



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

September 12, 1994

New Mexico State Land Office
State Land Office Building
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Attn: Mr. Pete Martinez

RE: Surface Commingling, off lease storage and measurement of
Hydrocarbon Production for:
North Indian Basin Unit; Sections 2 & 11, T-21-S, R-23-E
Stinking Draw; Section 36, T-20^{1/2}-S, R-23-E

Dear Mr. Martinez,

Per our phone conversation concerning the commingling, off lease storage and measurement of production from state leases K-1877, E-10169-1 & E-10170, please find attached the application fee of thirty dollars and various correspondence detailing out Marathon's intent.

Please expedite your review of this matter.

Sincerely,

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

R.A. Biernbaum
Operations Superintendent



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

September 12, 1994

~~Oil Conservation Division~~
State Land Office Building
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

RE: Surface Commingling, off lease storage and measurement of
Hydrocarbon Production for:
North Indian Basin Unit; Sections 2 & 11, T-21-S, R-23-E
Bone Flats Federal 12; Section 2, T-21-S, R-23-E
MOC Federal; Section 1, T-21-S, R-23-E
Stinking Draw; Section 36, T-20^{1/2}-S, R-23-E

Marathon as operator of the aforementioned leases respectfully requests administrative approval for surface commingling, off lease storage and measurement of production for North Indian Basin Unit & Stinking Draw and surface commingling of Moc Federal Bone Flats Federal 12.

It is requested that surface commingling of "Upper Penn" production be approved for the North Indian Basin Unit production from SW/4; N/2 SE/4 & SE/4 SE/4 Sec 2, T-21-S, R-23-E (State lease E-7906-2), SW/4 SE/4 Sec 2 (State lease E-10170-2), and Stinking Draw lot 3, Section 36, T20^{1/2}S, R-23-E (State lease K-1877), lots 1,2,4, S/2 S/2 Sec 36 (State lease E-10169).

Marathon proposes to surface commingle Upper Penn production at a central battery after separating and metering fluids through production separators dedicated to the lease. Three phase separators will be utilized to separate and meter oil, water and gas prior to delivering the oil, water and gas to the centralized facility. The attached drawing IHSC 050 0001 illustrates the typical separation equipment and drawing FEDBAT3 illustrates the proposed production battery and flow scheme for liquids processed and gas dehydrated & compressed in this facility.

Marathon has made notification to all parties owning an interest in these leases, including the oil purchaser, of the intent to commingle. Attached as part of this application is a copy of the letter submitted by certified mail to each party, the purchaser, and sundry notice to the BLM.

Marathon Oil Company is respectfully requesting administrative approval of this application for surface commingling. Should you require any additional information concerning this application, please call Jim Pruden at (915) 687-8161. Thank you for your consideration of this request.

Sincerely,

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

R.A. Biernbaum
Operations Superintendent

CC: NMOCD - District Office
P.O. Box DD
Atresia, NM 88211

**Upper Penn Commingling Application
North Indian Basin Unit, Stinking Draw,
Bone Flats Federal 12 & MOC Federal
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 six inch 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.

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.

Upper Penn Commingling Application
North Indian Basin Unit, Stinking Draw,
Bone Flats Federal 12 & MOC Federal
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.

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

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

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

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

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.

$$\text{North Indian Basin Unit Production} = \frac{(\text{Monthly gas reading(s) from North Indian basin Unit})}{(\text{Monthly master gas reading})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Bone Flats Federal 12} = \frac{(\text{Monthly gas reading(s) from Bone Flats Federal 12})}{(\text{Monthly master gas reading})} \times \text{Gross Consolidated Facility Production}$$

$$\text{MOC Federal} = \frac{(\text{Monthly gas reading(s) from Moc Fed})}{(\text{Monthly master gas reading})} \times \text{Gross Consolidated Facility Production}$$

$$\text{Stinking Draw} = \frac{(\text{Monthly gas reading(s) from Moc Fed})}{(\text{Monthly master gas reading})} \times \text{Gross Consolidated Facility Production}$$

Production Allocation - Well

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

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



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

September 6, 1994

Certified Mail
Return Receipt Requested

Mailing list attached

Re: Off-lease Storage

- Marathon lease NM 1832 - State of New Mexico lease K-1877
- State of New Mexico Lease E-10170-2
- State of New Mexico Lease E-7906-2
- Federal Lease NM-05607
- Federal Lease NM-05608
- Federal Lease NM-05607
- Federal Lease NM-051107
- Federal Lease NM-05551
- Federal Lease NM-05551-A
- Federal Lease NM-05551-B
- Federal Lease NM-051107
- Federal Lease NM-0926
- Federal Lease NM-0926-A
- Federal Lease NM-04827-B
- Marathon Lease NM 5722 - Federal Lease NM-04827-B
- Marathon Lease NM 1718 - State of New Mexico Lease K-1877
- State of New Mexico Lease E-10169
- Marathon Lease Nm 5758 - Federal Lease NM-05551-A
- Federal Lease NM-05608
- Federal Lease NM-81677

Sections 1,2,11,12, T21-S, R-23-E
36, T20₁₂-S, R-23-E
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing off lease metering and storage of production from the North Indian Basin Unit, Stinking Draw, Bone Flats Federal 12 and MOC Federal wells, with all production being metered prior to commingling. 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 the separate leases. Marathon believes that the commingling of production will result in economies of scale that will serve to lower operating cost 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,

R.A. Biernbaum

Indian Basin Business Unit Supervisor

Approved this ___ day of _____

JLP
CC: T.M. Price
W.L. Ransbottom

By:
Title:
Company:

Mailing List:

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, New Mexico 88202-0329

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

Westway Petro/William E. Read Nominee receiptient
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 and Jacquelin R. Bermant
Revocable Trust, dated 04-20-88
2515 Gaye Drive
Roswell, NM 88201-3424

P&P Producing Inc
P.O. Box 3178
Midland, Tx 79702

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

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

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

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

The Hill Foundation
The First Natl Bank of Denver
Attn: Trust Minerals 023
P.O. Box 5825 Terminal Annex
Denver, CO 80217-5825

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

Robert B. Gates
4943 Rustic Trail
Midland, TX 79707-1420

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

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 87505-8425

Sarann 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 Department
P.O. Box 0887
Dallas, Tx 75284-0887

T C & June B Stromberg RevTr7/10/80
T C & June B 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
Yates Drilling Company
Abo Petroleum Corporation
Myco Industries, Inc.
105 S. Fourth Street
Artesia, Nm 88210

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

W.B. Stark
Route 16 - Box 915
Lubbock, Tx 79401

L.M. Stark
305 Frontera
Borger, TX 79007

Jack D. Stark
Route 1 - Box 15A
Fitzhugh, OK 74843

David L. Stark
3113 Balsam
Lake Jackson, Tx 77561

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

Mary Lou Gibbs
4115 E. Zion
Tulsa, Ok 74115

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2001 Wedgewood
Fort Smith, AR 72903

Deborah Ann Stark Wortham
Route 2 Box C W 411
Tuttle, OK 73089

Karen K Stark
2412 Southeast 59th
Oklahoma City, OK 73129

Mary Jane Stark Henderson
347 Hillside Circle
Burleson, TX 76028

Ray Hobbs
1312 Alpha
Carlsbad, NM

Leslie Riggs Mills, Trustee
Riggs-Mills Irrevocable Family Trust 12/31/92
P.O. Box 116
Carlsbad, NM 88220

Eddy Potash Company
Formerly known as "Potash Company of America"
P.O. Box 31
Carlsbad, NM 88221

Willis Royalty Company
P.O. Box 1658
Carlsbad, NM 88221