

DHC 1/10/00

Mid-Continent Region
Production United States

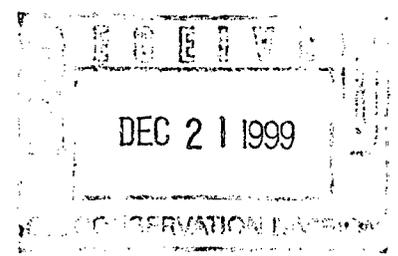


P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

2587

December 16, 1999

Mr. David Catanach
Oil Conservation Department
Energy and Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501



**RE: Request for Exception to Rule 303-A
Downhole Commingling
Walter Lynch Well No. 8
1880' FNL & 760' FWL
Unit Letter "E", Section 1, Township 22-S, Range 37-E
Blinebry Oil & Gas and Wantz Granite Wash
Drinkard Field
Lea County, New Mexico**

Dear Mr. Catanach:

Marathon Oil Company requests administrative approval for an exception to Rule 303-A to permit the downhole commingling of production in the above subject well from the Blinebry Oil & Gas and Wantz Granite Wash pools in Lea County, New Mexico. Marathon also requests a 30 day exception to Rule 303-A to permit the downhole commingling of production while awaiting for approval of this application. If this application is not approved, then the well will be worked on to produce from the Blinebry Oil & Gas pool only.

Both pools have marginal production. The Wantz Granite Wash and Drinkard were downhole commingled in 1977. In 1983, a workover squeezed the Drinkard, added the Tubb, and downhole commingled the Wantz Granite Wash and the Tubb. In 1992, another workover squeezed the Tubb and left the well to produce from the Wantz Granite Wash only. In 1994, another workover isolated the Wantz Granite Wash with a cast-iron bridge plug and added perfs in the Blinebry Oil & Gas. Current production is from the Blinebry Oil & Gas pool. Plans are to remove the CIBP and to downhole commingle the two pools. By downhole commingling the production from these two zones, production will be realized that could not economically justify the cost of equipment to separate the zones. Rod pumping equipment will be utilized to keep the PBHP as low as possible, preventing crossflow.

Enclosed is pertinent data to support this application as outlined in Rule 303-A. If additional information is necessary, please contact me at (915) 687-8268.

Sincerely,

Tim L. Chase
Advanced Engineer Technician

REQUEST FOR EXCEPTION TO RULE 303-A

Walter Lynch Well No. 8, Drinkard Field

A: Operator

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

B: Lease Name and Well Number

Walter Lynch Well No. 8
1880' FNL & 760' FWL, Unit Letter "E", Section 1, Township 22-S, Range 37-E
Drinkard Field, Lea County, New Mexico
Blinebry Oil & Gas and Wantz Granite Wash

C: Plats and Offset Operators

Attached

D: C-116's

Attached

E: Production Decline Curves

Attached

F: Estimated Current Bottomhole Pressures

Blinebry Oil & Gas 300 psi Wantz Granite Wash 675 psi

G: Product Characteristics

Previous commingling of these zones by Marathon and other operators in this area have shown that the produced fluids are compatible and commingling will not cause formation damage

H: Value

Marathon receives the same price for product from these zones, so value won't be adversely affected

I: Production Allocation

<u>POOL</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>BWPD</u>	<u>Estimation Methods</u>
Blinebry Oil & Gas	3	170	0	Current Production
Wantz Granite Wash	2	20	1	Pre-1994 Workover Production
Total	5	190	1	

<u>Allocated %</u>	<u>Oil %</u>	<u>Gas %</u>	<u>Water %</u>
<u>Post-workover using above production</u>			
Blinebry Oil & Gas	60	89.47	0
Wantz Granite Wash	40	10.53	100
Total	100	100	100

J: Ownership

Ownership of all zones is common and correlative rights will not be compromised

K: Offset Operator Notification

Offset operators are being provided with a copy of this application

OFFSETTING OPERATORS

**Walter Lynch Well No. 8
1880' FNL & 760' FWL
Section 1, Township 22-S, Range 37-E, Unit Letter "E"
Lea County, New Mexico
Drinkard Field**

Exxon Corporation
P.O. Box 4697
Houston, Texas 77210-4697

John H. Hendrix Corporation
P.O. Box 3040
Midland, Texas 79702-3040

OXY USA, Incorporated
P.O. Box 50250
Midland, Texas 79710-0250

Cross Timbers Operating Company
3000 N. Garfield, Suite 175
Midland, Texas 79705

Apache Corporation
2000 Post Oak Blvd #100
Houston, Texas 77056-4400

Chevron USA, Incorporated
P.O. Box 1150
Midland, Texas 79702

Mid-Continent Region
Production United States



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

December 16, 1999

Exxon Corporation
P.O. Box 4697
Houston, Texas 77210-4697

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 Drinkard Field
 Lea County, New Mexico

Ladies and/or Gentlemen:

Marathon Oil Company has filed an application with the New Mexico Conservation division for a downhole commingling production permit in the above referenced well. Please find enclosed a copy of the application as outlined in Rule 303-A.

If you are in agreement and waive all objections to the downhole commingling, please sign below and mail the original to the NMOCD in the enclosed addressed envelope. Also, please return one copy to Marathon at the letterhead address.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim L. Chase', written over a horizontal line.

Tim L. Chase
Advanced Engineer Technician

Agreed and accepted this _____ day of _____ 1999
by _____ as representative of _____

Mid-Continent Region
Production United States



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

December 16, 1999

John H. Hendrix Corporation
P.O. Box 3040
Midland, Texas 79702-3040

RE: **Request for Exception to Rule 303-A
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Tim L. Chase
Advanced Engineer Technician

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by _____ as representative of _____

Mid-Continent Region
Production United States



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

December 16, 1999

OXY USA, Inc.
P.O. Box 50250
Midland, Tx 79710-0250

RE: **Request for Exception to Rule 303-A**
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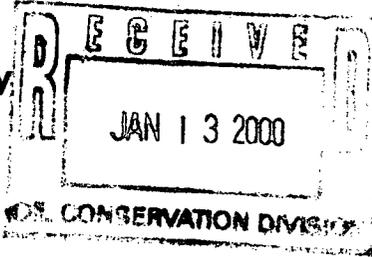
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Tim L. Chase
Advanced Engineer Technician

Agreed and accepted this _____ day of _____ 1999
by _____ as representative of _____

DEC 16 1999



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

December 16, 1999

Cross Timbers Operating Co.
3000 N. Garfield, Ste. 175
Midland, Tx 79705

RE: **Request for Exception to Rule 303-A
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Sincerely,

Tim L. Chase
Advanced Engineer Technician

Agreed and accepted this 29 day of DECEMBER 1999
by Ed Jones as representative of CROSS TIMBERS OIL CO.

Mid-Continent Region
Production United States



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

December 16, 1999

Apache Corp.
2000 Post Oak Blvd, #100
Houston, Tx 77056-4400

RE: **Request for Exception to Rule 303-A
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Tim L. Chase
Advanced Engineer Technician

Agreed and accepted this _____ day of _____ 1999
by _____ as representative of _____

Mid-Continent Region
Production United States



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

December 16, 1999

CHEVRON USA, Inc.
P.O. Box 1150
Midland, Tx 79702

RE: **Request for Exception to Rule 303-A**
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 Walter Lynch Well No. 8
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 Drinkard Field
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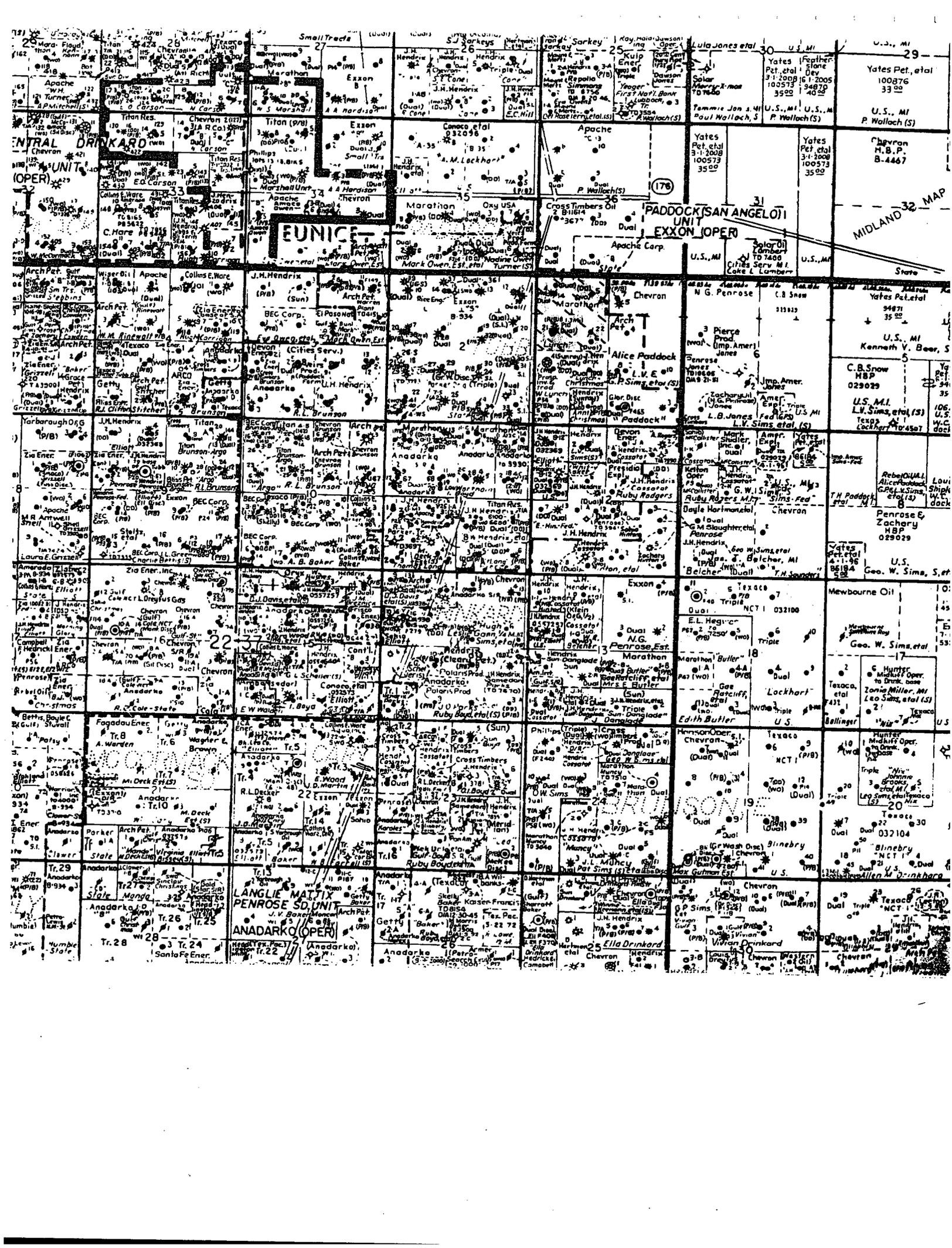
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Tim L. Chase
Advanced Engineer Technician

Agreed and accepted this _____ day of _____ 1999
by _____ as representative of _____



Small Tracts (0001) (0002) (0003) (0004) (0005) (0006) (0007) (0008) (0009) (0010) (0011) (0012) (0013) (0014) (0015) (0016) (0017) (0018) (0019) (0020) (0021) (0022) (0023) (0024) (0025) (0026) (0027) (0028) (0029) (0030) (0031) (0032) (0033) (0034) (0035) (0036) (0037) (0038) (0039) (0040) (0041) (0042) (0043) (0044) (0045) (0046) (0047) (0048) (0049) (0050) (0051) (0052) (0053) (0054) (0055) (0056) (0057) (0058) (0059) (0060) (0061) (0062) (0063) (0064) (0065) (0066) (0067) (0068) (0069) (0070) (0071) (0072) (0073) (0074) (0075) (0076) (0077) (0078) (0079) (0080) (0081) (0082) (0083) (0084) (0085) (0086) (0087) (0088) (0089) (0090) (0091) (0092) (0093) (0094) (0095) (0096) (0097) (0098) (0099) (0100)

EUNICE

PADDOCK (SAN ANGELO) UNIT EXXON JOPER

MIDLAND 32 MAP State

ENTRAL DRINKARD UNIT (OPER)

Langley Matix

Penrose SD Unit

Anadarko (Oper)

Langley Matix

Langley Matix

Penrose SD Unit

Anadarko (Oper)

Langley Matix

Submit 2 copies to Appropriate District Office.
 DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240
 DISTRICT II
 811 S. 1st Street, Artesia, NM 88210-2834
 DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

State of New Mexico
 Energy, Minerals and Natural Resources Department
OIL CONSERVATION DIVISION
 2040 Pacheco St.
 Santa Fe, NM 87505

Form C-116
 Revised 1/1/89

GAS - OIL RATIO TEST

Operator		Pool		County									
Marathon Oil Company		B11nebry Oil & Gas (gas)		Lea									
Address		TYPE OF TEST - (X)		Completion		Special							
P.O. Box 2409 Hobbs, NM 88240		<input checked="" type="checkbox"/> Scheduled <input type="checkbox"/> X		<input type="checkbox"/>		<input type="checkbox"/>							
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	
Walter Lynch	4	D	1	22	37	9/7/98	P	M	24	2	3	316	105.333
DHC No. 1021 B11nebry (gas) Tubb (gas)	011X Gas 48 52	E	1	22	37	9/5/98	P	M	24	1	2	240	50.667 N/A 120.000

Instructions:

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 Division.

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.

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

Kelly Cook
 Signature

Kelly Cook
 Printed name and title

October 10, 1998
 Date

Records Processor

393-7106

Telephone No.

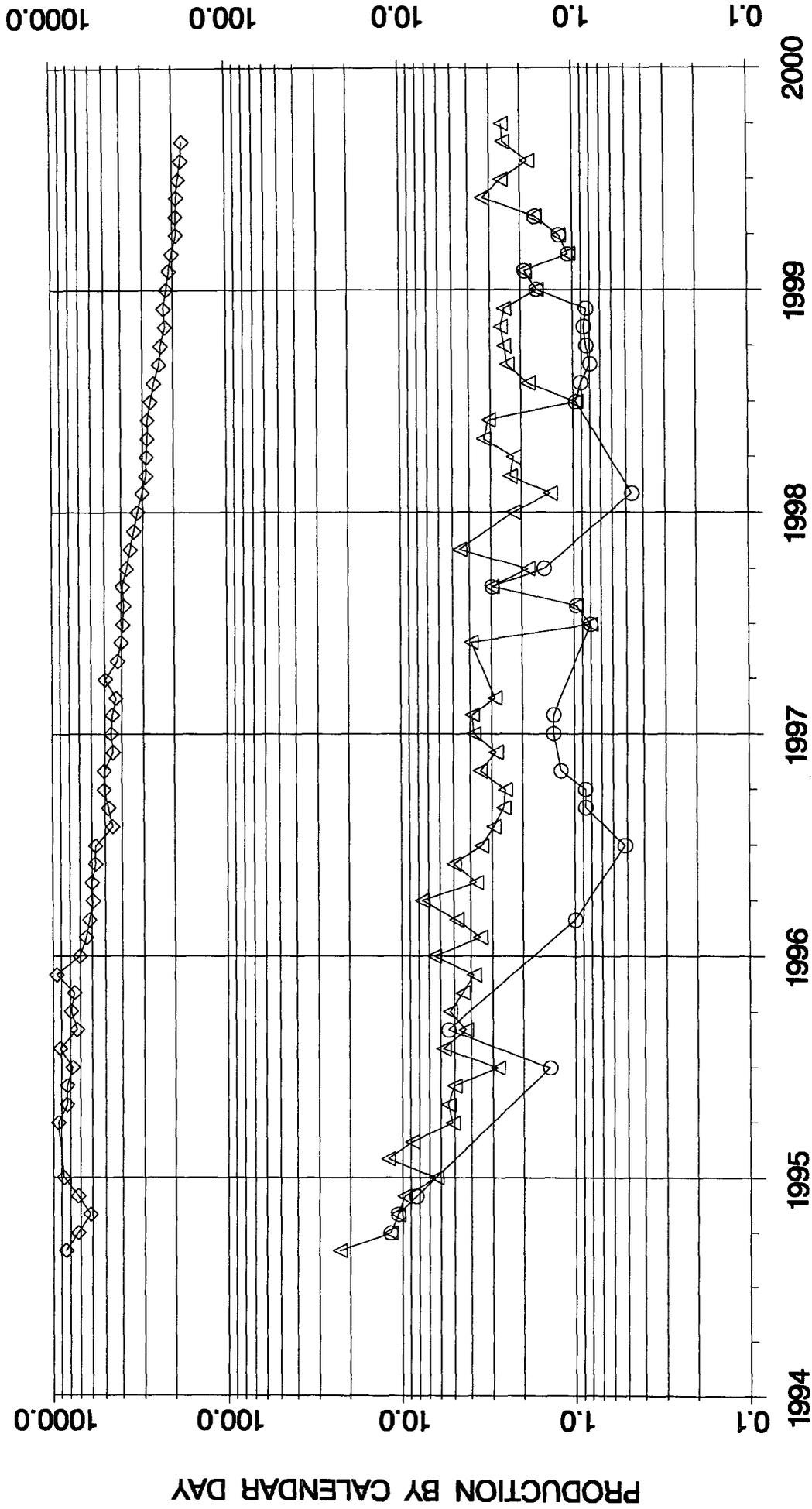
(See Rule 301, Rule 1116 & appropriate pool rules.)

Midland Operations

Allocated Production Data

WALTER LYNCH - NO. 8

BLINEBRY OIL & GAS



PRODUCTION BY CALENDAR DAY

PRODUCTION BY CALENDAR DAY

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 PO Drawer DD, Artesia, NM 88211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 10, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-025-25644		Pool Code 72480		Pool Name Blinebry	
Property Code 6421		Property Name Walter Lynch			Well Number 8
OGRID No. 14021		Operator Name Marathon Oil Company			Elevation 3368' GL

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
E	1	22S	37E		1880	North	760	West	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 160	13 Joint or Infill Y	14 Consolidation Code NA	15 Order No.
---------------------------	-------------------------	-----------------------------	--------------

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

	<p>16</p>	<p>1</p>	<p>17 OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</i></p> <p><i>Rick D. Gaddis</i></p> <p>Signature</p> <p>Rick D. Gaddis</p> <p>Printed Name</p> <p>Production Engineer</p> <p>Title</p> <p>June 30, 1994</p> <p>Date</p>
			<p>18 SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p><i>See Original Plat</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
<p>Certificate Number</p>			

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form 2-102
Superseded 6-1-78
Effective 1-1-65

All distances must be from the outer boundaries of the Section

Operator MARATHON OIL COMPANY		Lease Walter Lynch		Well No. 8
Section E	Section 1	Township 22 South	Range 37 East	County Lea
Actual Well Location of Well: 1880 feet from the north line and 760 feet from the west line				
Surface Elev. 3356.1	Producing Formation Granite Wash	Foot Wantz Granite Wash	Dedicated Acreage 40	

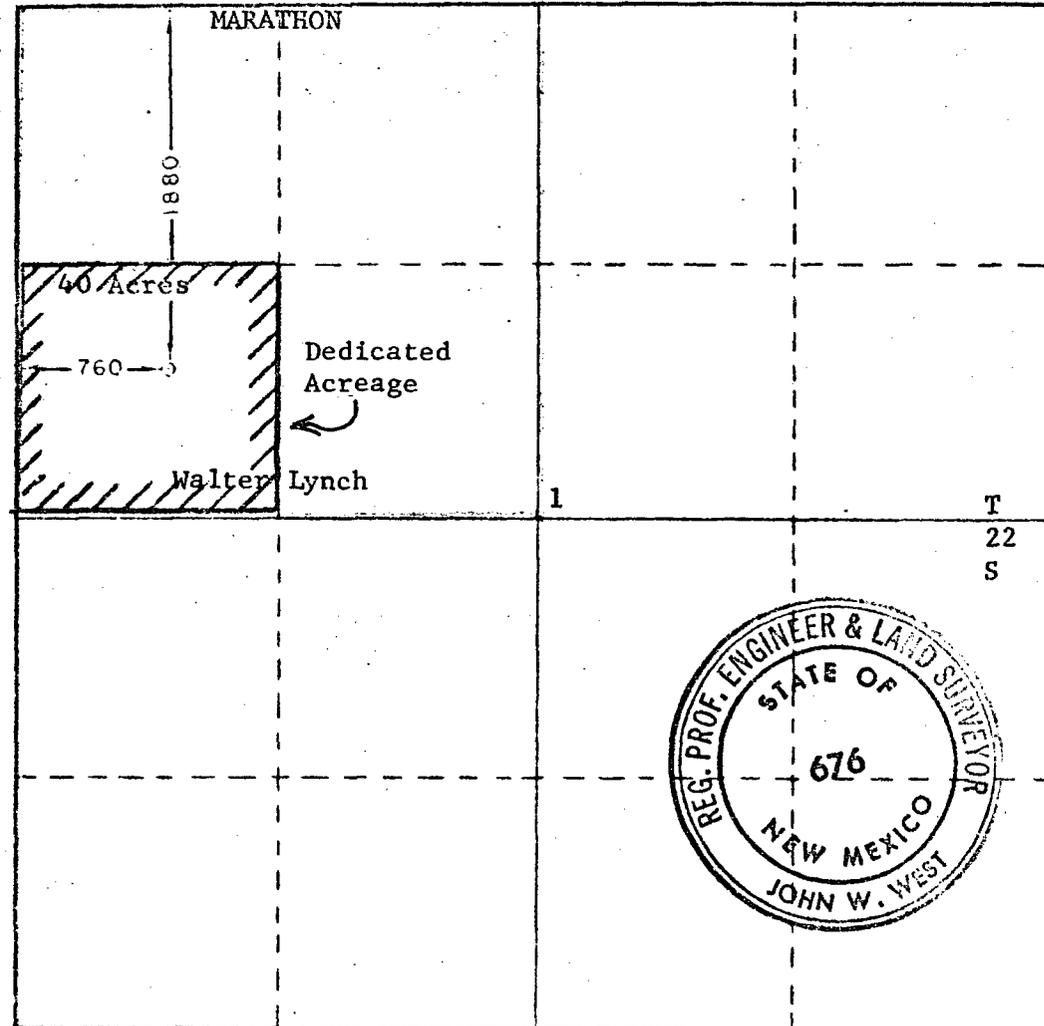
- Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.

R-37E



CERTIFICATION

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

William R. Huck
Name

William R. Huck
Position
Assoc. Production Engineer

Company
Marathon Oil Company

Date
September 7, 1977

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 knowledge and belief.

Date Surveyed
Spet. 6, 1977

Registered Professional Engineer and/or Land Surveyor

John W. West
676

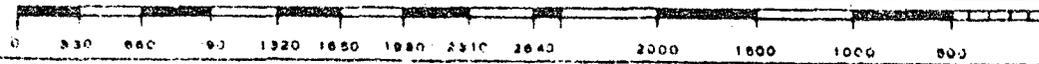


EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

FORM C-107-A
New 3-12-96

DISTRICT II
911 S. 1st, Artesia, NM 86210

OIL CONSERVATION DIVISION
2040 S. Pacheco, Santa Fe, NM 87505-6429

APPROVAL PROCESS:
 Administrative Hearing

DISTRICT III
1000 Rio Brazos, Aztec, NM 87410

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 Yes No

Marathon Oil Company	P.O. Box 552	Midland, Tx 79702	
OPERATOR	ADDRESS	SECTION, TOWNSHIP, RANGE, UNIT LETTER	COUNTY
Walter Lynch	8	Sec 1, T-22S, R-37E, UL "E"	Lea
LEASE	WELL NO.	SPACING UNIT LEASE TYPES: (CHECK 1 OR MORE)	
OGRID NO. 014021	PROPERTY CODE 6424	API NO. 30-025-25644	Federal <input type="checkbox"/> State <input type="checkbox"/> (and/or) Fee <input checked="" type="checkbox"/>

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name & Pool Code	Blinebry Oil & Gas 72480	---	Wantz Granite Wash 62730
2. Top & Bottom of Pay Section (Perforations)	5455-5664'	---	7175-7518'
3. Type of production (Oil or Gas)	Oil	---	Oil
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift	---	Artificial Lift
5. Bottomhole Pressure	a. (Current) 300	---	a. (Current) 675
Oil Zones-Artificial Lift (Est Current)	b. (Original) ___	---	b. (Original) ___
Gas & Oil-Flwg (Measured Current)			
All Gas (Est or Measured Original)			
6. Oil Gravity (API) or Gas BTU Content	37 API	---	43 API
7. Producing or Shut-in?	Producing	---	Shut-In
Production Marginal? (yes or no)	Yes	---	Yes
* If Shut-in, give date and o/g/w rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting date</small>	Date: N/A Rates: N/A	Date: N/A Rates: N/A	Date: 9/15/94 Rates: 2/20/1
* If producing, give date and o/g/w rates of recent test (within 60 days)	Date: 11/15/99 Rates: 3/170/0	Date: N/A Rates: N/A	Date: N/A Rates: N/A
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 60.00% Gas: 89.47%	Oil: ---% Gas: ---%	Oil: 40.00% Gas: 10.53%

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

10. Are all working, overriding, and royalty interests identical in all commingled zones? Yes No
If not, have all working, overriding, and royalty interests been notified by certified mail? Yes No
Have all offset operators been given written notice of the proposed downhole commingling? Yes No

11. Will crossflow occur? Yes No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable? Yes No (If No, attach explanation)

12. Are all produced fluids from all commingled zones compatible with each other? Yes No

13. Will the value of production be decreased by commingling? Yes No (If Yes, attach explanation)

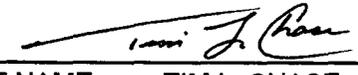
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. Yes No

15. NMOC Reference Cases for Rule 303(C) Exceptions: ORDER NO(S). _____

16. ATTACHMENTS:

- * C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- * Production curve for each zone for at least one year. (If not available, attach explanation.)
- * For zones with no production history, estimated production rates and supporting data.
- * Data to support allocation method or formula.
- * Notification list of all offset operators.
- * Notification list of all working, overriding, and royalty interests for uncommon interest cases.
- * Any additional statements, data, or documents required to support commingling.

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

SIGNATURE 
TYPE OR PRINT NAME TIM L. CHASE

TITLE Advanced Engineer Technician
TELEPHONE NO. (915) 687-8268

DATE 12/18/99