

Release Immediately

By Dec

Unworn APPLICATION FOR DOWNHOLE COMMINGLING
Contained
Within
OPERATOR

Hanley Petroleum, Inc.
1500 Wilco Bldg.
Midland, TX 79701

WELL NAME

Marathon-Martinez Federal No. 1
660' FSL & 1980' FEL
Section 31, Township 19-S, Range 29-E,
Eddy Co., New Mexico

POOLS TO BE COMMINGLED

Wildcat (Delaware) 4642-4867' -
Wildcat (Bone Springs) 8849-8899'

PLAT

A plat of the area showing the acreage dedicated to this well and the offset operators is attached hereto and marked Exhibit "A". The ownership of all penetrated formations under the subject lease is common.

PRODUCTIVITY TESTS

Exhibits "B" and "C" are current productivity test for each zone on Form C-116. Based on these tests, we expect the combined production to be ± 30 BO, 110 BW, and 42 MCFGPD.

PRODUCTION HISTORY

Exhibit "D" is a decline curve showing oil, water, and gas production from each zone since the well was drilled in October, 1985.

BOTTOM HOLE PRESSURES

Since both zones had to be pumped almost immediately, no measured bottom hole pressures were recorded. Based on the fact that both zones are normally pressured, and using a gradient of .43 psi/ft., our best estimate for maximum bottom hole pressures would be 2000 psi. for the Delaware and 3800 psi. for the Bone Springs. The actual bottom hole pressures are probably significantly less than these estimates. Since the equipment on location is capable of pumping more than the combined fluid output of both zones, (i.e. the well will be pumped off), no fluid crossflow is expected to occur.

WATER CHARACTERISTICS

Exhibits "E" and "F" are copies of lab analyses of the water from each zone showing these waters to be very similar and therefore compatible.

CRUDE VALUE

Exhibits "G" and "H" are copies of a statement of runs from the Bone Springs and run tickets from the Delaware. The Bone Springs exhibits an average gravity of 42.5° API while the Delaware averages 39.8° API. The posted prices for both crudes is the same and the crude gravities are near or above 40° API, so there should be no devaluation of crude price.

ALLOCATION OF PRODUCTION

Based on the attached forms C-116, Production will be allocated to each zone as follows:

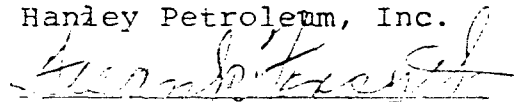
	<u>Delaware</u>	<u>Bone Springs</u>
Oil	43	57
Water	85	15
Gas	60	40

WAIVERS OF OBJECTION

Exhibits "I" thru "N" are signed waivers of objection from all Offset Operators and the USGS concerning this application.

Respectfully Submitted,

Hanley Petroleum, Inc.



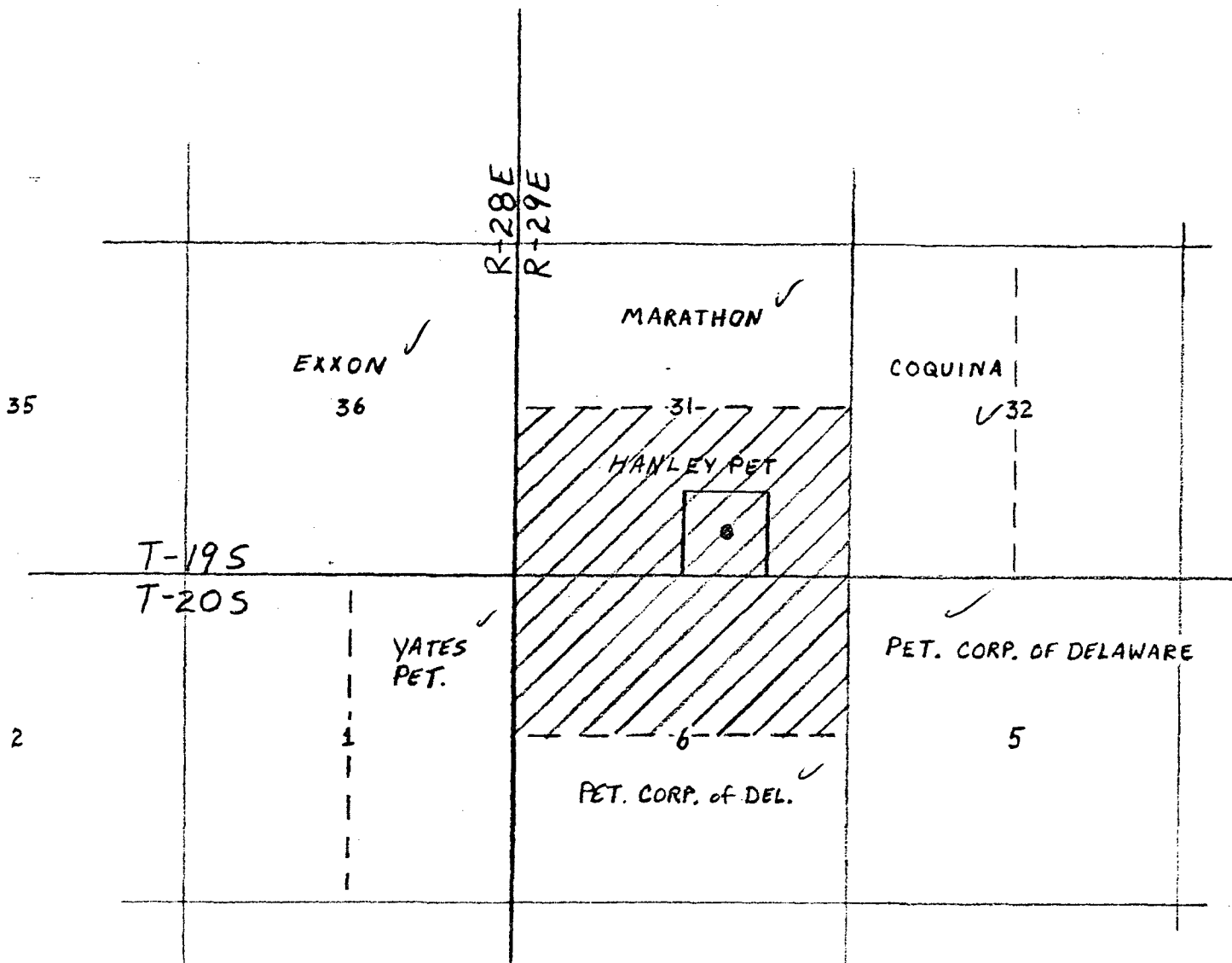


Exhibit A
 OFFSET OPERATORS
 HANLEY PET.
 MARATHON-MARTINEZ FCD LSE.
 40 Acres dedicated to WELL No. 1

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

C-1116
Revised 1-1-65

Operator Hanley Petroleum, Inc.		Pool Wildcat (Bone Springs)		County Eddy										
Address 1500 Wilco Bldg Midland, TX 79701		TYPE OF TEST - (X)		Completion ☐ Scheduled ☐ Special ☒										
LEASE NAME	WELL NO.	LOCATION			DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOW-ABLE	LENGTH OF TEST HOURS	PROD. DURING TEST			GAS - OIL RATIO CU.FT./BBL.	
		U	S	T						R	WATER BBLs.	GRAV. OIL		OIL BBLs.
Marathon-Martinez Fed.	1	O	31	19-S	29-E	11-5-85	TYA		24	14	42.5	20	17	850:1

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 301 and appropriate pool rules.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

V. Pres. Production
(Signature)

V. Pres. Production

(Title)

1-8-86

(Date)

Exhibit B

NEW MEXICO OIL CONSERVATION COMMISSION
GAS-OIL RATIO TESTS

C-116
Revised 1-1-65

Operator		Pool		County										
Hanley Petroleum, INC.		Wildcat (Delaware)		Eddy										
Address		TYPE OF TEST - (X)		Completion ☐ Spectral ☒										
1500 Wilco Bldg. Midland, TX 79701														
LEASE NAME	WELL NO.	LOCATION			DATE OF TEST	CHOKE SIZE	TBG. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST			GAS - OIL RATIO CU.FT./BBL.	
		U	S	T						R	WATER BBLs.	GRAV. OIL		OIL BBLs.
Marathon Martinez Fed.	1	O	31	19-S	29-R	1-2-86			24	80	39.8	15	25	1670:1

No well will be assigned an allowable greater than the amount of oil produced on the official test.

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Commission.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

Mail original and one copy of this report to the district office of the New Mexico Oil Conservation Commission in accordance with Rule 301 and appropriate pool rules.

I hereby certify that the above information is true and complete to the best of my knowledge and belief.

V. Pres.
(Signature)

V. Pres.- Production

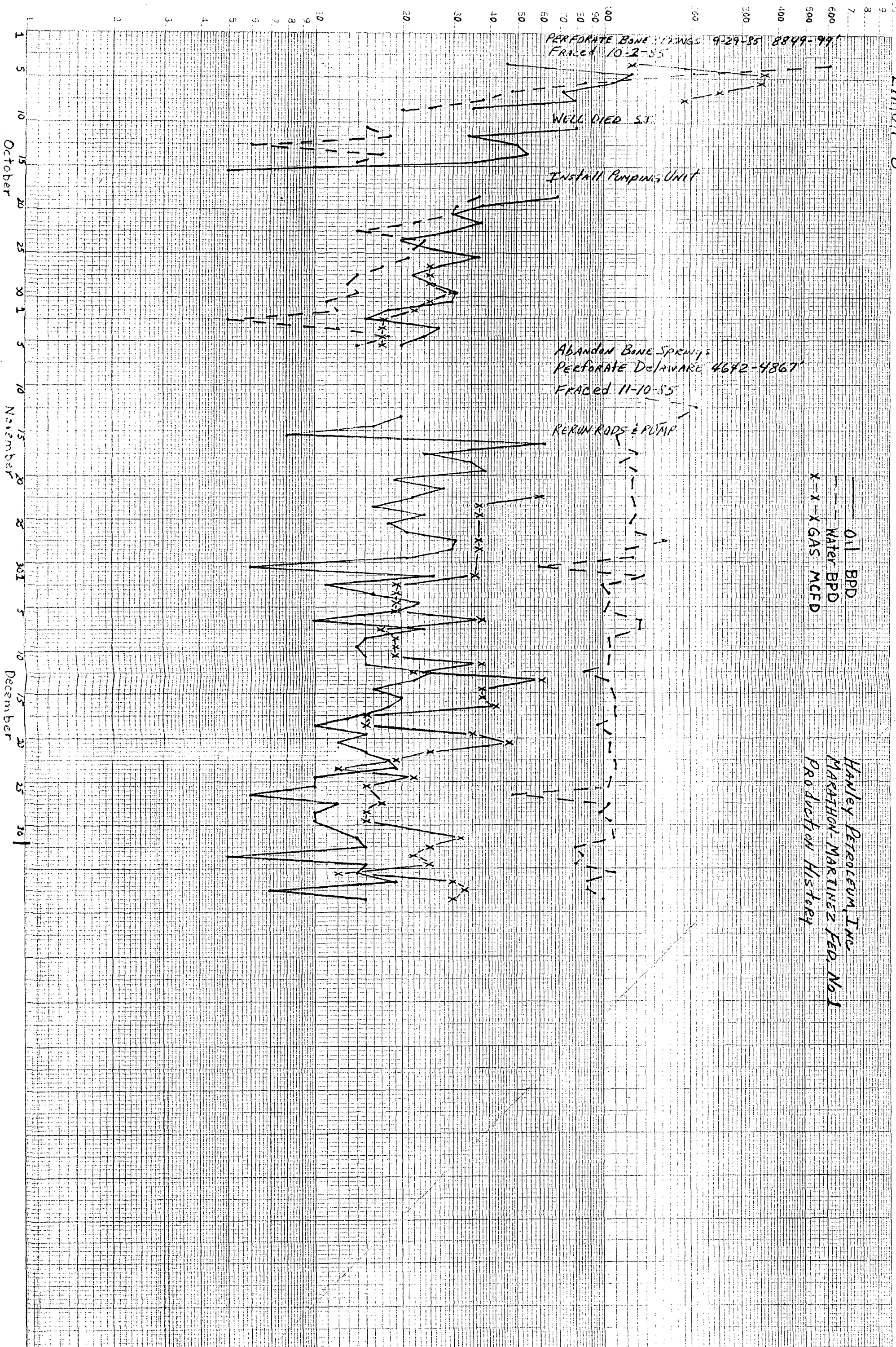
(Title)

1-8-86

(Date)

Exhibit C

Exhibit D



HALLIBURTON DIVISION LABORATORY

HALLIBURTON SERVICES

MIDLAND DIVISION

ARTESIA, NEW MEXICO 88210

LABORATORY WATER ANALYSIS

No. W737-85

To Mr. Troy Compton

Date December 31, 1985

Hanley Petroleum

1500 Wilco Building

Midland, TX 79701

This report is the property of Halliburton Company and neither it nor any part thereof nor a copy thereof is to be published or disclosed without first securing the express written approval of laboratory management; it may however, be used in the course of regular business operations by any person or concern and employees thereof receiving such report from Halliburton Company.

Submitted by Billie Hamilton
Marathon

Date Rec. December 30, 1985

Well No. Martinez #1

Depth 4645' to 4865'

Formation Delaware

County Eddy

Field S 31, T 19S, R 29E

Source Wellhead

Resistivity 0.066 @ 70°

Specific Gravity 1.098

pH 7.0

Calcium (Ca) 11,100

*MPL

Magnesium (Mg) 1,685

Chlorides (Cl) 85,000

Sulfates (SO₄) HeavyBicarbonates (HCO₃) 488

Soluble Iron (Fe) Nil

Remarks:

*Milligrams per liter

Rocky Chambers
Respectfully submitted,

Analyst: Rocky Chambers - Field Engineer

HALLIBURTON COMPANY

cc:

Exhibit E

NOTICE

This report is limited to the described sample tested. Any user of this report agrees that Halliburton shall not be liable for any loss or damage, whether it be to act or omission, resulting from such report or its use.

HALLIBURTON DIVISION LABORATORY

HALLIBURTON SERVICES

MIDLAND DIVISION

ARTESIA, NEW MEXICO 88210

LABORATORY WATER ANALYSIS

No. W591-85

To Mr. Frank ForsytheDate October 16, 1985Hanley Petroleum1500 Wilco BuildingMidland, TX 79702

This report is the property of Halliburton Company and neither it nor any part thereof nor a copy thereof is to be published or disclosed without first securing the express written approval of laboratory management; it may however, be used in the course of regular business operations by any person or concern and employees thereof receiving such report from Halliburton Company.

Submitted by Carl TennisonDate Rec. October 15, 1985MarathonWell No. Martinez Fed. #1 Depth 8849' to 8899'Formation Bone SpringCounty EddyField S 31, T 19S, R 29ESource SwabResistivity075 @ 72°Specific Gravity 1.084pH 7.1Calcium (Ca) 5,994

*MPL

Magnesium (Mg) 1,887Chlorides (Cl) 73,000Sulfates (SO₄) ModerateBicarbonates (HCO₃) 702Soluble Iron (Fe) ModerateKCL 1%

Remarks:

*Milligrams per liter

Rocky Chambers
Respectfully submitted,

Analyst: Rocky Chambers - Field Engineer

HALLIBURTON COMPANY

cc:

Exhibit F

NOTICE

This report is limited to the described sample tested. Any user of this report agrees that Halliburton shall not be liable for any loss or damage, whether it be to act or omission, resulting from such report or its use.



Marathon Petroleum Company

539 SOUTH MAIN STREET
FINDLAY, OHIO 45840
PHONE: 419/422-2121 EXT. 3868

PAGE 1

50205-201
2/06/85 20:10:23

STATEMENT OF CRUDE OIL RUNS

00002-1

MAIL TO:

* LINE CODES

HANLEY PETROLEUM, INC.
1500 WILCO BLDG.
MIDLAND, TX 79701-0000

1-OIL (BBL) 61-TRUCKING CHARGE
7-GASOLINE (BBL) 62-PIPELINE CHARGE
8-CONDENSATE (BBL) 63-OTHER CHARGES
9-LIQ. PET. GAS (EBL) 64-COST RECOVERY
18-CONDENSATE PROD.(BBL) 90-OTHER

OPERATLEASE NAME COUNTY AND STATE

HANLEY PETROLEUM, INC.
MARATHON MARTINEZ
EDDY COUNTY, NM

ST D.O.NO	TICKET DATE	TICKET NUMBER	TANK NUMBER	API GRAVITY	PRICE/ BBL.	WPT TIER	VOLUME	VALUE
H270011	10/12/85		70011	41.8	27.750	3	183.00-	5,078.25-
	10/12/85		70011	41.8	.480	3	0.00	87.84
	10/12/85		70011	41.8	27.750	3	180.94	5,021.09
	10/12/85		70011	41.8	.480	3	0.00	86.85-
	10/13/85		70011	43.7	.480	3	0.00	87.43-
	10/13/85		70011	43.7	.480	3	0.00	87.84
	10/13/85		70011	43.7	27.750	3	182.15	5,054.66
	10/13/85		70011	43.7	27.750	3	183.00-	5,078.25-
	10/20/85		70011	43.9	.480	3	0.00	87.38-
	10/20/85		70011	43.9	27.750	3	182.05	5,051.89
	10/20/85		70011	43.9	.480	3	0.00	87.84
	10/20/85		70011	43.9	27.750	3	183.00-	5,078.25-
	10/30/85		70011	44.0	27.750	3	183.00-	5,078.25-
	10/30/85		70011	44.0	.480	3	0.00	87.84
	10/30/85		70011	44.0	27.750	3	183.02	5,078.81
	10/30/85		70011	44.0	.480	3	0.00	87.84-
				MONTH SUMMARY			3.84-	\$104.69-
	11/05/85		70011	43.4	.480	3	0.00	86.28-
	11/05/85		70011	43.4	23.000	3	181.00	5,063.00
	11/05/85		70011	43.2	28.000	3	181.00	5,063.00
	11/06/85		70011	43.8	.480	3	0.00	86.88-
	11/20/85		70011	40.2	28.000	3	181.00	5,068.00
	11/20/85		70011	40.2	.480	3	0.00	86.58-
				MONTH SUMMARY			543.00	\$14,943.36
				LEASE TOTAL			539.16	\$14,838.57

Exhibit G
Bone Springs Crude Runs

KEEP ALL STATEMENTS - DUPLICATES CANNOT BE FURNISHED



CRUDE OR PRODUCTS RECEIPT TICKET

THE PERMIAN CORPORATION
WESTERN OIL TRANSPORTATION CO. INC.
P.O. BOX 1183 HOUSTON, TEXAS 77251



FROM OPERATOR *Harley Petroleum Co.*
LEASE *Harley Petroleum H 1*

OPENING DATE

1 2 3 4 5 6 7 8 9 10 11 12

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18300

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16

METER READING

1.0021916 X

183. =

183.4010626 *

1.0021916 *

1.0042 X

0.998 =

1.0021916 *

1.0021916 X

183. =

183.4010626 *

1.0021916 *

1.0021916 X

183. =

METER READING

1.000994 X

183. =

183.181902 *

1.000994 *

1.000994 X

183. =

183.181902 *

1.000994 *

1.000994 X

183. =

183.181902 *

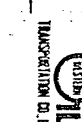
1.000994 *

1.000994 X



CRUDE OR PRODUCTS RECEIPT TICKET

THE PERMIAN CORPORATION
WESTERN OIL TRANSPORTATION CO. INC.
P.O. BOX 1183 HOUSTON, TEXAS 77251



FROM OPERATOR *Harley Petroleum Co.*
LEASE *Harley Petroleum H 1*

OPENING DATE

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METER READING

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183.181902 *

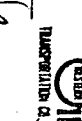
1.000994 *

1.000994 X



CRUDE OR PRODUCTS RECEIPT TICKET

THE PERMIAN CORPORATION
WESTERN OIL TRANSPORTATION CO. INC.
P.O. BOX 1183 HOUSTON, TEXAS 77251



FROM OPERATOR *Harley Petroleum Co.*
LEASE *Harley Petroleum H 1*

OPENING DATE

1 2 3 4 5 6 7 8 9 10 11 12

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565052

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426

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METER READING

1.000994 X

183. =

182.634 *

1.000994 *

1.000994 X

183. =

182.634 *

1.000994 *

1.000994 X

183. =

182.634 *

1.000994 *

1.000994 X

December 31, 1985

Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

Marathon Oil Company hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

Marathon Oil Company

1/9/86
Date

J. Howell
Name

District Engineer
Title

Exhibit I

January 2, 1986

Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

Exxon Company U.S.A. hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

Exxon Company U.S.A.

1/7/86
Date

James H. Havel
Name

Division Staff Engr
Title

Exhibit J

January 2, 1986

Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

Coquina Exploration hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

Coquina Exploration

1-8-86
Date

J.B. Taylor
Name

Manager
Title

Exhibit K

JAN 8 1986

January 2, 1986

Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

Petroleum Corporation of Delaware hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

Petroleum Corporation of Delaware

1/6/86
Date

Howard M. Shaw
Name

VP- Dir. & Prod.
Title

Exhibit L

January 2, 1986

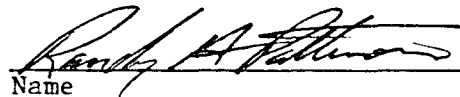
Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

Yates Petroleum Corporation hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

Yates Petroleum Corporation

January 7, 1986
Date


Name

Attorney-in-Fact
Title

Exhibit M

December 31, 1985

Mr. Dick Staments, Director
Oil Conservation Division
Department of Energy & Minerals
P.O. Box 2088
Santa Fe, N.M. 87501

Sir:

The United States Geological Survey hereby waives any rights of objection to Hanley Petroleum Inc.'s application to downhole commingle the Bone Spring and Delaware formations in the Marathon-Martinez Federal Well No. 1, located in Section 31, T-19-S, R-29-E, Eddy County, New Mexico.

The United States Geological Survey
Bureau of Land Management

1-B-86
Date

Charles S. Sahl
Name

Area Manager
Title

Exhibit N

**Subject to
Like Approval
by State**

Exception to rule

303; C-1-d

Water production in either well.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

PERMIT IN TRIPPLICATE*
(Other instructions on re-
verse side)

Expires August 31, 1985
5. LEASE DESIGNATION AND SERIAL NO.

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug back to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL ☒ GAS WELL ☐ OTHER ☐		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Hanley Petroleum Inc.		7. UNIT AGREEMENT NAME	
3. ADDRESS OF OPERATOR 1500 Wilco Bldg, Midland, TX 79701		8. FARM OR LEASE NAME Marathon-Martinez Federa	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface 660' FSL and 1980' FEL of Section 31, T-19S, R-29E,		9. WELL NO. 1	
14. PERMIT NO.		10. FIELD AND POOL, OR WILDCAT Wildcat	
15. ELEVATIONS (Show whether DF, WT, GR, etc.) 3287' GL 3300' KB		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec 31, T-19S, R-29E	
		12. COUNTY OR PARISH Eddy	13. STATE New Mexico

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

TEST WATER SHUT-OFF ☐	PULL OR ALTER CASING ☐
FRACURE TREAT ☐	MULTIPLE COMPLETE ☐
SHOOT OR ACIDIZE ☐	ABANDON* ☐
REPAIR WELL ☐	CHANGE PLANE ☐
(Other) Downhole Commingle ☒	

WATER SHUT-OFF ☐	REPAIRING WELL ☐
FRACURE TREATMENT ☐	ALTERING CASING ☐
SHOOTING OR ACIDIZING ☐	ABANDONMENT* ☐
(Other) ☐	

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Intend to drill out CIBP at 5100' and downhole commingle the Bone Springs interval 8849-8899' and the Delaware interval 4642-4867'.

Based on the C-116 tests attached, we expect the combined daily production to be ±30 BO, 100 BW, and 42 MCFGPD.

Attached water analyses show the water from both zones to be very similar and therefore compatible.

The oil from the Bone Springs exhibits an average gravity of 42.5° API while the Delaware oil exhibits an average gravity of 39.8° API. Both gravities are near or above 40° API so no price adjustment should occur.

The present sperate rates of production will not allow either zone to be economical by itself.

18. I hereby certify that the foregoing is true and correct

SIGNED Frank Smith TITLE V. Pres. - Production DATE 1-8-86

(This space for Federal or State office use)

APPROVED Charles A. Lohr TITLE Assistant Secretary DATE 1-8-86

CONDITIONS OF APPROVAL, IF ANY:

Subject to
Like Approval
by State

Except to
rule
3031 C-1-a

*See Instructions on Reverse Side

This is a Federal Statute, Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.