

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

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 DIVISION

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Charles E. Kendrick
 Print or Type Name

Charles E. Kendrick
 Signature

Engineering Tech 12/7/05
 Title Date

cekendrix@marathonoil.com
 e-mail Address



**Marathon
Oil Company**

Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

December 7, 2005

New Mexico Oil Conservation Division
Attn: Mr. Micheal Stogner
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Exception to 19.15.3.104.B. (1)

Dear Mr. Stogner,

Marathon Oil Company is requesting that we be permitted a non-standard location for an existing wellbore on our McDonald State A/C 1 lease. This well, the McDonald State A/C 1 WSW No. 1 (30-025-31268) was originally drilled as a water source well which supplied water for the McDonald State A/C 1 water flood from the San Andres formation. The well is no longer needed in this capacity and has been shut in.

Marathon is seeking the NSL for the well in order to test the feasibility of developing Grayburg formation production wells in the area. A non-standard location permit would allow Marathon to benefit from the wells central location in relation to our acreage in Section 16 for testing. It would also make use of an otherwise idle wellbore, and in addition save Marathon the cost of converting a producing well or drilling a new well.

Marathon has not notified the offset operators to the McDonald State A/C 1 lease, but will be more than willing to do so if the NMOCD requires it. The two nearest wells operated by other parties are the South Eunice Unit No. 3 operated by Breck Operating an located 330 FNL & 1650 FEL in Section 21, T-22-S, R-36-E, and the State E No. 9 operated by ConocoPhillips 1980' FNL & 660 FWL in Section 16, T-22-S, R-36-E. These two wells are both greater than a half mile distant from the McDonald State A/C 1 No. 1 WSW well.

It is Marathon's contention that allowing production from the Grayburg formation in this well will not impact correlative rights on any lease held by other operators. Marathon is the sole interest owner in the Grayburg formation on the McDonald State A/C 1. Please see the attached C-102 filed with the NMOCD in Hobbs, and maps of the area showing the location and proximity to other leases.

If you should need to contact Marathon please call me at ph. 713-296-2096 or you can reach me via email at cekendrix@marathonoil.com.

Sincerely,

A handwritten signature in cursive script that reads "Charles E. Kendrix".

Charles E. Kendrix
Engineering Technician
Marathon Oil Company

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-102
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-31268		² Pool Code		³ Pool Name Wildcat Grayburg	
⁴ Property Code		⁵ Property Name McDonald State A/C 1 (Non Unit)			⁶ Well Number 1
⁷ OGRID No. 14021		⁸ Operator Name Marathon Oil Company			⁹ Elevation 3551'

¹⁰ Surface Location

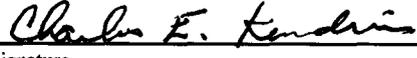
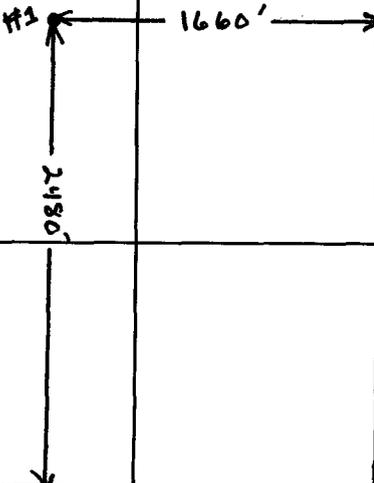
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	16	22-S	36-E		2480'	South	1660'	East	Lea

¹¹ Bottom Hole Location If Different From Surface

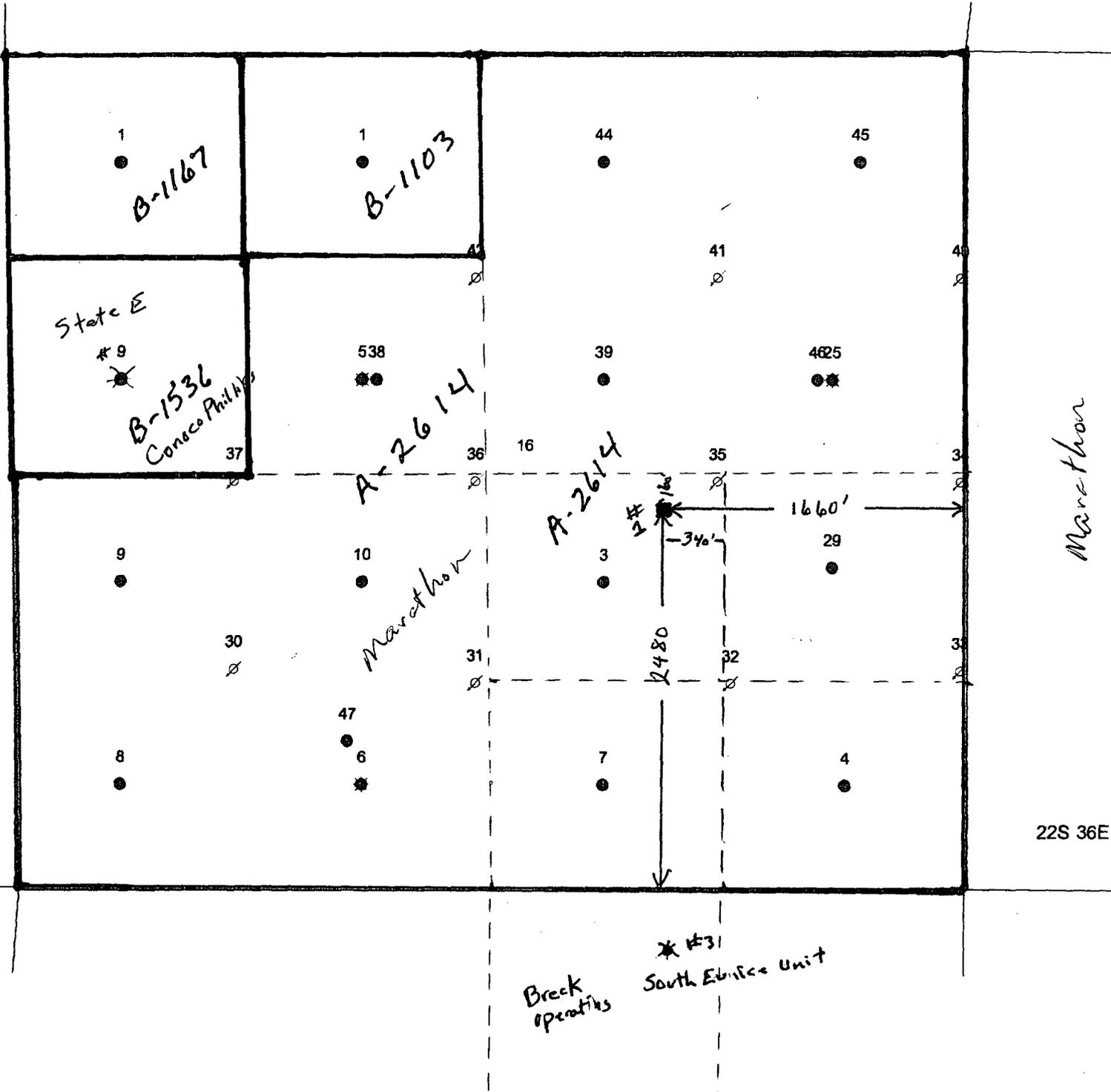
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County

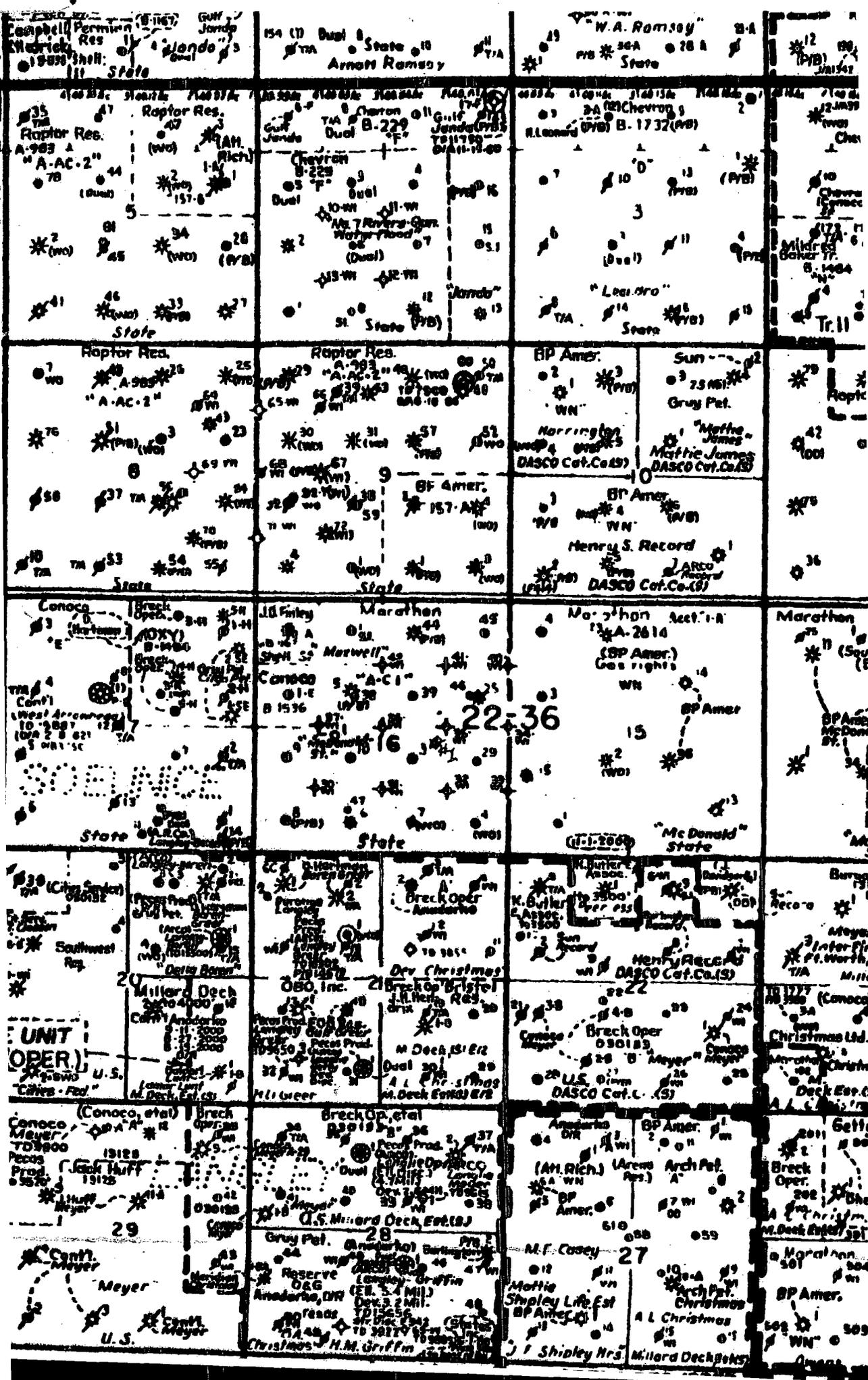
¹² Dedicated Acres 40	¹³ Joint or Infill N	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.  Signature Charles E. Kendrick Printed Name Engineering Technician cekendrix@marathonoil.com Title and E-mail Address 11/14/2005 Date
			¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyer: Certificate Number	
				

McDonald State A/C 1





1 Campbell Permian Res. 1980 Shell
11 State

154 (1) Dual State
Arnon Ramsey

W.A. Ramsey
28 A
State

12
State

35 Raptor Res. A-983
A-AC-2
State

11 Chevron B-229
State

13
State

10
State

7 Raptor Res. A-983
A-AC-2
State

30 Raptor Res. A-983
A-AC-2
State

BP Amer.
WN
DASCO Cat.Co.(S)
Henry S. Record
DASCO Cat.Co.(S)

42
State

Conoco
State

22-36
State

4 Marathon A-2614
BP Amer.
Gas rights
McDonald
State

Marathon
State

UNIT OPER.
U.S.
Caves - Red

21
State

Henry Record
DASCO Cat.Co.(S)

2011
State

29
U.S.
Meyer

28
U.S. Millard Deck, Etc.
State

M.F. Casey
27
State

2011
State