon Oil Company, Inc., as operator of the said unit subsequent to the Order, has provided the Division with an affidavit and supporting documentation which verifies the Bureau of Land Management has issued its Certification-Determination dated August 8, 1991 and that the persons owning the required percentage of interests in the Tamano Unit Area have approved the plan for unit operations in accordance with Division rules, regulations and the subject order.

(3) Accordingly, the Division Order R-9548 is now in full force and effect with said unit agreement and unit operating agreement shall become effective as of January 1, 1992 at 7:00 AM MST for the area known as Tamano (BSSC) Unit Area and more specifically described as follows:

(4) The horizontal limits of said unit area should be comprised of the following described Federal lands in Eddy County, New Mexico:

Township 18 South, Range 31 East, N.M.P.M.
Section 10: S/2 NE/4 & SE/4
Section 11: ALL

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10341
ORDER NO. R-9548

APPLICATION OF MARATHON OIL COMPANY
FOR STATUTORY UNITIZATION,
EDDY COUNTY, NEW MEXICO

MARATHON OIL COMPANY'S
CERTIFICATE OF EXECUTION/RATIFICATION AND APPROVAL

State of Texas)
) ss.
County of Midland)

Thomas C. Lowry, being duly sworn upon oath deposes and states:

1. I am an attorney admitted to practice in the State of Texas and employed by Marathon Oil Company in Midland, Texas.

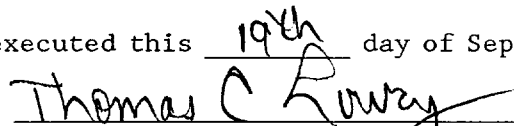
2. I have responsibility for seeking execution or ratification of the Unit Agreement and Unit Operating Agreement for the Tamano (BSSC) Unit, Eddy County, New Mexico, by the owners of interest in the unit and for seeking approval by unit interest owners of the plan of unit operations prescribed by OCD Order No. R-9548.

3. As of September 18, 1991, I have received documents evidencing execution or ratification of the Unit Agreement and Unit Operating Agreement and approval of the plan of unit operations, from the various working interest, royalty and overriding royalty interest owners in the Tamano (BSSC) Unit, as tabulated on exhibits A and B attached to this certificate.

4. As of September 18, 1991, the total working interest ownership which has executed the Unit Agreement and Unit Operating Agreement of the Tamano (BSSC) Unit is 97.4% and the total working interest ownership which has approved the plan of operations set out in order No. R-9548 is 85.5%.

5. As of September 18, 1991, the total royalty interest and overriding royalty interest ownership which has joined the unit is 89.9%, and the total royalty and overriding royalty interest ownership which has approved the plan of operations set out in OCD Order No. R-9548 is 87.6%.

IN WITNESS WHEREOF, this certificate is executed this 19th day of September, 1991.




Thomas C. Lowry

Subscribed, acknowledged and sworn to before me this 19th day of September, 1991 by Thomas C. Lowry.

My Commission Expires:

March 19, 1995



Notary Public

EXHIBIT A
Tamano (BSSC) Unit
WORKING INTEREST OWNERS
Status as of September 18, 1991

Col (1) - has signed Unit Agreement and Unit Operating Agreement

Col (2) - has executed approval of plan of operation prescribed in Order R-9548

Y = Yes, N= No

<u>(1)</u>	<u>(2)</u>	<u>Name</u>
Y	Y	Rogers Aston
N	N	ARCO Oil & Gas Co.
Y	Y	Bearing Services
Y	Y	Colkelan Corp.
Y	Y	Explorers Petroleum Corporation
Y	Y	Exby, Ltd.
Y	Y	Loy Fletcher
Y	Y	James Guy
Y	Y	Heyco Development Corporation
Y	Y	Heyco Employees, Ltd.
Y	Y	Edward R. Hudson, Jr. and William A. Hudson, II, Trustees U/W of Edward R. Hudson
Y	Y	Francis H. Hudson
Y	Y	J. T. Jackson
Y	N	Kerr-McGee Corp.
Y	Y	Laurelind Corporation
Y	Y	Delmar H. Lewis
Y	Y	Manzano Oil Corp.
Y	Y	Marathon Oil Company
Y	Y	Moore & Shelton Company, Ltd.
Y	N	Pennzoil Exploration & Production Co.
Y	Y	Tom P. Stephens
Y	Y	Spiral, Inc.
Y	Y	Wainoco Oil & Gas
Y	N	Yates Energy Corporation
Y	Y	James H. Yates, Inc.

EXHIBIT B
Page 1
Tamano (BSSC) Unit
ROYALTY AND OVERRIDING ROYALTY INTEREST OWNERS
Status as of September 18, 1991

Col (1) - has signed Unit Agreement

Col (2) - has executed approval of Plan of Operation Prescribed in Order R-9548

Y = YES, N = NO

* = BLM issued its "CERTIFICATION - DETERMINATION" on August 8, 1991, approving the Tamano (BSSC) Unit, following its review of OCD Order R-9548. A copy of this document is attached.

<u>(1)</u>	<u>(2)</u>	<u>Name</u>
Y	N	Mary Elizabeth Baish
N	N	Braille Institute of America
*	*	Bureau of Land Management
Y	N	Karen Elizabeth Charles
Y	Y	Charles Kyle Clark
Y	Y	Colkelan Corp.
N	N	Patricia J. Cooper Trustee of the PJC Revocable Trust U/A dated 12/30/89
N	N	Evelyn Jackson Edwards
Y	Y	Explorers Petroleum Corporation
Y	Y	Exby, Ltd.
N	N	First Interstate Bank of Roswell Trustee U/W of Geraldine O. Johnson
Y	N	Mary C. Fulton
Y	N	Floyd Gentry
Y	N	O. E. Groves
Y	Y	Heyco Development Corporation
Y	Y	Heyco Employees, Ltd.
Y	Y	John W. Higgins
Y	Y	Edward R. Hudson, Jr., and William A. Hudson, II, Trustees U/W of Edward R. Hudson
Y	Y	Francis H. Hudson
N	N	S. P. Johnson, III & Patricia J. Cooper, Trustees U/W of S. P. Johnson, Jr.
N	N	S. P. Johnson, III, and Barbara Jo Johnson, Trustees of the S. P. Johnson, III and Barbara Jo Johnson Trust, U/A dated 1/24/85
Y	Y	E. Bernard Johnston & Mary Ellen Johnson Personal Representatives of the Margaret Jane Johnston Estate
Y	Y	Delmar H. Lewis
Y	N	Lodewick Energy, Inc.

EXHIBIT B
Page 2
Tamano (BSSC) Unit
ROYALTY AND OVERRIDING ROYALTY INTEREST OWNERS
Status as of September 18, 1991

Col (1) - has signed Unit Agreement

Col (2) - has executed approval of Plan of Operation Prescribed in Order R-9548

Y = YES, N = NO

* = BLM issued its "CERTIFICATION - DETERMINATION" on August 8, 1991, approving the Tamano (BSSC) Unit, following its review of OCD Order R-9548. A copy of this document is attached.

<u>(1)</u>	<u>(2)</u>	<u>Name</u>
Y	Y	John W. Lodewick, Personal Representative for Laura B. Lodewick Estate
Y	Y	John Widney Lodewick
Y	Y	Laura Patricia Lodewick
Y	Y	Richard B. Lodewick
Y	Y	Margaret Baish Masters
Y	Y	Janice Gentry Middlebrooks
Y	Y	Moore & Shelton Company, Ltd.
Y	Y	NCNB Texas National Bank C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69
N	Y	Sally Meader Roberts
N	N	San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart (Trust #385839014)
N	N	Karen Gentry Schuzig
Y	N	Katherine Mary Scott
Y	Y	Spindletop Exploration Co., Inc.
Y	Y	Spiral, Inc.
Y	Y	Betty Baish Strohmeyer
Y	N	Yates Energy Corporation
Y	Y	James H. Yates, Inc.

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.G., secs. 181, et seq., and delegated to the District Manager, Bureau of Land Management, I do hereby:

- A. Approve the attached agreement for the development and operation of the Tamano (BSSC) unit area, State of New Mexico.
- B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.
- C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

acting Richard W. Mott
ADM Minerals
Bureau of Land Management

8-8-91
Date

NMNM85311X
Contract No.

STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

*CASE NO. 10341
ORDER NO. R-9548*

APPLICATION OF MARATHON OIL COMPANY FOR
STATUTORY UNITIZATION, EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 27, 1991, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of July, 1991 the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) Division Case Nos. 10341 and 10342 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Marathon Oil Company, seeks the statutory unitization, pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA (1978), of 880.00 acres, more or less, being a portion of the Tamano-Bone Spring Pool, Eddy County, New Mexico, said portion to be known as the Tamano (BSSC) Unit; the applicant further seeks approval of the Unit Agreement and the Unit Operating Agreement which were submitted in evidence as applicant's Exhibit Nos. 44 and 45, respectively, in this case.

(4) The proposed unit area should be designated the Tamano (BSSC) Unit Area; and the horizontal limits of said unit area should be comprised of the following described Federal lands in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 10: S/2 NE/4 and SE/4

Section 11: All

(5) The horizontal limits of said unit area are contained within the governing boundary of the Tamano-Bone Spring Pool, and have reasonably been defined by development.

(6) The vertical limits of the Tamano (BSSC) Unit Area should comprise that interval known as the Bone Spring Second Carbonate which correlates to that section between the depths of 7908 feet below KB (-4156 feet subsea) and 8190 feet below KB (-4438 feet subsea) as recorded on the Dual Induction Focused Log taken on December 17, 1987 in Marathon's Johnson "B" Federal Well No. 4 located 1980 feet from the South and West lines (Unit K) of Section 11, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

(7) The unit area contains nine separate tracts owned by twenty-five different working interests. Marathon operates five of the tracts representing 640 acres with the remaining tracts operated by Harvey E. Yates Company. There is one royalty interest owner, the United States government, and a significant number of overriding royalty interest owners.

(8) At the time of the hearing, owners of 75.01 percent of the working interest and owners of 85.7 percent of the royalty (including the federal royalty based upon the preliminary approval by the U.S. Bureau of Land Management) and overriding royalty interest owners were effectively committed to the unit.

(9) All interested parties who have not agreed to unitization were notified of the hearing by the applicant, but no person entered an appearance or opposed the application at the hearing.

(10) The applicant proposes to institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and to be produced from the proposed unit area (being the subject of Division Case No. 10342).

(11) The proposed secondary recovery operations should result in the additional recovery of approximately 2.261 million barrels of oil.

(12) The unitized management, operation and further development of the Tamano (BSSC) Unit Area, as proposed, is reasonably necessary to effectively carry on secondary recovery operations and will substantially increase the ultimate recovery of oil and gas from the unitized portion of the pool.

(13) The proposed unitized method of operation as applied to the Tamano (BSSC) Unit Area is feasible and will result with reasonable probability in the increased recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered without unitization.

(14) The estimated additional costs of such operations will not exceed the estimated value of the additional oil so recovered plus a reasonable profit.

(15) Such unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest owners and royalty owners of the oil and gas rights within the Tamano (BSSC) Unit Area.

(16) The granting of the application in this case will have no adverse effect upon the Tamano-Bone Spring Pool.

(17) The applicant's Exhibit Nos. 44 and 45 in this case, being the Unit Agreement and the Unit Operating Agreement, respectively, should be incorporated by reference into this order.

(18) The Tamano (BSSC) Unit Agreement and the Tamano (BSSC) Unit Operating Agreement provide for unitization and unit operation of the Tamano (BSSC) Unit Area upon terms and conditions that are fair, reasonable and equitable, and include:

- (a) an allocation to the separately owned tracts of the unit area of all oil and gas that is produced from the unit area and which is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;

- (b) a provision for the credits and charges to be made in the adjustment among the owners in the unit area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operators;
- (c) a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately-owned tracts and how said costs shall be paid, including a provision providing when, how and by whom such costs shall be charged to such owner, or the interest of such owner, and how his interest may be sold and the proceeds applied to the payment of his costs;
- (d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions which are just and reasonable, and which allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) a provision designating the Unit Operator and providing for supervision and conduct of the unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct the unit operations;
- (f) a provision for a voting procedure for decisions on matters to be decided by the working interest owners in respect to which each working interest owner shall have a voting interest equal to his unit participation; and
- (g) the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and for the settlement of accounts upon such termination.

(19) Section 70-7-7.F. NMSA (1978) of said "Statutory Unitization Act" provides that the unit plan of operation shall include a provision for carrying any working interest owner subject to limitations set forth in the statute, and any non-consenting working interest owner so carried shall be deemed to have relinquished to the unit operator all of his operating rights and working interest in and to the unit until his share of the costs has been repaid plus an amount not to exceed 200 percent thereof as a non-consent penalty.

(20) At the time of the hearing, the applicant requested that no additional penalty be assessed these working interest owners in said unit who have not committed their interest.

(21) The statutory unitization of the Tamano (BSSC) Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed unit area, and should therefore be approved.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marathon Oil Company for the Tamano (BSSC) Unit Agreement, covering 880 acres, more or less, of federal lands in the Tamano-Bone Spring Pool, Eddy County, New Mexico, is hereby approved for statutory unitization pursuant to the "Statutory Unitization Act", Sections 70-7-1 through 70-7-21, NMSA (1978).

(2) The lands covered by said Tamano (BSSC) Unit Agreement shall be designated the Tamano (BSSC) Unit Area and shall comprise the following described acreage in Eddy County, New Mexico:

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM

Section 10: S/2 NE/4 and SE/4

Section 11: All

(3) The vertical limits of the Tamano (BSSC) Unit Area shall comprise that interval known as the Bone Spring Second Carbonate which correlates to that section between the depths of 7908 feet below KB (-4156 feet subsea) and 8190 feet below KB (-4438 feet subsea) as recorded on the Dual Induction Focused Log taken on December 17, 1987 in Marathon's Johnson "B" Federal Well No. 4 located 1980 feet from the South and West lines (Unit K) of Section 11, Township 18 South, Range 31 East, NMPM, Eddy County, New Mexico.

(4) The applicant shall institute a pressure maintenance project for the secondary recovery of oil and associated gas, condensate and all associated liquefiable hydrocarbons within and produced from the unit area, and said pressure maintenance project is the subject of Division Case No. 10342.

(5) The Tamano (BSSC) Unit Agreement and the Tamano (BSSC) Unit Operating Agreement, which were submitted to the Division prior to this hearing and made a part of the record in this case, are hereby incorporated by reference into this order.

(6) The Tamano (BSSC) Unit Agreement and the Tamano (BSSC) Unit Operating Agreement provide for unitization and unit operation of the designated and undesignated Tamano-Bone Spring Pool upon terms and conditions that are fair, reasonable and equitable.

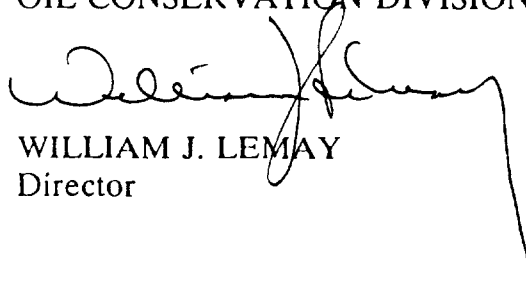
(7) Since the persons owning the required statutory minimum percentage of interest in the unit area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the unit area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement in writing.

(8) The applicant as Unit Operator shall notify in writing the Division Director of any removal or substitution of said Unit Operator by any other working interest owner within the unit area.

(9) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY
Director

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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July 22, 1991

KELLAHIN, KELLAHIN & AUBREY

Attorneys at Law

P. O. Drawer 2265

Santa Fe, New Mexico 87504

RE: CASE NO. 10341
ORDER NO. R-9548

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Florene Davidson

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad