



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

June 23, 1993

Oil Conservation Division  
State Land Office Building  
P.O. Box 2088  
Santa Fe, New Mexico 87504-2088  
Attn: Mr. David R. Catanach

RE: Surface Commingling - Indian Hills State Com Wells

Marathon, as operator of Indian Hills State Com Wells, South Dagger Draw Field, Eddy County, New Mexico respectfully requests administrative approval for surface commingling of production.

It is requested that surface commingling of "Upper Penn" production be approved for Indian Hills State Com wells, Section 36, T-20-S, R-24-E, Eddy County, New Mexico (State Leases E-10083 and L-5098). This request is being made in order to commingle production due to the varying overriding royalty and working interests in the wells located on these leases (see attached plat). The communitized north-half of Section 36 will be commingled with the communitized south-half of Section 36.

Marathon proposes to surface commingle Upper Penn production at a central battery after separating and metering fluids through individual well production separators. Three-phase separators will be utilized to separate and meter oil, water, and gas, prior to delivering the oil and water to the central battery and delivering gas for processing. Attached drawing "IHSC-001" illustrates the typical individual well separation equipment. Drawing "IHSC-002" illustrates the existing production battery and flow scheme for liquids processed in this facility.

Marathon has made notification to all parties owning an interest in these leases, including the oil purchaser, of the intent to commingle production. Attached as part of this application is a copy of the letters submitted to each party, a copy of the certified mail returned receipts, and copies of returned approvals. To date, Marathon has received approvals from all parties with the exception of Columbia Gas Development Corporation which has not responded.

Marathon Oil Company respectfully requests administrative approval of this application for surface commingling of Upper Penn production. Should you require any further information concerning this application, please call me at (915) 687-8334. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Robert A. Biernbaum'.  
Robert A. Biernbaum  
Operations Superintendent

Attachments:

RAB:HEG/002/  
IB/E&HS/ENVILP

**Upper Penn Commingling Application  
Indian Hill State Com  
South Dagger Draw Field  
Eddy County, New Mexico**

**Production Facilities - Well**

Each well will be equipped with a three-phase production vessel to separate and meter oil, water, and gas production.

- \* Oil production will be metered through a positive displacement (PD) meter. The non-resetting counter head will measure the fluid in barrels. Taps will be installed to accommodate meter proving. The meters will be installed between the separator and dump valve to maintain a constant head pressure on the meter.
- \* Water production will be metered utilizing turbine meters.
- \* Gas production will be measured using a three-inch gas meter run and three-pen chart recorder (static, differential, and temperature).

After separation, the oil will be combined with oil production from other wells and delivered to the central battery for further treatment through a common trunkline system. Water will be delivered to the central battery through a common water trunkline system. Gas will be compressed at the well site and processed at a gas processing plant.

**Production Facilities - Central Battery**

Oil production delivered to the central battery via the oil trunkline will be further processed through a heater-treater prior to storage at the tank battery. UNIT LETTER " D "

Water production from the field separators is stored in tankage at the central facility and is pumped into a disposal system.

**Production Allocation**

Daily gross production for the battery will be based on daily oil sales and daily tank gauges.

$$\text{Production} = \text{Oil Sales} + (\text{Tank Gauge Change})$$

Daily oil production will be allocated back to each communitized proration unit based on each well's daily oil meter readings, associated with that proration unit, and the gross daily battery production.

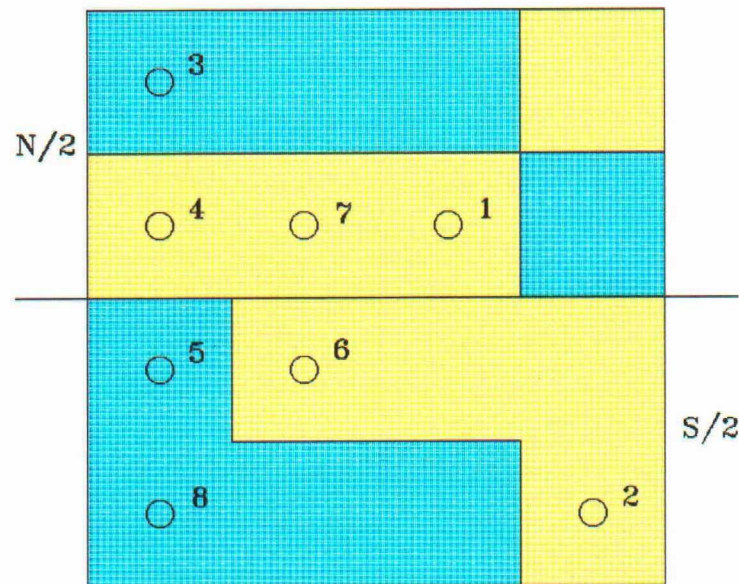
$$\text{North-half Production} = \frac{(\text{sum of oil readings from north-half wells})}{(\text{sum of all oil readings})} \times \text{Gross Battery Production}$$

$$\text{South-half Production} = \frac{(\text{sum of oil readings from south-half wells})}{(\text{sum of all oil readings})} \times \text{Gross Battery Production}$$



E6  
J - 36.205.24.E

# INDIAN HILLS STATE COM LEASE

Section 36, T-20-S, R-24-E



North-half Communitized / South-half Communitized

-  State Lease E-10083 (Royalty Interest - 12.5%)  
 State Lease L-5098 (Royalty Interest - 12.5%)

Well No. 1 - Upper Penn  
Well No. 2 - Morrow  
Well No. 3 - Upper Penn  
Well No. 4 - Upper Penn  
Well No. 5 - Drilling (Upper Penn / Morrow)  
Well No. 6 - Proposed  
Well No. 7 - Proposed  
Well No. 8 - Proposed

## Working Interest Ownership

### North-half

Marathon - 50%  
Columbia - 25%  
Southwest Royalty - 25%

### South-half

Marathon - 50%  
Columbia - 50%

## Over-Riding Royalty Interest Owners

### North-half

R.E. Chambers - 0.54687%  
Alice Ann Hanks - 0.40032%  
W.T. Probandt - 0.65625%

### South-half

R.E. Chambers - 0.54687%  
Alice Ann Hanks - 0.40032%  
W.T. Probandt - 0.65625%  
Marathon Oil Company - 4.645656%  
Phillips Petroleum Company - 1.5625%







**Marathon  
Oil Company**

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

May 11, 1993

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells  
Our Lease NM-4875 - State of New Mexico E-10083  
NM-4879 - State of New Mexico L-5098  
Section 36, T-20-S, R-24-E,  
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to surface commingle the production from the wells located on the Indian Hills State Lease in Section 36, T-20-S, R-24-E, N.M.P.M., Eddy County, New Mexico, with all production being metered before commingling. Our records indicate that you are an interest owner in the subject wells and as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling operations which Marathon believes will minimize operation costs and should be beneficial to all interest owners.

Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

APPROVED THIS \_\_\_\_\_ day of \_\_\_\_\_,  
1993.

\_\_\_\_\_  
By:  
Title:  
Company:

Indian Hills State Com Wells Mailing List

R. E. Chambers  
c/o Lacy Armour Properties  
1107 Oil & Gas Building  
Wichita Falls, Texas 76301

Alice Ann Hanks  
c/o Melburn Nutt  
P. O. Box 4143  
Wichita Falls, Texas 76308-4143

W. T. Probandt  
1608 Wilco Building  
Midland, Texas 79701

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762  
Attn: Land Department

Columbia Gas Development Corporation  
P. O. Box 1350  
Houston, Texas 77251-1350  
Attn: Mr. Ed Gordon, CPL

Southwest Royalties, Inc.  
300 N. Big Spring Street  
Midland, Texas 79701  
Attn: Mr. Jon Tate



**Marathon  
Oil Company**

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

May 11, 1993

Scurlock-Permian  
3705 E. Hwy 158  
Midland, Texas 79701

Re: Surface Commingle - Indian Hills State Com Wells  
Our Lease NM-4875 - State of New Mexico E-10083  
NM-4879 - State of New Mexico L-5098  
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Eddy County, New Mexico

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Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

APPROVED THIS \_\_\_\_ day of \_\_\_\_\_,  
1993.

SCURLOCK-PERMIAN

\_\_\_\_\_  
By:  
Its:



<b>SENDER:</b> <ul style="list-style-type: none"> <li>• Complete Items 1 and/or 2 for additional services.</li> <li>• Complete Items 3, 4 and 5.</li> <li>• Complete Item 6 and address on the reverse of this form so that we can return this card to you.</li> <li>• Attach this form to the front of the mailpiece, or on the back if space does not permit.</li> </ul>	I also wish to receive the following services (for an extra fee):  1. <input type="checkbox"/> Addressee's Address  2. <input type="checkbox"/> Restricted Delivery Consign postmaster for fee.
3. Article Addressed to:  <i>R. E. Chagnon</i> <i>C/O Guy Armand Prop.</i> <i>11070 Le + Bar Stg.</i> <i>Wichita Falls, TX</i> <i>W.B. Armand</i> 74301	4a. Article Number <i>P684 793 073</i>  4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input checked="" type="checkbox"/> Return Receipt for Merchandise
5. Signature (Addressee)  <i>W.B. Armand</i>	6. Signature (Agent)  <i>W.B. Armand</i>

<b>SENDER:</b> Complete items 1, under 2 for additional services. Complete items 3, and 4, 5, 6, and 7. Print your name and address on the reverse of this form so that we can return this card to you. Attach this card to the front of the package, or on the back if space does not permit. Write "Return Receipt Requested" on the mailing label below the article number. The Return Receipt will allow us to return the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Study Addressed to: <i>Office Company</i> <i>Chapel Hill, N.C.</i> <i>PO BOX 4143</i> <i>Wichita, Kansas 77</i> <i>76208-4143</i>		4a. Article Number <i>DE 14 793 074</i> 4b. Service Type <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input checked="" type="checkbox"/> Express Mail <input type="checkbox"/> Insured <input type="checkbox"/> COD <input checked="" type="checkbox"/> Return Receipt for Merchandise	
5. Signature (Address) <i>Barbara Johnson</i>		7. Date of Delivery  	
6. Signature (Agent) <i>Barbara Johnson</i>		8. Addressee's Address (Only if requested and fee is paid)  	

<p><b>SENDER:</b></p> <ul style="list-style-type: none"> <li>• Complete Items 1, 2 and 3 for additional services.</li> <li>• Complete Items 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.</li> <li>• Complete Item 1 and 2 for additional services.</li> <li>• Complete Items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.</li> <li>• Complete Item 1 and 2 for additional services.</li> <li>• Complete Items 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.</li> </ul>	<p>I also wish to receive the following services (for an extra fee):</p> <p>1. <input type="checkbox"/> Addressee's Address</p> <p>2. <input type="checkbox"/> Restricted Delivery</p> <p>Consult postmaster for fee.</p>
<p>4a. Article Number</p> <p>4b. Service Type</p> <p><input type="checkbox"/> Registered</p> <p><input checked="" type="checkbox"/> Certified</p> <p><input type="checkbox"/> Express Mail</p> <p>7. Date of Delivery</p>	<p>5-12-93</p> <p>5-12-93</p> <p>5-12-93</p>
<p>8. Addressee's Address (Only if requested and fee is paid)</p>	<p>8. Addressee's Address (Only if requested and fee is paid)</p>

<b>SENDER:</b> • Complete items 1 and 2 for additional services. • Print name and address as follows: • Print name and address on the reverse of this form so that we can return this card to you. • Attach this card to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consent postmaster for fee.	
3. Article Addressed to: <i>Phillips, P. Co.</i> <i>4001 Penrose</i> <i>Albany, N.Y. 12208</i>		4a. Article Number: <i>9 624 793 076</i>	
4b. Service Type: <input type="checkbox"/> Registered <input checked="" type="checkbox"/> Certified <input type="checkbox"/> Express Mail <input type="checkbox"/> Merchandise		<input type="checkbox"/> Insured <input type="checkbox"/> COD	
5. Signature (Addressee) <i>[Signature]</i>		7. Date of Delivery: <i>5-12-93</i>	
6. Signature (Agent) <i>[Signature]</i>		8. Addressee's Address (Only if requested and fee is paid)	

<p><b>SENDER:</b></p> <ul style="list-style-type: none"> <li>• Complete Items 1 and/or 2 for additional service.</li> <li>• Complete Items 3, and 4 &amp; 5.</li> <li>• Print your name and address on the reverse of the form so that we can return this card to you.</li> <li>• Attach this form to the front of the magazine, or on the back if space doesn't permit.</li> <li>• Write "Return Receipt Requested" on the magazine below the article number.</li> <li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li> </ul>		<p><b>Article Addressed to:</b></p> <p><i>Coleman, Gordon</i></p> <p><i>Attn: Ed Gordon</i></p> <p><i>P.O. Box 1350</i></p> <p><i>Louisville, TX 77051-1350</i></p>		<p><b>Article Number:</b></p> <p><i>D6874 793.077</i></p>	
<p>1. <input type="checkbox"/> Addressee's Address</p> <p>2. <input type="checkbox"/> Restricted Delivery</p> <p>Consume postmaster for fee.</p>		<p>4b. Service Type</p> <p><input type="checkbox"/> Registered <input type="checkbox"/> Insured</p> <p><input type="checkbox"/> Certified <input type="checkbox"/> COD</p> <p><input checked="" type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise</p>		<p>7. Date of Delivery</p> <p><b>MAY 14 1983</b></p>	
<p>5. Signature (Addressee)</p>		<p>8. Addressee's Address (Only if requested and fee is paid)</p>		<p>6. Signature (Agent)</p> <p><i>[Signature]</i></p>	

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3. Article Addressed to: Southwest Reg. Inc. 3850 S. Big Spring St. Dallas, TX 75200		4. Article Number: D 664 79.3 078	
5. Signature (Addresses) [Signature]		6. Addresser's Address (Only if requested and fee is paid) 5-12-83	
7. Date of Delivery 79701		8. Service Type <ul style="list-style-type: none"> <li><input type="checkbox"/> Registered</li> <li><input checked="" type="checkbox"/> Certified</li> <li><input type="checkbox"/> Express Mail</li> <li><input type="checkbox"/> Insured</li> <li><input type="checkbox"/> COD</li> </ul>	
9. Signature (Addresses) [Signature]		10. Date of Delivery 79701	

3. Article Addressed to: <i>Beaulock - Hanner</i> 3705 E. Hwy 151 Midland, TX 79701		7. Date of Delivery MAY 14 1993	
5. Signature - Addressee <i>[Signature]</i>		6. Signature - Agent X	
8. Addressee's Address (ONLY if requested and fee paid) Always obtain signature of addressee or agent and DATE DELIVERED.		X	
4. Article Number <i>079 793 079</i> Type of Service: <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input checked="" type="checkbox"/> Express Mail Return Receipt for Merchandise <input checked="" type="checkbox"/>		1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. 2. <input type="checkbox"/> Restricted Delivery	



**Marathon  
Oil Company**

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

May 11, 1993

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells  
Our Lease NM-4875 - State of New Mexico E-10083  
NM-4879 - State of New Mexico L-5098  
Section 36, T-20-S, R-24-E,  
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to surface commingle the production from the wells located on the Indian Hills State Lease in Section 36, T-20-S, R-24-E, N.M.P.M., Eddy County, New Mexico, with all production being metered before commingling. Our records indicate that you are an interest owner in the subject wells and as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling operations which Marathon believes will minimize operation costs and should be beneficial to all interest owners.

Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

APPROVED THIS 18 day of May,  
1993.

A handwritten signature in cursive script, appearing to read 'Robert E. Chambers, Jr.'.

By: Robert E. Chambers, Jr.  
Title: Independent Executor  
Company: Estate of Robert E. Chambers

RP6



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

May 11, 1993

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Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

RECEIVED

MAY 20 1993

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

APPROVED THIS 14th day of May,  
1993.

A handwritten signature in cursive script, appearing to read 'Alice Ann Hanks'.  
By:  
Title:  
Company:



**Marathon  
Oil Company**

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

May 11, 1993

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Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

**RECEIVED**

MAY 13 1993

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

APPROVED THIS 12th day of May,  
1993.

By: W. T. Probandt

Title:

Company: W. T. Probandt



**Marathon  
Oil Company**

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

**RECEIVED**

**MAY 12 1993**

May 11, 1993

LAND SECTION  
PHILLIPS PETROLEUM CO  
ODESSA, TEXAS

Mailing List Attached

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Very truly yours,

Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

APPROVED THIS 24 day of May,  
1993.

**RECEIVED**

JUN 01 1993

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

By: T.J. Paulin  
Title: Permian Basin District Engineer - Partnership Operations  
Company: PHILLIPS PETROLEUM CO



**Marathon  
Oil Company**

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

**RECEIVED**

JUN 07 1993

MARATHON OIL CO.  
Process & Construction  
Midland, Texas

May 11, 1993

Mailing List Attached

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Very truly yours,

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Randal P. Wilson, CPL/ESA  
Landman

RPW:mmc'  
Encl.

APPROVED THIS 20th day of May  
1993.

A handwritten signature in dark ink, appearing to read 'Jon P. Tate'.

By: Jon P. Tate  
Title: Vice President  
Company: Southwest Royalties, Inc.



SCURLOCK PERMIAN CORPORATION • 333 CLAY ST. • P.O. BOX 4648 • HOUSTON, TX • 77210-4648 • (713) 646-4100  
(713) 646-4261

Fax (713) 646-4216

JERIL R. BENEDICT  
Attorney

June 7, 1993

Randal P. Wilson, CPL  
Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702-0552

RE: SPC No. 010-83670\*\*Indian Hills State Com #3  
SPC No. 010-84942\*\*Indian Hills State Com #1  
Eddy County, New Mexico  
(Our File L596A.22)

Dear Mr. Wilson:

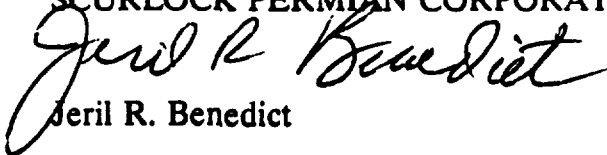
We acknowledge receipt of your letter of May 11, 1993 regarding the surface co-mingling of the production from the captioned wells.

We do not anticipate that this will be a problem, but Marathon, as operator, will have to provide us the monthly production allocation between the wells to enable us to make proper distribution of the sales proceeds. Please coordinate the changeover with our Philip Jasman, Supervisor of Lease Accounting, who may be reached at (713) 646-4456.

Thank you for your assistance and cooperation in this matter.

Very truly yours,

SCURLOCK PERMIAN CORPORATION



Jeril R. Benedict

cc: J. D. Bradley (w/o att)  
P. Jasman (w/ att)

bjy\june\1596a22.007\jrb8

RECEIVED

JUN 14 1993

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS