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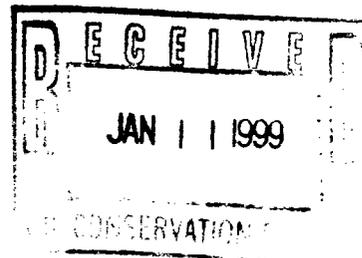
484

Mid-Continent Region
Production United States



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

January 8, 1999



Oil Conservation Division
Attn: Ben Stone
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Surface Commingling, Off-Lease Storage, Measurement, and Sales and Alternative Measurement Method of Hydrocarbon Production for the Indian Basin "D" and Indian Basin "E" Leases, Sections 27 and 34 of Township 21 South, Range 23 East, Eddy County, New Mexico

Dear Mr. Stone:

Marathon Oil Company, as operator of the aforementioned leases, respectfully requests administrative approval for surface commingling, off-lease storage, measurement and sales, and alternative measurement method of the production from the Indian Basin "D" and Indian Basin "E" Leases. It is requested that surface commingling of the Indian Basin Upper Penn Gas Pool in sections 27 and 34 be approved. This involves Federal Lease Nos. NM 034446 and NM 070522-A.

Marathon proposes to surface commingle Upper Penn production at a satellite separation facility. The proposed separation facility will consist of a 3-phase test separator and a 3-phase production separator for gathering and metering the production from these leases. The gas will be metered, and then transported to the Indian Basin Gas Plant for processing. After processing, the gas and NGLs will be metered and sold at the tail-gate of the plant. Liquid hydrocarbon production delivered to the separation facility will be metered and sent, via pipeline, to the storage and measurement facility located at Marathon's Indian Basin Gas Plant. The liquid hydrocarbons will be metered through a LACT unit prior to sales. Water production will be metered at the separation facility. It will then be sent to a storage tank located at UL "F", Section 26, T-21-S, R-23-E, metered, and pumped to one of various disposal wells.

The attached drawings illustrate the proposed separation equipment and flow scheme for liquids and gas measured at this facility. Also attached is a copy of the application which was sent to the Bureau of Land Management.

Marathon has made notification to all parties owning an interest in these leases, including the liquid hydrocarbon purchaser, of the intent to commingle this production. Attached as part of

this application is a copy of the letter submitted, by certified mail, to each party and the purchaser.

If you require any additional information concerning this application, please call Ginny Larke at (915) 687-8449. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. W. Tatarzyn', written in a cursive style.

K. W. Tatarzyn
Indian Basin Asset Team Manager

vll/wperfect:227ocdltr.wpd

Attachments

xc: Oil Conservation Division
Tim Gum
District II Manager
Artesia, NM

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
Budget Bureau No. 1004-0135
Expires November 30 2000

5. Lease Serial No.
NM034446 & NM070522-A

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side

7. If Unit or CA Agreement, Name and/or No.

1. Type of Well
 Oil Well Gas Well Other

8. Well Name and No.
Indian Basin "D" & Indian Basin "E"

2. Name of Operator
Marathon Oil Company

9. API Well No.

3a. Address
P.O. Box 552 Midland, TX 79702

3b. Phone No. (include area code)
915-682-1626

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
**UL "K" Section 27
T-21-S, R-23-E**

10. Field and Pool, or Exploratory Area
INDIAN BASIN UPPER PENN GAS POOL

11. County or Parish, State
EDDY NM

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start-Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>COMMINGLE</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>OFF-LEASE MSMT. &</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>STORAGE</u>

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

As required by 43 CFR 3162.7-2 and Onshore Oil and Gas Order No. 4, Marathon Oil Company is requesting approval for off-lease measurement, storage & sales, alternate measurement method, and commingling of liquid hydrocarbons. Also as required by 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of off-lease measurement, commingling and sales of gas.

Production is sent from the wellhead to a separator located at UL "K", Section 27, T-21-S, R-23-E. Both liquid hydrocarbons and gas are then transported to Marathon's Indian Basin Gas Plant by separate pipelines. The water is sent to a storage tank located at UL "F", Section 26, T-21-S, R-23-E. From the storage tank, the water will be injected into various water disposal wells per Sundry Notices filed in compliance with Onshore Order No. 7.

Turbine meters or metering separators will be used for the Alternate Method of Metering for water and liquid hydrocarbons per prior approvals.

A form is attached which further explains this operation.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Ginny Larke

Ginny Larke

Title

Engineer Technician

Date

1-8-99

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

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.

**APPLICATION FOR SURFACE COMMINGLING
OFF-LEASE MEASUREMENT, STORAGE AND ALTERNATE MEASUREMENT
APPROVAL**

**To: Bureau of Land Management
P.O. Box 1778
Carlsbad, New Mexico 88220-1778**

Marathon Oil Company is requesting approval for Surface Commingling, and Off Lease Storage & Measurement, and Alternate Measurement of hydrocarbon production from the following formation(s) and well(s) on:

Lease Name: **Indian Basin "D" and Indian Basin "E"**

<u>Well No.</u>	<u>UL</u>	<u>Sec</u>	<u>TWP</u>	<u>RNG</u>	<u>Formation</u>	<u>Lease #</u>
D #1	N	34	21-S	23-E	Upper Penn	NM034446
D #2	F	34	21-S	23-E	Upper Penn	NM034446
E #1	K	27	21-S	23-E	Upper Penn	NM070522A
E #2	F	27	21-S	23-E	Upper Penn	NM070522A

Production from the referenced wells is as follows:

<u>WELL NAME & NO.</u>	<u>BOPD</u>	<u>API^o</u>	<u>MCFD</u>
Indian Basin "D" #1	0	N/A	3728
Indian Basin "D" #2	24	60.8	2295
Indian Basin "E" #1	1	54.7	1227
Indian Basin "E" #2	1	54.5	960

The proposed operation is described in detail on the attached diagrams. Liquid hydrocarbon production will be measured using turbine meters as the alternate measurement method. These meters are proved on a regular schedule.

A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the commingling/common storage facility. All unitized/communitized areas and producing zones/pools are also clearly illustrated. A schematic diagram is also attached which clearly identifies all equipment that will be utilized.

The production from these wells will be sent from the wellhead to a 3-phase separator located at UL "K" of Section 27, T-21-S, R-23-E. The gas production will be metered and then transported to the Indian Basin Gas Plant by pipeline. The liquid hydrocarbon production will be measured and sent to the Storage and Measurement facility at the Indian Basin Gas Plant, via pipeline. The Storage and Measuring facility is located at UL "G", Sec. 23, T-21-S, R-23-E, Eddy County, New Mexico. The BLM will be notified of any change in facility location.

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

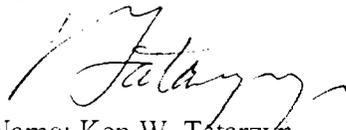
The liquid hydrocarbons, and water are measured, at the separation facility described on the attached facility diagram, using turbine meters. The gas will be measured at the separation facility using allocation meters. The gas and liquid hydrocarbons are transported to the Marathon Gas Plant in two separate pipelines. After processing, the gas and NGLs are metered at the tail-gate of the plant and sold. The liquid hydrocarbon production is also processed and sold through a LACT Unit at the plant. The produced water is sent to a storage tank located at UL "F" of Section 26, T-21-S, R-23-E. It will then be injected into various water disposal wells per Sundry Notices filed in compliance with Onshore Order No. 7. All production will be allocated to wells based on monthly well tests and the previously approved methods of lease allocation.

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 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:

A handwritten signature in black ink, appearing to read "Ken W. Tatarzyn", written over a horizontal line.

Name: Ken W. Tatarzyn

Title: Indian Basin Asset Team Manager

January 8, 1999



Marathon
Oil Company

PROPOSED STATION 227
PRODUCTION FACILITY

LHC TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES

GAS TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES

LHC

INDIAN BASIN
"E" #1 WELL

INDIAN BASIN
"E" #2 WELL

INDIAN BASIN
"D" #1 WELL

INDIAN BASIN
"D" #2 WELL

3-PHASE
TEST SEPARATOR

HALLIBURTON
METER

HALLIBURTON
METER

3-PHASE
PRODUCTION SEPARATOR

HALLIBURTON
METER

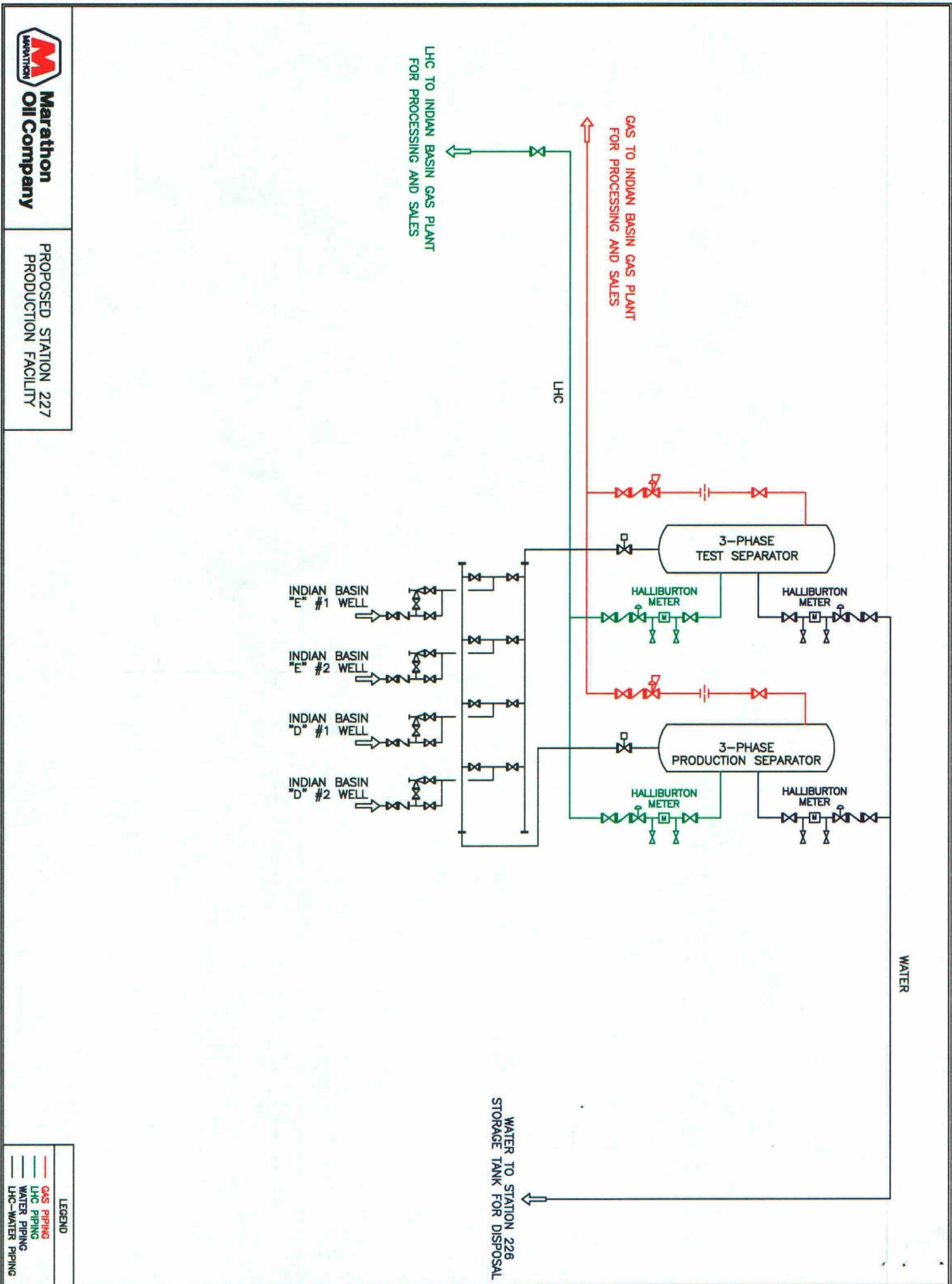
HALLIBURTON
METER

WATER

WATER TO STATION 226
STORAGE TANK FOR DISPOSAL

LEGEND

- GAS PIPING
- LHC PIPING
- WATER PIPING
- LHC-WATER PIPING





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

January 8, 1999

Devon Energy Corporation
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

(Certified Return Receipt Request)

Re: Off-lease Storage, Measurement, and Sales and Commingling
Marathon Leases: Indian Basin "E" and Indian Basin "D"
Including all of Sections 27 and 34, Township 21 South, Range 23 East
Federal Lease Nos.: Section 27 - NM 070522-A
Section 34 - NM 034446

Gentlemen:

Marathon Oil Company is proposing commingling and off-lease metering, storage, and sales of production from the Indian Basin "E" and Indian Basin "D" wells. All production will be commingled and allocated using regular well tests. Our records indicate that you are an interest owner in one of the subject wells and as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling of production from these wells. Marathon believes that the commingling of production will result in economies of scale that will lower operating costs and benefit all interest owners.

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 prompt attention to this matter will be greatly appreciated.

Sincerely,

K. W. Tatarzyn
Indian Basin Asset Team Manager

vll/wperfect\227wiltr.wpd

Approved this _____ day of _____, 19__

Attachments

Printed Name: _____
Title: _____
Company Name: _____



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

January 8, 1999

Navajo Refining and Marketing
Attn: Gwenetta Morgan
P. O. Box 159
Artesia, New Mexico 88211

(Certified Return Receipt Requested)

Re: Off-Lease Storage, Measurement, Sales and Commingling Agreement
Indian Basin "D" and Indian Basin "E" Leases (Fed. Lease NM-070522-A and NM-034446)
Sections 27 and 34 of T-21-S, R-23-E, Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing the Off-lease Storage, Measurement, Sales, and Commingling of the leases shown above. All production will be commingled and allocated using regular well tests. Our records indicate that you will be the purchaser of the liquid hydrocarbon production from the subject leases and, as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling of production from these leases. Marathon believes that the commingling of production will result in economies of scale that will lower operating costs and benefit all interest owners. A detailed explanation of the proposed operation is attached.

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 prompt attention to this matter will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read 'K. W. Tatarzyn'.

K. W. Tatarzyn
Indian Basin Asset Team Manager

KWT/vll/w perfect 227purltr.wpd

Approved this ____ day of _____, 1998

Attachments

Printed Name: _____

Title: _____

Company Name: _____