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July 20, 2000

Mr. Michael E. Stogner
Oil Conservation Division
2040 South Pacheco
P. O. Box 6429
Santa Fe, New Mexico 87505-5472

Re: NMOCD Case 12419
Application of Marathon Oil Company
to amend surface commingle order R-11112-A
Eddy County, New Mexico

Dear Mr. Stogner:

In accordance with your request, please find enclosed a proposed order for consideration in this case. I also have enclosed a wordperfect 5.1 diskette containing this draft order.

Very truly yours,

W. Thomas Kellahin

cc: Marathon Oil Company
Attn: Kent Bickham, Esq.

**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. 12419
ORDER NO. R-11112-B

APPLICATION OF MARATHON OIL COMPANY
FOR AMENDMENT OF SURFACE COMMINGLING
DIVISION ORDER R-11112-A
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 29, 2000, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ___ day of July, 2000, 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) By Order R-11112 issued in Case 12068 and dated December 15, 1998 and by Order R-11112-A issued in Case 11112-A in Case 12162 and dated May 11, 1999 the Division authorized the commingling of oil and condensate production from wells within the Buchanan Centralized Facility.

(3) Now, Marathon Oil Company ("Marathon") seeks appropriate exceptions to the applicable portions of Division Rule 303.A, 309.A and 403.A to permit surface commingling of the gas production from the wells within the Buchanan Centralized Facility.

(4) The Division Rules applicable to this activity are:

(a) Division Rule 303.A which prohibits oil and/or gas production from separate common sources of supply, or pools, to be commingled or confused before marketing;

(b) Division Rule 309.A disallows the commingling of oil production from two or more separate leases in a common facility;

(c) Division Rule 403.A requires all natural gas production to be metered at the wellhead unless other methods are approved by the Division.

(5) Marathon presented evidence with demonstrated that:

(a) As of April, 2000 the Scanlon Draw "34" State Well No 1, located 660 feet from the south line and 1650 feet from the east line of Section 34, Township 18 South, Range 28 East, was a flowing gas well producing approximately 45 mcfgpd and the Jose Guerrero "34" State Well No 1 located 990 feet from the south line and 330 feet from the west line of this section was being rod pumped and produced 9 bopd, 5 bwpd and 6 mcfgpd.

(b) this gas had been sold to a high pressure gas sales line. However, due to the production decline it has become uneconomic to compress the gas into this line;

(c) Marathon wishes to surface commingle the gas from these wells with the gas at the Buchanan Central Facility which currently receives surface commingled liquids from the wells previously approved by Order R-11112 and R-11112-A;

(d) the gas from these two wells and any existing or future wells will be metered on lease before being commingled.

(e) the value of the gas will not be reduced by surface commingling

(6) The Division should amend Division Order R-11112-A to permit surface commingling of North Turkey Track-Morrow Gas and Travis-Upper Pennsylvanian Gas Pool production from the Jose Guerrero "34" State Well No 1 and the Scanlon Draw "34" State Well No 1 both located in the S/2 of Section 34, Township 18 South, Range 28 East within its Buchanan Centralized Facility and should adopt an administrative procedure, without notice and hearing, for commingling of gas production from future or existing wells within its Buchanan Centralized Facility.

(7) Approval of this application is necessary to operate the wells effectively and prevent premature abandonment of these low volume wells due to excessive operating costs.

(8) Pursuant to Division notice rules, Marathon has notified all interest owners and no affected party has filed an objection.

(9) The proposed surface commingling will maximize royalties paid and will protect the rights of all interest owners.

(10) The evidence and testimony presented by the applicant demonstrates that surface commingling can be continued without causing waste and therefore an exception from the limitations set forth in Rule 303.A, 309.A and 403.A should be granted.

(11) The surface commingling of gas production from wells in this facility will not violate the correlative rights of any interest owner.

(12) The approval of commingling of production within this facility will extend the economic life of the existing wells and thereby increase ultimate recovery from these formations.

(13) Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Marathon Oil Company ("Marathon"), Division Order R-11112 and Order R-11112-A are hereby amended and Marathon is authorized to commingle gas production from existing and future wells from the pools and leases defined in these orders.

(2) Any gas production shall be metered on lease before being commingled.

(3) The surface commingling of gas production for future or existing wells within the Buchanan Centralized Facility shall be accomplished by notification to the supervisor of the Division's Artesia District Office prior to the implementation of the commingling process.

(4) 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

LORI WROTENBERY
Director.