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August 13, 2001

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 12721

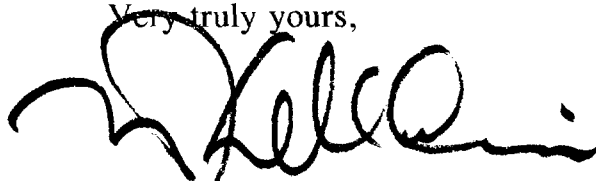
Re: Application of Marathon Oil Company
to Amend Division Order R-11186
for surface commingling for the Indian
Hills Unit Centralized Facility,
Eddy County, New Mexico.

Dear Ms. Wrotenbery:

On behalf of Marathon Oil Company, please find our application in the referenced case which we request be set on the next available Division Examiner's docket on scheduled for September 6, 2001.

Also enclosed is our suggested advertisement for the Division docket.

Very truly yours,



W. Thomas Kellahin

cfx: Marathon Oil Company
Attn: Ginny Larke

PROPOSED ADVERTISEMENT

CASE 12721 Application of Marathon Oil Company to amend Division Order R-11186, Eddy County, New Mexico. Applicant seeks an amendment of Division Order R-11186 to expand its Indian Hills Unit Centralized Facility to include its Indian Hills Unit Well No. 32 in Unit M of Section 16 and any future wells producing from the Indian Basin Upper Pennsylvanian Gas Pool and/or the Indian Basin Upper Pennsylvanian Associated Pool within Sections 16, 17 and 19 Township 21 South, Range 24 East. This order currently permits surface commingling, off-lease measurement and storage of Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin Upper Pennsylvanian Associated Pool production from its Indian Basin "32" State Lease in Section 32 with its Indian Hills Unit covering parts of Sections 20, 21, 28, 29 and 33, all in T21S, R24E which shall be stored and measured at its centralized facility located in Unit P, Section 19, T21S, R24E. This facility is located approximately 18 miles east of Carlsbad, New Mexico.

**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:**

**APPLICATION OF MARATHON OIL COMPANY
TO AMEND DIVISION ORDER R-11186 FOR
SURFACE COMMINGLING FOR ITS INDIAN
HILLS UNIT CENTRALIZED FACILITY
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12721

A P P L I C A T I O N

Comes now Marathon Oil Company ("Marathon") by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an amendment of Division Order R-11186 to expand its Indian Hills Unit Centralized Facility to include its Indian Hills Unit Well No. 32 in Unit M of Section 16 and any future wells within Sections 16, 17 and 19 Township 21 South, Range 24 East;

And in support states:

1. Marathon is the operator of the Indian Hills Unit Centralized Facility which is operated pursuant to Division Order R-11186.
2. This order currently permits surface commingling, off-lease measurement and storage of Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin Upper Pennsylvanian Associated Pool production from its Indian Basin "32" State Lease in Section 32 and its Indian Hills Unit covering parts of Sections 20, 21, 28, 29 and 33, all in T21S, R24E which are stored and measured at its centralized facility located in Unit P, Section 19, T21S, R24E.

3. Marathon has drilled and completed its Indian Hills Unit Well No. 32 (**API #30-015-31591**) located in Unit M of Section 16, T21S, R24E, NMPM and has obtained temporary authority from the Division to surface commingle production from this well with other production within the Indian Hills Unit Centralized Facility.

4. Marathon seeks to add this well and any other well drilled in Section 16, 17 and 19 to the Indian Hills Centralized Facility. This facility has the capability to satellite test and lease meter liquids and gas sent to the battery from the individual leases and spacing units and to properly allocate that production back to the individual spacing units and leases. **See Exhibit "A"**

5. As a result of various ownership transactions affecting the E/2 of Section 32, ownership in the commingled production is no longer identical in terms of parties or interest. In addition, the ownership in Section 29, T21S, R24E is also different from the Indian Hills Unit.

6. In accordance with Division Rule 1207, Marathon has sent a copy of this application and notice for hearing to be held on September 6, 2001 to all the proper parties entitled to said notice. **See Exhibit "B"**

WHEREFORE, Marathon Oil Company requests that this matter be set for hearing and that after notice and hearing, approved as requested.

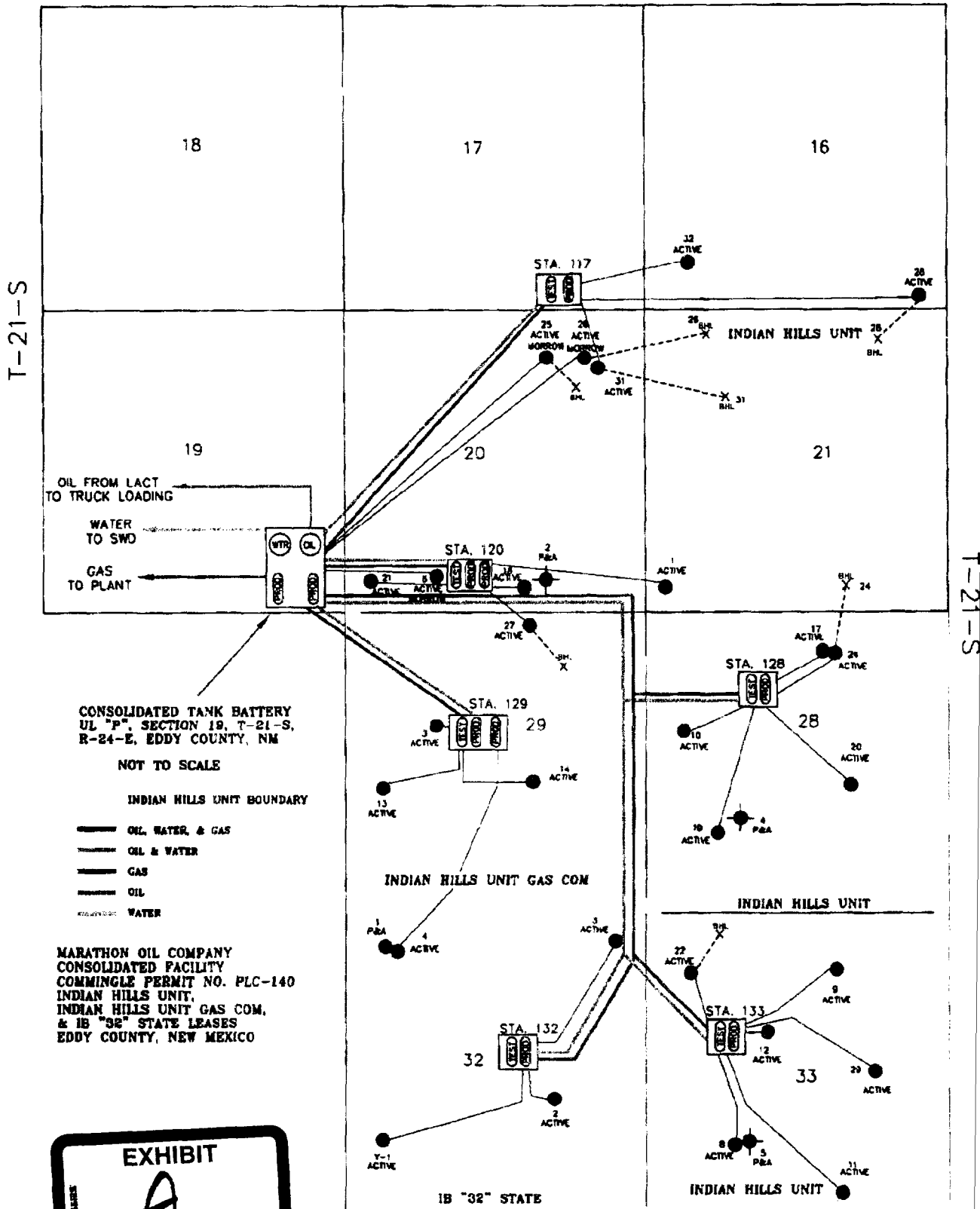
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

MARATHON OIL COMPANY
CONSOLIDATED FACILITY
ORDER NO. R-11186
GATHERING SYSTEMS

R-24-E



R-24-E

8/18/01
EISMAP.DWG
BY: V. L. LARSEN