

DATE IN 1/29/04	SUSPENSE 2/17/04	ENGINEER WKS	LOGGED IN LIZ	TYPE PLC	APP NO. PLR0402950411
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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

- [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

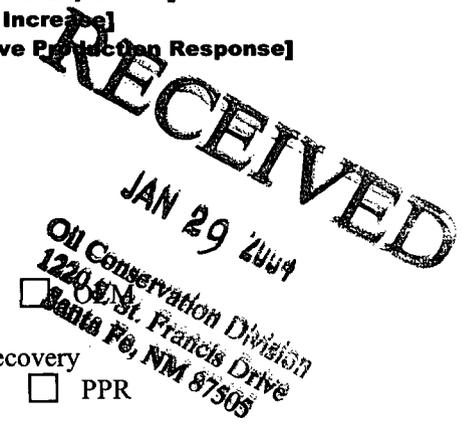
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[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.

Dale Malody D. Malody Bus. Dev. Manager 1/21/04
 Print or Type Name Signature Title Date

 e-mail Address





**Marathon
Oil Company**

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

January 20, 2004

Mr. Will Jones

Re: Commingling Yates Federal Com # 1 and Yates Federal # 4 Gas

Mr. Jones on 05/30/01 Marathon switched the produced gas from the Yates Federal Com # 1 and the Yates Federal # 4 to a sweet gas line going to Duke Energy Field Service. A new C-104 for a new POD was filed by Marathon, but our field personnel did not recognize the need for a commingle permit at the time, thus an application to commingle production was never filed. This error was brought to our attention on January 9th, 2004 by Mr. Jim Amos of the BLM's Carlsbad office. In trying to rectify the error Marathon is filing the proposal as described in the sections below.

Marathon Oil Company is proposing to commingle gas production from the Yates Federal Com # 1 and the Yates Federal # 4. Gas sales for each well will be determined by allocation based upon a Flo Boss electronic meter located at each well.

Marathon is also requesting permission for off lease sales of gas for these two wells. The sales meter for these two wells will be located at UL 'E', Sec 9, T 28 S, R 29 E.

The purposed of this change is in order to take advantage of Duke Energy Services' higher price paid for the Morrow sweet gas. This change will enable Marathon to sell the gas at \$1.30 more per Mcf than the current contract.

The working interest , royalty interest, and over-ride royalty interest owners on the two leases/ wells were sent notice of Marathon's intent on 01/04/21. I am including a attachment list of the documents filed with the BLM , a plat of the pipeline changes, and the owner notification list for these wells.

Sincerely,

A handwritten signature in cursive script that reads "Charles E. Kendrix".

Charles Kendrix
Engineering Technician
Marathon Oil Company
P.O. Box 3487
Houston, Texas 77253-3487
Ph. 713-296-2096

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

<p>1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other</p> <p>2. Name of Operator Marathon Oil Company</p> <p>3a. Address P.O. Box 3487 Houston, Texas 77253-3487</p> <p>3b. Phone No. (include area code) 713-296-2096</p> <p>4. Location of Well (Footage, Sec., T., R., M., or Survey Description) UL 'H' Sec 18 , T 20 S, R 29 E</p>	<p>5. Lease Serial No. NM 01165</p> <p>6. If Indian, Allottee or Tribe Name</p> <p>7. If Unit or CA/Agreement, Name and/or No.</p> <p>8. Well Name and No. Yates Federal # 4</p> <p>9. API Well No. 30-015-21068</p> <p>10. Field and Pool, or Exploratory Area Burton Flat Morrow</p> <p>11. County or Parish, State Eddy NM</p>
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12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Please see details below</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Marathon Oil Company requests approval for the commingling gas production from the above well, Yates Federal #4, with gas production from the Yates Federal Com # 1 Lease NM 104028 UL'N' Sec 8, T 20 S, R 29 E.

Marathon also wishes to request approval for alternate method of measurement for the these wells. We propose to measure gas production through use of FloBoss meters at the well locations to be used to allocate production to each well.

In addition Marathon request's approval for a change of sales point for the two wells. The new sales point will be located in UL 'E' Sec 9, T 20 S, R 29 E. This sales meter is to Duke Energy. Re-routing the gas stream from these wells allows Marathon to sell the gas from the Morrow completions as sweet with an increase in price per Mcf.

All interest and royalty interest owners in these wells were sent notice of commingling on 01/21/2004. A list of owners is attached with this sundry.

<p>14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Charles Kendrick</p>	<p>Title Engineer Technician</p>
<p><i>Charles E. Kendrick</i></p>	<p>Date 01/21/2004</p>

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

<p>Approved by</p>	<p>Title</p>	<p>Date</p>
<p>Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.</p>	<p>Office</p>	

UNITED STATES
DEPARTMENT OF THE INTERIOR
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<p>1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other</p> <p>2. Name of Operator Marathon Oil Company</p> <p>3a. Address P.O. Box 3487 Houston, Texas 77253-3487</p> <p>3b. Phone No. (include area code) 713-296-2096</p> <p>4. Location of Well (Footage, Sec., T., R., M., or Survey Description) UL 'N' Sec 8 , T 20 S, R 29 E</p>	<p>5. Lease Serial No. NM 104028</p> <p>6. If Indian, Allottee or Tribe Name</p> <p>7. If Unit or CA/Agreement, Name and/or No.</p> <p>8. Well Name and No. Yates Federal Com # 1</p> <p>9. API Well No. 30-015-20926</p> <p>10. Field and Pool, or Exploratory Area Burton Flat Morrow</p> <p>11. County or Parish, State Eddy NM</p>
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<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>please see details below</u>
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Marathon Oil Company requests approval for the commingling gas production from the above well, Yates Federal Com # 1, with gas production from the Yates Federal # 4 Lease NM 01165 UL 'H' Sec 18, T 20 S, R 29 E.

Marathon also wishes to request approval for alternate method of measurement for the these wells. We propose to measure gas production through use of FloBoss meters at the well locations to be used to allocate production to each well.

In addition Marathon request's approval for a change of sales point for the two wells. The new sales point will be located in UL 'E' Sec 9, T 20 S, R 29 E. This sales meter is to Duke Energy. Rerouting the gas stream from these wells allows Marathon to sell the gas from the Morrow completions as sweet with an increase in price per Mcf.

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THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	



**Marathon
Oil Company**

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

January 20, 2004

Working and Royalty Interest Owners
(Mailing List Attached)

Re: Commingling Yates Federal Com # 1 and Yates Federal # 4 Gas

Ladies and Gentlemen,

Marathon Oil Company is proposing to commingle gas production from the Yates Federal Com # 1 and the Yates Federal # 4. Gas Sales for each well will be determined by allocation based upon a Flo Boss electronic meter located at each well. The sales meter for these two wells will be located at UL 'E', Sec 9, T 28 S, R 29 E.

The purposed of this change is in order to take advantage of Duke Energy's more favorable price for the Morrow sweet gas. This change will enable Marathon to sell the gas at \$1.30 more per Mcf than the current contract.

Our records indicate that you are an interest owner in one of the subject leases/wells, and as such, pursuant to New Mexico Oil Conversation Division rules and regulations, are requested to provide your consent to this proposal. Please indicate your approval by signing in the space below and returning one copy of this letter to this office in the enclosed envelope. The second copy is for your files. If you have any objections to this application, please contact the New Mexico Oil Conservation Division Office at 1220 S. St. Francis Drive, Santa Fe, NM 87505, (505) 476-3440. If you have any questions, please call me a 713-296-2096. Your prompted attention to this matter will be greatly appreciated.

Sincerely,

Charles E. Kendrix
Charles Kendrix
Engineer Technician

Approved this ____ day of _____, 2004

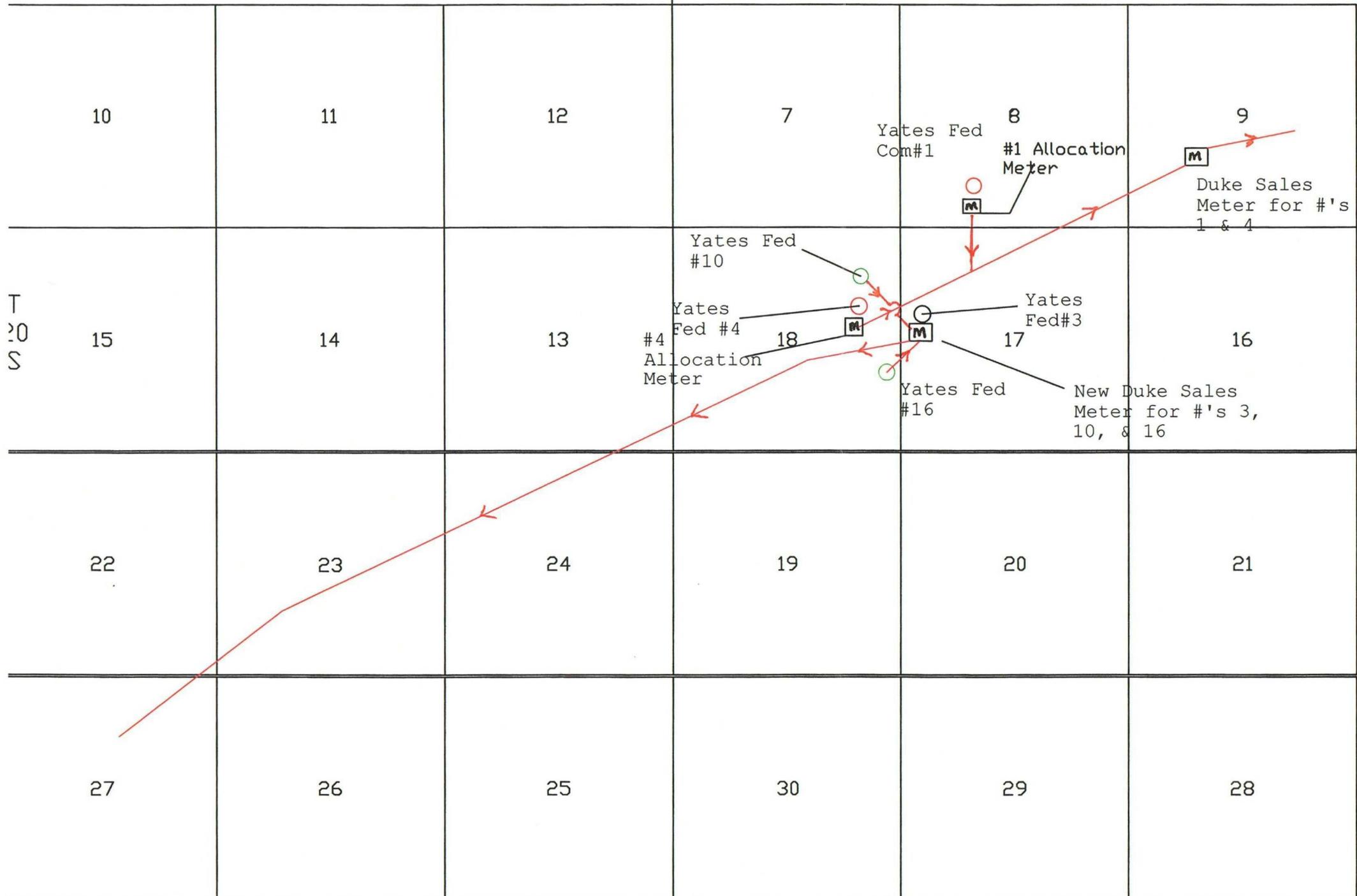
Printed Name: _____

Title: _____

Company Name (if applicable) _____

ATTACHMENT LIST

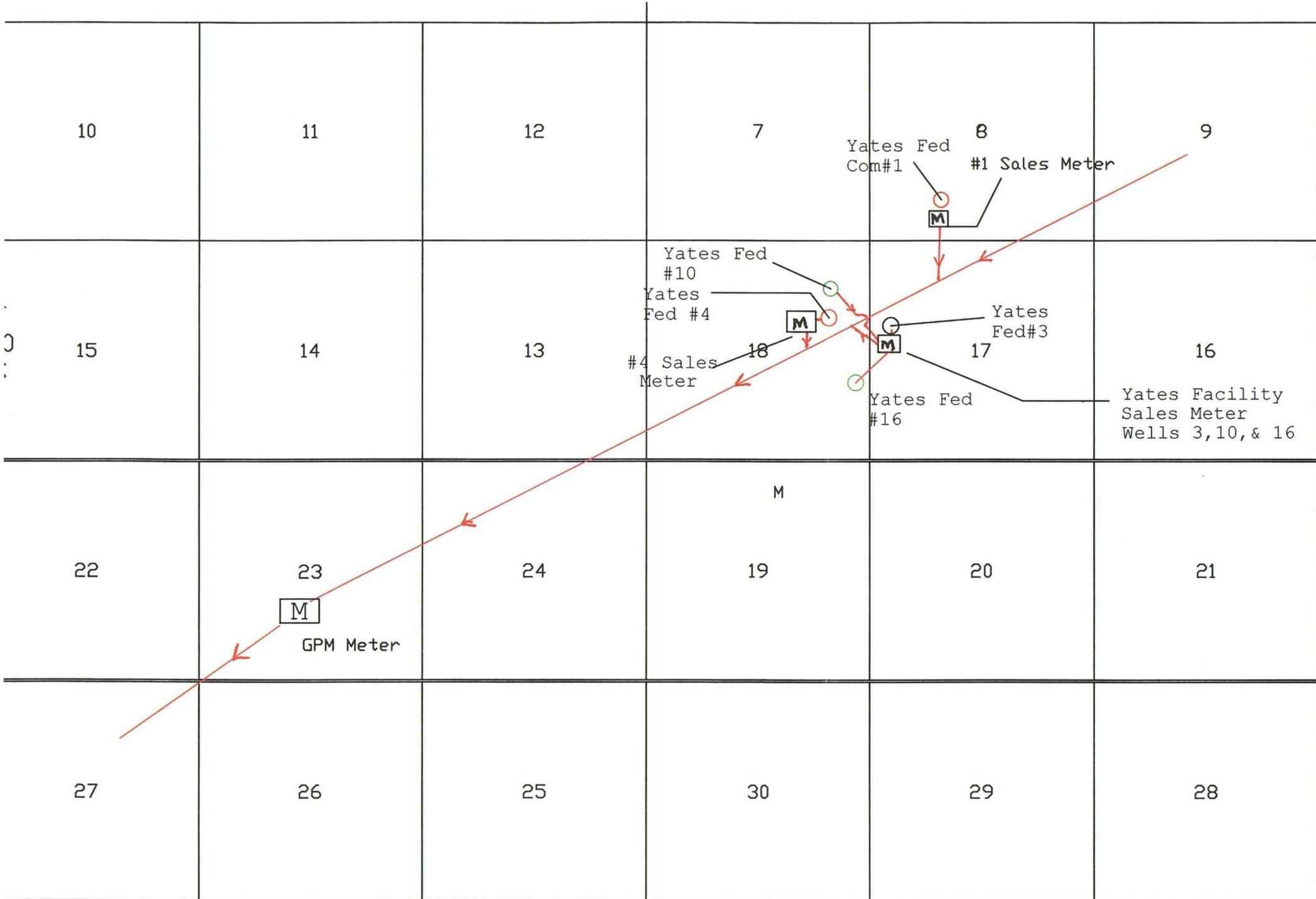
1. Notification letter to Interest owners.
2. Copy of interest owner list.
3. Copies of sundry notice to BLM for both wells.
4. Copy of plat for the gas flow on the leases prior to changes made on May 30, 2001.
5. Copy of plat for the gas flow on the leases after May 30, 2001



AFTER

Marathon Oil Company

Yates Federal after changes



BEFORE

