

CTB 1-9-96



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

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

577-2-1186

RE: Amendment of Surface Commingling, Off Lease Storage and Measurement Agreement  
CTB 397 Granted October 5, 1994

As originally permitted

Bone Flats "12" Federal Com; Section 12, T-21-S, R-23-E  
MOC Federal Section; 1, T-21-S, R-23-E  
North Indian Basin Unit; Sections 2, 11, T-21-S, R-23-E  
Stinking Draw; Section 36, T-21 1/2- S, R-23-E

Recommended Additions

**Comanche Federal; North 1/2 Section 3, T-21-S, R-23-E Com # NM-SW 242**  
**North Indian Basin Unit; South 1/2 Section 3, T-21-S, R-23-E Com # NM-SW 242**  
**North Indian Basin Unit; Section 10, T-21-S, R-23-E**  
Eddy County, New Mexico

Marathon Oil Company sought permission for off lease measurement and storage and for surface commingling of production for the leases listed above as originally permitted. The NMOCD granted permission as per Order CTB 397. Marathon Oil Company is requesting that the administrative approval be extended to include anticipated Upper Penn production from the Federal leases listed above as recommended additions.

Marathon presently surface commingles production from the South Dagger Draw Upper Penn Associated pool from leases listed above as "originally permitted" after separating and metering fluids through three phase production vessels dedicated to each lease delivering production to the centralized facility. Any lease being added to the permit which is of different ownership than presently included leases will be individually metered and allocated as per the original formula. A detailed explanation of the production allocation formula as anticipated is attached. A drawing is attached depicting the MOC Federal CTB Centralized Facility and the well locations.

Marathon has made notification to all parties owning an interest in these leases (mailing list attached), and the oil purchaser of the intent to amend the commingle permit. Should you require any additional information concerning this application, please call Tom Price at (915)-687-8446.

Sincerely

A handwritten signature in cursive script, appearing to read 'R. A. Biernbaum'.

R. A. Biernbaum

Indian Basin Asset Team Manager

CC:NMOCD-District Office II

**Upper Penn Commingling Application  
North Indian Basin Unit, Stinking Draw,  
Bone Flats Federal 12 & MOC Federal, North Indian Basin Unit Com  
South Dagger Draw Field  
Eddy County, New Mexico**

**Production Allocation - Lease**

OIL

Daily gross production for the consolidated facility will be based on daily oil sales and daily tank gauges.

$$\text{Production} = \text{Oil Sales} + (\text{Tank Gauge Change})$$

Daily oil production will be allocated back to each property based on its daily oil meter readings and the gross daily production.

$$\text{North Indian Basin Unit Production} = \frac{(\text{sum of oil readings from North Indian Basin Unit})}{(\text{Sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Bone Flats Federal 12} = \frac{(\text{sum of oil readings from Bone Flats Federal 12})}{(\text{Sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{MOC Federal} = \frac{(\text{sum of oil readings from MOC Fed})}{(\text{Sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Stinking Draw} = \frac{(\text{sum of oil readings from Stinking Draw})}{(\text{Sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{North Indian Basin Unit "Com"} = \frac{\text{North Indian Basin Unit Com NM-SW 242}}{\text{Sum of all oil readings}}$$

**GAS**

Monthly production for the consolidated facility based on the six inch gas meter (master meter) located at the discharge of the dehydration unit.

Monthly gas production will be allocated back to each property will be based on its monthly gas meter readings and the gross monthly production.

$$\text{North Indian Basin Unit Production} = \frac{(\text{sum of oil readings from North Indian Basin Unit})}{(\text{Monthly Master Gas Readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Bone Flats Federal 12} = \frac{(\text{sum of oil readings from Bone Flats Federal 12})}{(\text{Monthly Master Gas Readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{MOC Federal} = \frac{(\text{sum of oil readings from MOC Fed})}{(\text{Monthly Master Gas Readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Stinking Draw} = \frac{(\text{sum of oil readings from Stinking Draw})}{(\text{Monthly Master Gas Readings})} \times \text{Gross Consolidated Facility Production}$$

$$\text{North Indian Basin Unit "Com"} = \frac{\text{North Indian Basin Unit Com NM-SW 242}}{(\text{Monthly Master Gas Readings})}$$

**Production Allocation - Well**

The production attributable to wells within a specific lease which are not individually metered shall be allocated as follows:

$$\text{Well production} = \frac{\text{Production well test}}{\text{sum of all production well tests}} \times \text{lease allocated production}$$

**Upper Penn Commingling Application  
North Indian Basin Unit, Stinking Draw,  
Bone Flats Federal 12 & MOC Federal, North Indian Basin Unit Com  
South Dagger Draw Field  
Eddy County, New Mexico**

**Production Facilities - Zone**

Wells producing from the same zone will be connected to a production header. Each production header will be equipped with a three-phase production vessel to separate and meter oil, gas and water production.

\*Oil production will be metered through a positive displacement meter. The non-resetting counter head will measure fluids in barrels. Taps will be installed to accommodate meter proving. The meter will be installed between the separator and dump valve to maintain a constant head pressure on the meter.

\*Water production will be metered utilizing turbine meters. Taps will be installed to accommodate meter proving.

\*Gas production will be measured using a gas meter run and three-pen chart recorder (static, differential and temperature).

After separation oil, gas and water will be delivered to the consolidated battery.

**Production Facilities - Test facilities**

Wells will be periodically tested using a common test vessel. All lease production will be separated and metered in the same manner as described above. However, after metering the fluid will be recombined and returned to the wells respective production vessel for final separation and metering.

**Production Facilities - Consolidated battery**

Oil production delivered to the consolidated battery will be further processed through a heater treater prior to storage at the tank battery. Sales will be accomplished through a LACT Unit.

Water production from the field will be stored in tankage at the consolidated facility and then pumped into a disposal system.

Gas production delivered to the consolidated facility will be further processed through a dehydrator after compression but prior to delivery to a common trunkline system for further processing at a gas processing plant.



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

New Mexico State Land Office  
Oil Gas and Minerals Division  
State Land Office Building  
P.O. Box 1148  
Santa Fe, New Mexico 87504-1148  
Attn. Mr. Pete Martinez

RE: Amendment of Surface Commingling, Off Lease Storage and Measurement Agreement  
Hydrocarbon Production for  
As originally permitted

Bone Flats "12" Federal Com; Section 12, T-21-S, R-23-E  
MOC Federal Section; 1, T-21-S, R-23-E  
North Indian Basin Unit; Sections 2, 11, T-21-S, R-23-E  
Stinking Draw; Section 36, T-21 ½- S, R-23-E

**Recommended Additions**

**Comanche Federal; North ½ Section 3, T-21-S, R-23-E Com # NM-SW 242**  
**North Indian Basin Unit; South ½ Section 3, T-21-S, R-23-E Com # NM-SW 242**  
**North Indian Basin Unit; Section 10, T-21-S, R-23-E**  
Eddy County, New Mexico

Marathon Oil Company sought permission for off lease measurement and storage and for surface commingling of production for the leases listed above as originally permitted. In a letter dated September 26, 1994 permission was granted by the NM State Land Office for the original application. The NMOCD granted permission as per Order CTB 397 for the same request. Marathon Oil Company is requesting that the administrative approval be extended to include anticipated Upper Penn production from the Federal leases listed above as recommended additions.

Marathon presently surface commingles production from the South Dagger Draw Upper Penn Associated pool from leases listed above as "originally permitted" after separating and metering fluids through production vessels dedicated to each lease. A drawing is attached depicting the MOC Federal CTB Centralized Facility.

Marathon has made notification to all parties owning an interest in these leases, and the oil purchaser of the intent to amend the commingle permit. Should you require any additional information concerning this application, please call Tom Price at (915)-687-8446.

Sincerley  
  
R. A. Biernbaum  
Indian Basin Asset Team Manager

CC:NMOCD-District Office II



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

December 8, 1995

Certified Mail  
Return Receipt Requested

Mailing List Attached

Re: Amendment of Off Lease Storage and Measurement Agreement  
Leases previously approved for Off Lease Storage and Measurement

Marathon Lease NM 1832 -State of New Mexico Leases K-1877, E- 10170-2, E - 7906-2  
-Federal Leases NM-050607, NM-050608, NM-051107, NM-05551, NM-05551-A, NM-0926  
NM-0926-A, NM-04827-B

Marathon Lease NM 5772 -Federal Lease NM-04827-B *ADDC. FED*  
Marathon Lease NM 1718 -State Of New Mexico Lease K-1877, E-10169 *STINKING DRAW*  
Marathon Lease NM 5758 -Federal Lease NM-05551-A, NM-050608, NM-81677 *BONE SPRINGS*

Proposed Additions to Agreement

Marathon Lease NM 5723 -Federal Lease NM-034623  
Marathon Lease NM 05608 -Federal Lease NM-05608

Sections 1, 2, 3, 10, 11, 12; T-21-S, Range 23-East, and Section 36 T-21 1/2 S, R-23-E Eddy County New Mexico

Gentlemen:

Marathon Oil Company is proposing that the previously approved Off Lease Storage and Measurement agreement which included the North Indian Basin Unit, Stinking Draw, Bone Springs "12" Federal Com, and the MOC Federal leases be amended to include highlighted sections above. The leases to be added are the South 1/2 of Sec. 3 and all of Sec. 10 which are included in the North Indian Basin Unit and the north 1/2 of section 3 which has been designated the Comanche Federal Lease. Both Sections 3 and 10 are in T-21-S, R-23-E of Eddy County New Mexico. All production will be metered prior to commingling. Our records indicate you are an interest owner in one of the subject wells. Pursuant to NMOCD Rule 309-A, Marathon is required to seek your consent to the proposed commingling of production from the separate leases. Marathon believes that amending the original agreement to include to include Sec 3 & 10 will enhance the economic life of project and all leases involved.

Please indicate your approval by signing in the space below and returning one copy of this letter to this office in the enclosed envelope. The second copy is for your files. Your very prompt consideration of this matter will be greatly appreciated.

Sincerely,

R. A. Biernbaum

Indian Basin Asset Team Supervisor

CC: T. L. Guillory  
W. L. Ransbottom

Approved this \_\_\_\_\_ day of \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Virginia Gates Irish  
7450 Olivetos Ave., Apt 154  
La Jolla, CA 92037

Sara S. Jones  
1203 Vernon Rd  
Ardmore, OK 73401-3653

William G. McCoy Tr of Est of B.L. McCoy  
Dep. Acct #0-68953  
7524 Kachina Loop  
Santa Fe, NM 87505-2208

Saraan Company  
P.O. Box 2208  
Ardmore, OK 73402-2208

Ann H. Stromberg  
274 San Luis Place  
Claremont, CA 91711-1746

NCNB Texas National Bank  
Escrow Agent - Sabine Royalty Trust Dept.  
P.O. Box 0887  
Dallas, TX 75284-0887

T C & June B Stromberg Rev Tr 7/10/80  
T C & June Stromberg, Trustees  
P.O. Box 2208  
Ardmore, OK 73402-2208

Jon Stromberg  
2938 Maples Springs  
Dallas, TX 75235-8319

Mary Adele Stromberg Perry  
72 Dalmore  
Hillsboro, TX 76645

Yates Petroleum Company  
105 S. Fourth Street  
Artesia, NM 88210

Yates Drilling CO.  
105 S. Fourth Street  
Artesia, NM 88210

Abo Petroleum Corporation  
105 Sourth Fourth Street  
Artesia, NM 88210

Myco Industries  
105 South Fourth Street  
Artesia, NM 88210

Joel J. Stark  
521 N. Woodrow  
Earlsville, OK 74003

**Michael Ray Stark**  
2001 Wedgewood  
Ft. Smith, AR 72903

**Deborah Ann Stark Wortham**  
Route 3; Box 531  
Tuttle, OK 73089

**Karen K. Stark Barton**  
2628 SW 45th St  
Oklahoma City, OK 73119

**Mary Jane Stark Henderson**  
347 Hillside Circle  
Burleson, TX 76028

**Ray Hobbs**  
1312 Alpha  
Carlsbad, NM 88221

**Riggs-Mills Irrevocable Trust 12/31/92**  
Leslie Riggs Mills  
Trustee  
Box 230430  
Anchorage , AK 99523-0430

**Formerly Known as "Potash Co. of America"**  
Eddy Potash  
P.O. Box 31  
Carlsbad , NM 88221-0031

**Wills Royalty Company**  
P.O. Box 1658  
Carlsbad, NM 88221-1658

**William H. Stromberg Trust**  
William H Stromberg  
Trustee  
P.O. Box1412  
Ardmore, OK 73402-1412

**Mary Love Stromberg Trust**  
Mary Love Stromberg  
Trustee  
P.O. Box 1412  
Ardmore, OK 73402-1412

**The First National Bank of Denver**  
The Hill Foundation  
Trust Minerals  
P.O. Box 5825 Terminal Annex  
Denver, CO 80217-5825

**Wallace S. Gates**  
611 South Roselawn  
Artesia, NM 88210-2407

**Robert B. Gates**  
4913 Rustic Trail  
Midland, TX 79707-1420

**Helen Gates Maxwell**  
218 Aldersgate Circle. Givens Ests.  
Asheville, NC 28803-2044

W. B. Stark  
Route 16 Box 915  
Lubbock, TX 79401

L.M. Stark  
305 Frontera  
Borger, TX 79007

Jack D. Stark  
Route 1 Box 7843  
Fitzhugh, OK 74843

David L. Stark  
313 Balsam  
Lake Jackson, TX 77561

Edith Bivins  
515 6th Ave., N.  
Caldwell, Idaho 83605

Mary Lou Gibbs  
4115 E. Zion  
Tulsa, OK 74115

Mildred M. Parker  
C/O Texas Commerce Bank Midland N.A.  
P.O. Box 200270  
Houston, TX 77216-0270

First Century Oil, Inc.  
P.O. Box 1518  
Roswell, NM 88202-1518

Hugh E. Hanagan  
P.O. Box 329  
Roswell, NM 88202-0329

C. John McIntyre  
732 Cloyen Road  
Palos Verdes Estates, CA 90274-1833

Westway Petro/William E. Read/Nominee Reciepiant  
500 N. Akard St. Lock Box 70  
Dallas, TX 75201-3320

Hanagan Properties  
P.O. Box 1887  
Santa Fe, NM 87504-1887

Robert L. Bergmant & Jacquelin R. Bergmant  
Revocable Trust, Dated 04-20-88  
2515 Gaye Drive  
Roswell, NM 88201-3424

Parker and Parsley Producing Inc.  
Attn: Don Craig  
P.O. Box 3178  
Midland, TX 79702

Wheatly Trust Agency  
First National Bank of Artesia  
P.O. Drawer AA  
Artesia, NM 88211-7526

John M. Gates & Jean M. Gates  
Revovable Trust  
706 West Grand  
Artesia, NM 88210-1935



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

December 8, 1995

Certified Mail  
Return Receipt Requested

Amoco Pipeline  
502 North, West Ave  
Levelland, Texas 79336

Re: Amendment of Off Lease Storage and Measurement Agreement

Leases previously approved for Off Lease Storage and Measurement

Marathon Lease NM 1832 -State of New Mexico Leases K-1877, E- 10170-2, E - 7906-2  
-Federal Leases NM-050607, NM-050608, NM-051107, NM-05551, NM-05551-A, NM-0926  
NM-0926-A, NM-04827-B

Marathon Lease NM 5772 -Federal Lease NM-04827-B  
Marathon Lease NM 1718 -State Of New Mexico Lease K-1877, E-10169  
Marathon Lease NM 5758 -Federal Lease NM-05551-A, NM-050608, NM-81677

Proposed Additions to Agreement

Marathon Lease NM 5723 -Federal Lease NM-034623  
Marathon Lease NM 05608 -Federal Lease NM-05608

Sections 1, 2, 3, 10, 11, 12; T-21-S, Range 23-East, and Section 36 T-21 1/2 S, R-23-E Eddy County New Mexico

Gentlemen:

Marathon Oil Company is proposing that the previously approved Off Lease Storage and Measurement agreement which included the North Indian Basin Unit, Stinking Draw, Bone Springs "12" Federal Com, and the MOC Federal leases be amended to include highlighted sections above. The leases to be added are the South 1/2 of Sec. 3 and all of Sec. 10 which are included in the North Indian Basin Unit and the north 1/2 of section 3 which has been designated the Comanche Federal Lease. Both Sections 3 and 10 are in T-21-S, R-23-E of Eddy County New Mexico. All production will be metered prior to commingling. Our records indicate you are an interest owner in one of the subject wells. Pursuant to NMOCD Rule 309-A, Marathon is required to seek your consent to the proposed commingling of production from the separate leases. Marathon believes that amending the original agreement to include to include Sec 3 & 10 will enhance the economic life of project and all leases involved.

Please indicate your approval by signing in the space below and returning one copy of this letter to this office in the enclosed envelope. The second copy is for your files. Your very prompt consideration of this matter will be greatly appreciated.

Sincerely,

R. A. Biernbaum  
Indian Basin Asset Team Supervisor

Approved this \_\_\_\_\_ day of \_\_\_\_\_

CC: T. L. Guillory  
W. L. Ransbottom

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Company: \_\_\_\_\_





CTB-397



State of New Mexico  
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.  
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

(505) 827-5760  
FAX (505) 827-5766

SANTA FE, NEW MEXICO 87504-1148

January 10, 1996

Marathon Oil Company  
Post Office Box 552  
Midland, Texas 79702-0552

Attn: Mr. Robert A. Biernbaum

Re: Amendment of Surface Commingling, Off Lease Storage and Measurement Agreement  
Hydrocarbon Production for  
As originally permitted  
Bone Flats "12" Federal Com; Section 12-T-21-S, R-23-E  
MOC Federal Section 1-T-21-S, R-23-E  
North Indian Basin Unit; Section 2 and 11, T-21-S, R-23-E  
Stinking Draw Unit; Section 36, T-21-S, R-23-E  
K-1877, E-10169 and E-10170  
Recommended Additions  
Comanche Federal; North 1/2 Section 3, T-21-S, R-23-E Com #NM-SW 242  
North Indian Basin Unit; South 1/2 Section 3, T-21-S, R-23-E Com #NM-SW 242  
North Indian Basin Unit; Section 10, T-21-S, R-23-E  
Eddy County, New Mexico

Dear Mr. Biernbaum:

We have received your letter of December 8, 1995, requesting approval for surface commingling, off lease storage and measurement of the Upper Penn production for the above-mentioned wells.

We understand that three phase separators will be utilized to separate and meter oil, water and gas prior to delivering such to the centralized facility.

Since it appears that there will be no loss of revenue to the State of New Mexico as a result of your proposed request, your application for surface commingling and off lease storage of the production for the above-mentioned wells is approved. Any deviation from the substance of your request will be sufficient grounds for rescinding our approval. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Marathon Oil Company  
January 10, 1996  
Page 2

Please provide us with an approval letter from the Oil Conservation Division and the Bureau of Land Management for this amended application.

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
LARRY KEHOE, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/LK/cpm

Enclosure

cc: Reader File  
Commissioner's File  
OCD--Attention: David Catanach, Ben Stone

C 10-571

NM OIL CONS COMMISSION

57

Form 3160-5  
(June 1990)

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Drawer DD  
Artesia, NM 88210

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: March 31, 1995

SUNDRY NOTICES AND REPORTS ON WELLS

5. Lease Designation and Serial No.  
NM-04827-B, NM-05608, NM-05551  
NM-05551-A, NM-05551-B, NM-81677

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.  
Use "APPLICATION FOR PERMIT -" for such proposals

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE

7. If Unit or CA, Agreement Designation

1. Type of Well

Oil Well  Gas Well  Other

NIOC Federal #4

2. Name of Operator

Marathon Oil Company

8. Well Name and No. MOC Federal  
Bone Flats Federal 12  
North Indian Basin Unit

3. Address and Telephone No.

P.O. Box 552, Midland, TX 79702

9. API Well No.

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Battery Location  
lot 4, T-21-S, R-23-E

10. Field and Pool, or exploratory Area

11. County or Parish, State

Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

- Notice of Intent
- Subsequent Report
- Final Abandonment Notice

TYPE OF ACTION

- Abandonment
- Recompletion
- Plugging Back
- Casing Repair
- Altering Casing
- Other Surface comingling, off lease storage and measurement
- Change of Plans
- New Construction
- Non-Routine Fracturing
- Water Shut-Off
- Conversion to Injection
- Dispose Water

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

13. 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.)\*

Marathon Oil Company respectfully request that MOC Federal #4 be included in the consolidated facility located in lot 4, Section 1, T-21-S, R-23-E. Surface comingling, off lease Storage & measurement and the installation of a LACT unit was approved for the consolidated facility on October 5, 1994.

NOV 11 1994  
RECEIVED

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

Signed [Signature] Title Operations Superintendent Date 11/8/94

(This space for Federal or State office use)

Approved by [Signature] Title [Signature] Date 12/29/94  
Conditions of approval, if any:

Title 18 U.S.C. 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.

CRA BLM FORMAT

APPLICATION FOR SURFACE COMMINGLING  
OFF LEASE STORAGE AND MEASUREMENT APPROVAL

This format should be attached to a Sundry Notice

To: Bureau of Land Management  
P.O. Box 1778  
Carlsbad, New Mexico

Marathon Oil Company (Operator's Name) is requesting approval for surface commingling and off-lease storage and measurement of hydrocarbon production from the following formation(s) and well(s) on Federal Lease No 04827-B; Lease Name: MOC Federal

<u>Well NO.</u>	<u>LOC</u>	<u>SEC</u>	<u>TWP</u>	<u>RNG</u>	<u>Formation</u>
1	990 FNL & 1855 FEL	1	21-S	23-E	Upper Penn
3	760 FNL & 660 FWL	1	21-S	23-E	Upper Penn
4	1980 FSL & 660 FWL	1	21-S	23-E	Upper Penn

with hydrocarbon production from the following formation(s) and Well(s) on Federal Unit Lease No. 04827-B, 05551 & 05551-B; Lease Name North Indian Basin Unit

<u>Well NO.</u>	<u>LOC</u>	<u>SEC</u>	<u>TWP</u>	<u>RNG</u>	<u>Formation</u>
7	1650 FSL & 1650 FWL	11	21-S	23-E	Upper Penn
13	2050 FNL & 660 FEL	2	21-S	23-E	Upper Penn

With hydrocarbon production from the following formation(s) and Well(s) on Federal Lease(s) No. 05608 & 05551-A, 05551, 81677; Lease Name Bone Flats Federal 12

<u>Well NO.</u>	<u>LOC</u>	<u>SEC</u>	<u>TWP</u>	<u>RNG</u>	<u>Formation</u>
1	990FNL & 990 FWL	12	21-S	23-E	Upper Penn

Production from the wells is as follows:

<u>Well Name and No.</u>	<u>BOPD</u>	<u>Oil Gravity</u>	<u>MCFPD</u>
MOC Federal # 1	2	60	2309
MOC Federal # 3	30	42	426
MOC Federal # 4	89	43	200
North Indian Basin Unit # 7	73	43	79
North Indian Basin Unit # 13	10	50	3060
Bone Flats Federal 12 # 1	224	43.5	433

Continued ...

Continued:

The proposed operation is described in detail on the attached diagrams.

A map is enclosed showing the lease numbers and locations of all leases and wells that will contribute production to the proposed commingling/common storage facility. All unitized/communitized areas, producing zones/pools are also clearly illustrated.

A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The Storage and measuring facility is located at NW/4, Section 1, T-21-S, R-23-E on lease 04827-B, Eddy County, New Mexico. BLM will be notified if there is any change in the facility location.

Details of the proposed method for allocating production to contributing sources is as follows:

North Indian Basin Unit Production =  $\frac{(\text{sum of oil readings from North Indian basin Unit})}{(\text{sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$

Bone Flats Federal 12 =  $\frac{(\text{sum of oil readings from Bone Flats Federal 12})}{(\text{sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$

MOC Federal =  $\frac{(\text{sum of oil readings from Moc Fed})}{(\text{sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$

Stinking Draw =  $\frac{(\text{sum of oil readings from Stinking Draw})}{(\text{sum of all oil readings})} \times \text{Gross Consolidated Facility Production}$

The working interest owners have been notified of the proposal.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production.

The proposed commingling is necessary for continued operation of the above referenced Federal leases.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by the lease instrument. and, we will submit within 30 days an application for right-of-way to the BLM's Realty Section in your office if we have not already done so.

Additional wells require additional commingling approvals.

Signature: 

Name: R.A. Biernbaum  
Title: Operations Superintendent  
Date: November 8, 1994



CTB -397

State of New Mexico  
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.  
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148

(505) 827-5760  
FAX (505) 827-5766

SANTA FE, NEW MEXICO 87504-1148

June 5, 1996

Marathon Oil Company  
Post Office Box 552  
Midland, Texas 79702-0552

Attn: Mr. Thomas M. Price

Re: Application for Surface Commingling and Off Lease Storage  
North Indian Basin Unit, Stinking Draw, Bone Flats Federal 12,  
MOC Federal & North Indian Basin Com  
South Dagger Draw Field  
Eddy County, New Mexico

Dear Mr. Price:

Your application, received May 23, 1996 requests our approval to add the following two Indian Basin Upper Penn wells to the above referenced commingling application: the Comanche Federal "3" #1 and the N. Indian Basin Unit Gas Com #3.

We understand that these two wells will be added to your original application which was approved by this office on September 26, 1994, and by the OCD by their Order No. CTB 397.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries from your proposed operation, the Commissioner of Public Lands hereby grants approval to your request. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval should this operation prove to be unprofitable to the state at any time in the future. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

Your \$30.00 filing fee has been received.

Marathon Oil Company  
June 5, 1996  
Page 2

If you have any questions, or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.  
COMMISSIONER OF PUBLIC LANDS

BY:   
LARRY KEHOE, Director  
Oil, Gas and Minerals Division  
(505) 827-5744

RP/LK/pm

cc: Reader File  
OCD-Santa Fe Attn: Mr. David Catanach, Mr. Ben Stone  
North Indian Basin Unit