

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

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. See Attachment
2. Name of Operator Marathon Oil Company		6. If Indian, Allottee or Tribe Name
3a. Address P.O. Box 552 Midland, TX 79702	3b. Phone No. (include area code) 800-351-1417	7. If Unit or CA/Agreement, Name and/or No. See Attachment
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sections 15 and 22, T-21-S, R-23-E		8. Well Name and No. See Attachment
		9. API Well No. See Attachment
		10. Field and Pool, or Exploratory Area Indian Basin Field
		11. County or Parish, State Eddy NM

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>Commingling</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Off lease storage</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>& measurement</u>

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 recompleat 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 recompleat 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.)

As required by 43 CFR 3162.7-2 and Onshore Oil and Gas Order No. 4 Marathon Oil Company is requesting approval of off lease measurement, storage & sales, alternate measurement method, and surface commingling of liquid hydrocarbon production. Also, as required by CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of surface commingling and off-lease measurement and sales of gas production.

Both liquid hydrocarbons, and gas are transported to the Marathon Oil Company Gas Plant, which is located in SW/NE, Section 23, T21S, R23E, Eddy County, NM, by separate pipelines.

Turbine meters will be used for for the Alternate Method of Metering for liquid hydrocarbons per prior approvals.

A form is attached showing the leases and wells addressed by this request. Also attached are maps and diagrams that more fully explain the proposed operation and show the equipment that will be used.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) GINNY LARKE	Title Engineer Technician
	Date 8/15/00

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	

CRA BLM FORMAT

**AMENDMENT TO APPLICATION FOR SURFACE COMMINGLING,
OFF LEASE MEASUREMENT, STORAGE AND ALTERNATIVE MEASUREMENT
APPROVAL**

To: **Bureau of Land Management**
P.O. Box 1778
Carlsbad, New Mexico 88220-1778

Marathon Oil Company is requesting approval of the amendment to Surface Commingling, Off Lease Storage & Measurement and Alternative Measurement agreement for the hydrocarbon production from the following formation and well(s) on Federal Lease(s) listed below:

<u>Lease Name</u>	<u>Location</u>	<u>BOPD</u>	<u>MCFD</u>	<u>API°</u>
North Indian Basin Gas Com #32	UL "F", Sec. 15	1	4015	44 (30-015-29305)
Federal IBA Gas Com #1	UL "K", Sec. 15	3	1038	60 (30-015-10556)
Federal IBA Gas Com #2	UL "T", Sec. 15	7	2512	60.2 (30-015-30041)
Indian Basin "A" #2	UL "K", Sec. 22	3	2531	58.1 (30-015-26041)
Indian Basin "A" #3	UL "F", Sec. 22	1	677	44 (30-015-27932)

All the above wells are in Township 21 South, Range 23 East. The North Indian Basin Unit #32, Federal IBA Gas Com #1, Indian Basin "A" #2, and Indian Basin "A" #3 produce from the Indian Basin Upper Penn Gas Pool. The Federal IBA Gas Com #2 produces from the South Dagger Draw Upper Penn Associated Gas Pool. The Federal IBA Gas Com #1 and #2 and the North Indian Basin Unit #32 produce from the Upper Penn (Cisco-Canyon) zone.

The proposed operation is described in detail on the attached diagrams. A map is enclosed showing the location of all leases and wells that will contribute production to the commingling/common storage facility. All unitized and communitized areas and producing zones/pools are also clearly illustrated. Schematic diagrams are also attached which clearly identify all equipment that will be utilized.

The current measurement setup is a 3-phase separator for each well measured at the satellite facility. Marathon would like to remove two of those separators, combine the production from the two Federal IBA Gas Com wells with the North Indian Basin Unit Gas Com #32 well using one separator as the gross production separator for these three wells, combine the two Indian Basin "A" wells using one separator as the gross production separator for these two wells, and use the last separator as the test vessel. All production will be allocated back to the wells based on monthly well tests and the allocation formula shown below.

$$\frac{\text{Individual Well Test X Producing Days}}{\text{Total (Well Tests X Producing Days) for all wells}} \times (\text{Total Lease Production}) = \text{Allocated volume}$$

The proposed commingling will not result in reduced royalties or improper measurement of production. The North Indian Basin Unit Gas Com #32, Federal IBA Gas Com #1, and Federal IBA Gas Com #2 are operated under Communitization Agreement No. SW-280, (see attached letter from BLM Roswell office). The Indian Basin "A" #1 and Indian Basin "A" #2 are in the same lease, NM-05612A.

The Storage and Measurement facility is located at the Indian Basin Gas Plant, Unit Letter "G", Section 23, T-21-S, R-23-E, Eddy County, New Mexico. The satellite separation and measurement facility is located at UL "K", Sec. 15, T-21-S, R-23-E. The BLM will be notified of any change in facility location. Gas is measured using allocation meters. It is then transported to the Marathon Oil Company Indian Basin Gas Plant by pipeline. After processing, the gas and NGLs are metered at the tail-gate of the plant and sold. Liquid hydrocarbon production and water will be measured using turbine meters per prior approvals. These meters are proved on a regular schedule. Oil is then transported to the Indian Basin Gas Plant Storage and Measurement facility and sold through a LACT unit. The water is sent to a storage tank on the satellite location and will be injected into various water disposal wells per prior approvals.

The interest owners are being notified of this commingling proposal by certified mail. A copy of the letter is attached along with a list of the recipients.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by lease instrument. Additional wells require additional commingling approvals.

Signature

A handwritten signature in black ink that reads "Ginny Larke". The signature is written in a cursive, flowing style.

Name: Ginny Larke

Title: Indian Basin Asset Team Engineer Technician

Date: August 15, 2000