

| | | | | | |
|--------------------|----------|--------------------------|----------------------|-------------|-------------------------|
| 5/18/06 DATE IN | SUSPENSE | MIKE STOGNER ENGINEER | 5/18/06 LOGGED IN | NSL TYPE | APP NO. P-TDS0613840653 |
|--------------------|----------|--------------------------|----------------------|-------------|-------------------------|

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

| | | | |
|---|---|--|------------------------|
| <u>FRANK M. KRUGH</u> Print or Type Name | <u><i>Frank M. Krugh</i></u> Signature | <u>Reg. Comp. Rep. III</u> Title | <u>5/17/06</u> Date |
| | | <u><i>frankrugh@marathonel.com</i></u> e-mail Address | |

2006 MAY 18 AM 11 08



P.O. Box 3487
Houston, TX 77253-3487
Telephone 713/629-6600

May 17, 2006

New Mexico Oil Conservation Division
Attn: Mr. Michael Stogner
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Exception to 19.15.3.104B.(1)

Dear Mr. Stogner,

Marathon Oil Company requests administrative approval to drill the Marshall B #11 well as a Grayburg oil producer at an unorthodox location as an exception to Rule 19.15.3.104.B.(1). The proposed Marshall B #11 well location is 2310' FSL & 1310' FWL of Section 27, Township 21 South, Range 37 East, Lea County. The unorthodox location is requested because of the inability to place an additional Grayburg well in the SE portion of the "Legal Window" within the NWSW $\frac{1}{4}$ $\frac{1}{4}$ of Section 27, T21S, R37E, due to the existing homes, existing pipelines, and existing electrical lines.

The SE portion of the "Legal Window" in the NWSW $\frac{1}{4}$ $\frac{1}{4}$ of Section 27 is the preferred location of the proposed Marshall 'B' #11 well because the well could be placed at the greatest distance from the existing Grayburg well, Marshall 'B' #8, which is located in the NWNWSW of this Section, and still remain within the legal widow. This proved not to be an option due to the existence of homes, pipelines and electrical power lines. If an additional Grayburg well were to be placed legally in any other portion of this "Legal Window", possible production interference could occur which would cause loss of ultimate oil recovery and promote waste.

At the requested location, the proposed well is 10' West of the North/South, Western $\frac{1}{4}$ $\frac{1}{4}$ Section Line of Section 27, T21S, R37E. Marathon Oil Company is the owner/operator

5-18-2006

*Received a call from Cheryl
(713-296-3480) w/ Marathon in
Houston about setting up a meeting
on Wed. May 24th w/ Frank Hugo to
discuss this appl.*

5-23-06 (9:45 AM)

*Received a call from Dan Hanchera and
John Klosterman w/
Marathon in Houston to discuss this
application. The SW $\frac{1}{4}$ of Sec. 27
is a single fee lease w/ common
interests. (dhanchera@marathonoil.com)
*[Signature]**

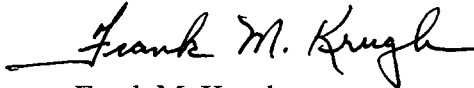
of the lease on which the well has been staked. The mineral lease East of the North/South, Western ¼ ¼ Section Line is a portion of this same lease which encompasses the entire SW 1/4 of Section 27, T21S, R37E. The proposed location is also located 330' from the Northern lease line, making it a legal setback for this Grayburg proposal. Because of this, no other owner/operator or lease holder is being encroached upon by this requested unorthodox well placement. Thus, no owners/operators are being notified and no waivers are included with this request and submittal.

Enclosed please find a copy of the C-102, that will be filed with the NMOCD in Hobbs upon approval of this request, a plat showing the proximity of dwellings to the proposed well, a map showing the well location in relationship to the town of Eunice, an aerial photo showing the existing wells within the area, and a plat showing the lease boundary of the involved lease and the well location within that lease.

If you need additional information, please feel free to contact myself at 713-296-3546 or via e-mail at fmkrugh@marathonoil.com.

Sincerely,

MARATHON OIL COMPANY

A handwritten signature in black ink, reading "Frank M. Krugh". The signature is written in a cursive style with a horizontal line extending from the left side.

Frank M. Krugh
Reg. Comp. Rep. III
Southern Business Unit

Enclosures

State of New Mexico

DISTRICT I

1225 N. FRENCH DR., NORDB, NM 88240

Energy, Minerals and Natural Resources Department

Form C-102

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|------------------------------|--|---|
| API Number | Pool Code 50350 | Pool Name PENROSE SKELLY GRAYBURG |
| Property Code 6428 | Property Name MARSHALL B | Well Number 11 |
| OGRID No. 14021 | Operator Name MARATHON OIL COMPANY | Elevation 3412' |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| L | 27 | 21-S | 37-E | | 2310 | SOUTH | 1310 | WEST | LEA |

Bottom Hole Location If Different From Surface

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|------------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres 40 | Joint or Infill | Consolidation Code | Order No. | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

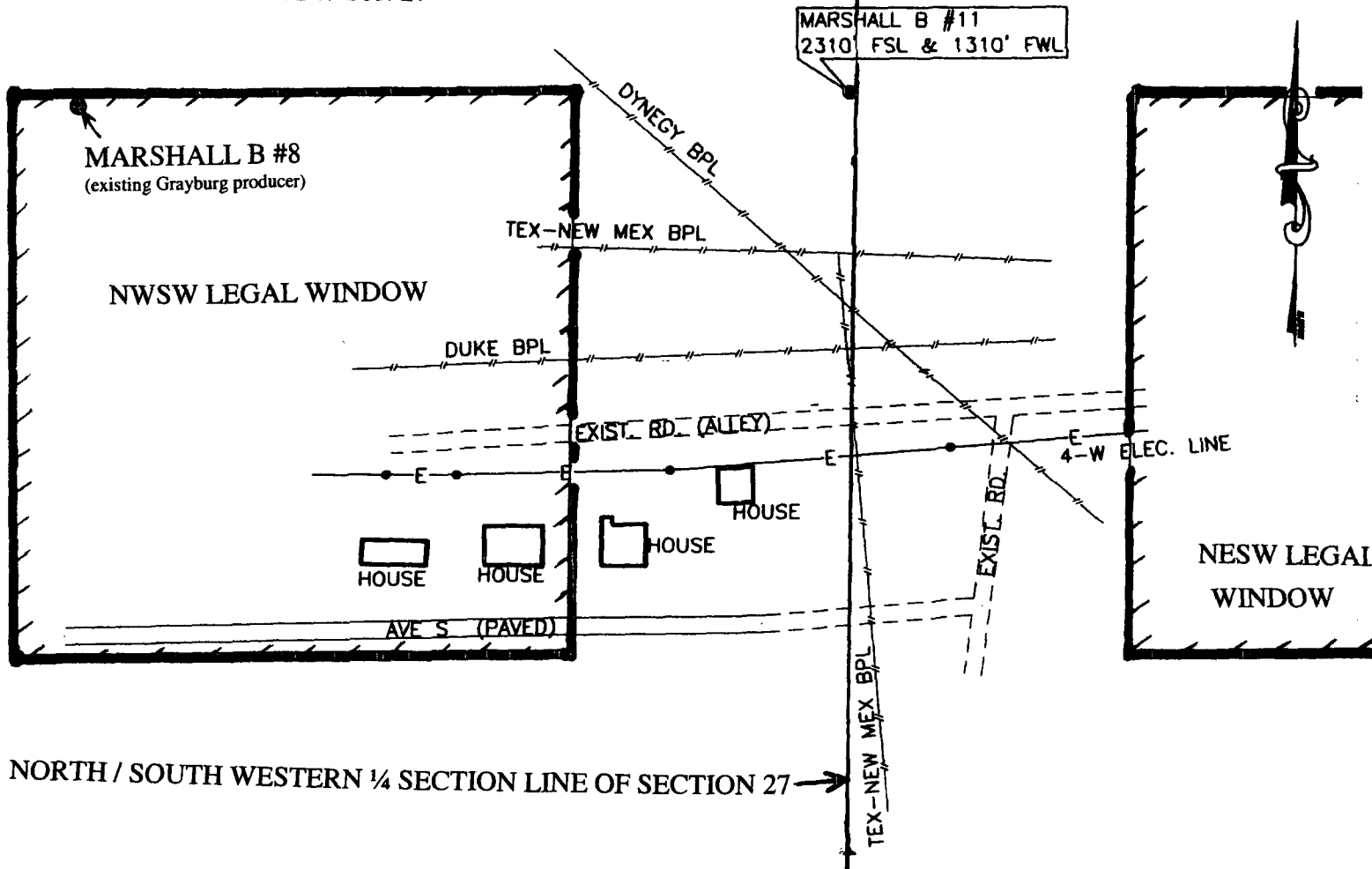
| | |
|--|---|
| <p>Marshall B #8 30-025-06825 2310' NW - 400' NW Penrose Skelly Grayburg oil producer</p> <p>Marshall B #3 30-025-06820 1980' NW - 1980' NW Penrose Skelly Grayburg oil producer</p> <p>GEODETIC COORDINATES NAD 27 NME Y=529011.8 N X=863587.5 E LAT.=32°26'55.86" N LONG.=103°09'16.95" W</p> <p>Marshall B #1 30-025-37592 990' NW - 1980' NW Spd: 3-31-06 proposed Penrose Skelly</p> <p>Standard 640-acre Section</p> | OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Frank M Krugh</u> Signature FRANK M KRUGH Printed Name <u>Reg. Comp. Rep. III</u> Title Date |
| | SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief. SEPTEMBER 8, 2005 Date Surveyed Signature & Seal of Professional Surveyor <u>GARY E. ELLISON</u> 6511-1328 Certificate No. GARY ELLISON 12641 |
| | <p>Marshall B #1 30-025-37592 990' NW - 1980' NW Spd: 3-31-06 proposed Penrose Skelly</p> <p>Marshall B #3 30-025-06820 1980' NW - 1980' NW Penrose Skelly Grayburg oil producer</p> <p>Marshall B #8 30-025-06825 2310' NW - 400' NW Penrose Skelly Grayburg oil producer</p> <p>Standard 640-acre Section</p> |
| | <p>Marshall B #1 30-025-37592 990' NW - 1980' NW Spd: 3-31-06 proposed Penrose Skelly</p> <p>Marshall B #3 30-025-06820 1980' NW - 1980' NW Penrose Skelly Grayburg oil producer</p> <p>Marshall B #8 30-025-06825 2310' NW - 400' NW Penrose Skelly Grayburg oil producer</p> <p>Standard 640-acre Section</p> |

SECTION 27, TOWNSHIP 21 SOUTH, RANGE 37 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

EAST / WEST 1/2 SECTION LINE OF SECTION 27

NWSW Sec. 27

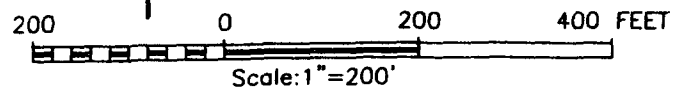
NESW Sec. 27



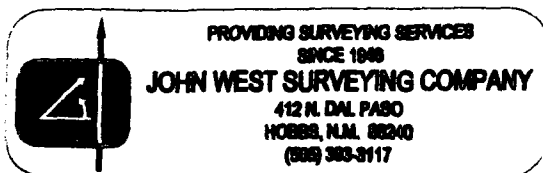
NORTH / SOUTH WESTERN 1/4 SECTION LINE OF SECTION 27

EAST / WEST SOUTHERN 1/4 SECTION LINE OF SECTION 27

SESW Sec. 27



SWSW Sec. 27

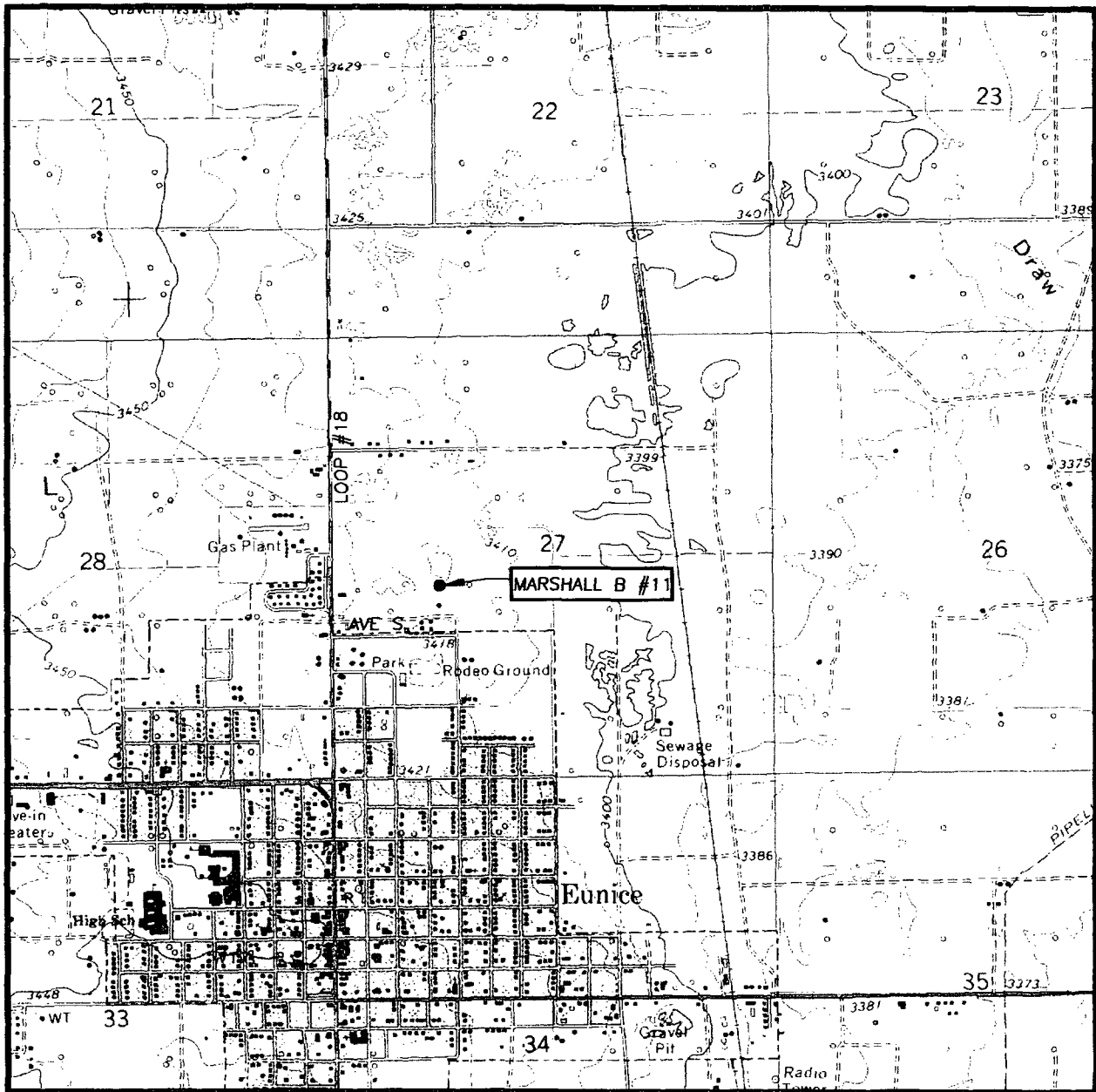


MARATHON OIL COMPANY

SURVEY TO LOCATE FACILITIES NEAR THE
MARSHALL B #11 IN
SECTION 27, TOWNSHIP 21 SOUTH, RANGE 37 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO

| | |
|-------------------------|---------------------|
| Survey Date: 5/5/06 | Sheet 1 of 1 Sheets |
| W.O. Number: 06.11.0775 | Drawn By: L.A. |
| Date: 5/10/06 | DISK: CD#5 |
| 06110775 | |

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
EUNICE, N.M. - 10'

SEC. 27 TWP. 21-E RGE. 37-E

SURVEY _____ N.M.P.M.

COUNTY _____ LEA

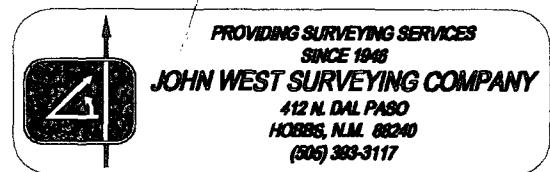
DESCRIPTION 2310' FSL & 1310' FWL

ELEVATION _____ 3412'

OPERATOR MARATHON OIL COMPANY

LEASE _____ MARSHALL B

U.S.G.S. TOPOGRAPHIC MAP
EUNICE, N.M.





Sec. 27, T21S, R37E

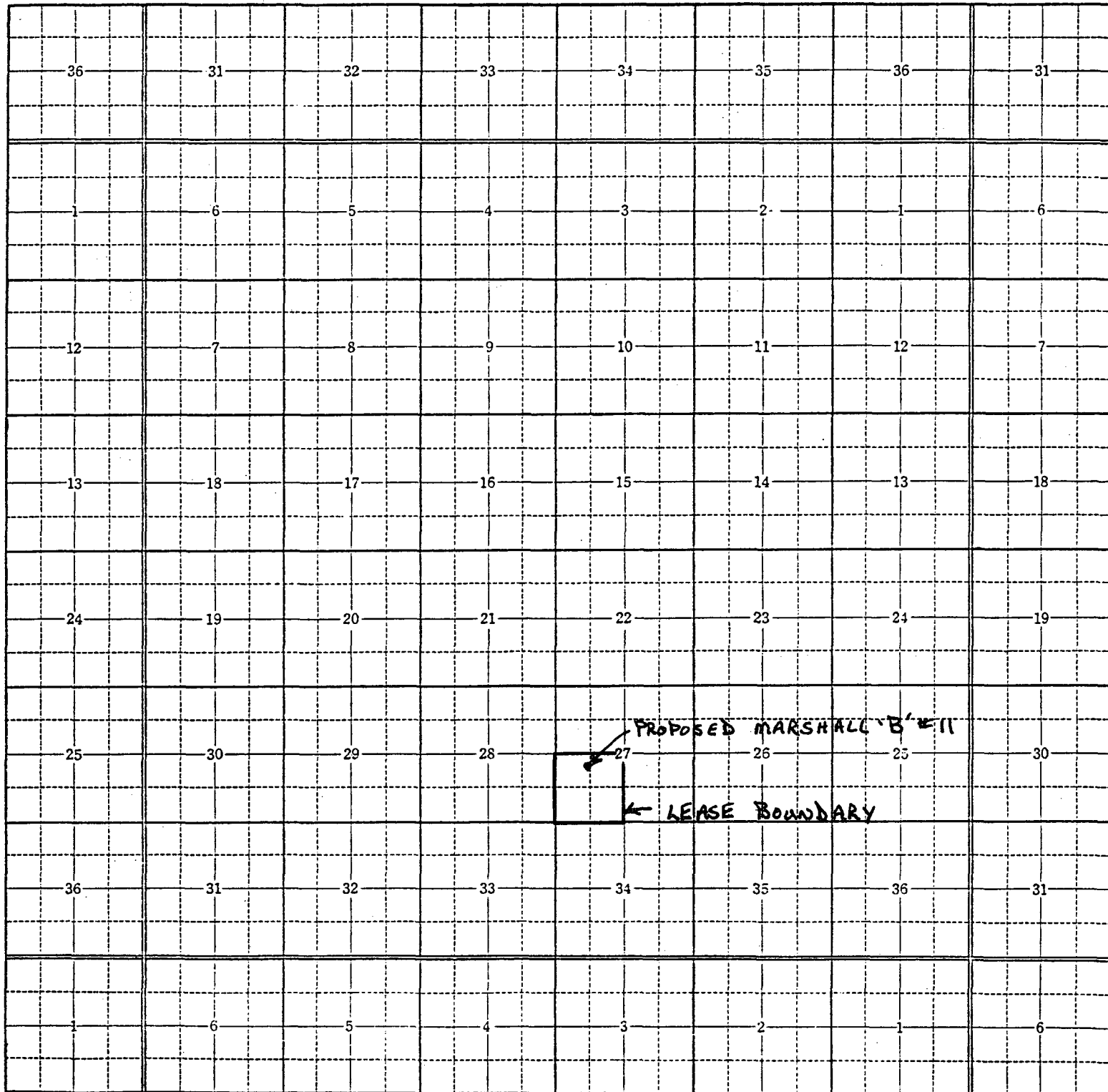


X PROPOSED MARSHALL 'B' #11
LOCATION

O EXISTING WELL LOCATIONS

Township 21S, Range 37E, County Lea, State New Mexico

Island Township Plat



LEASE BOUNDARY MAP FOR MARSHALL 'B' #11