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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.

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 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.

Approved JAN 10 1996

*Ray Powell*

*m. l. kee*

COMMISSIONER OF PUBLIC LANDS