

AMEND PLC 7/14/98

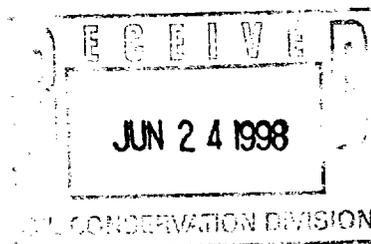
Mid-Continent Region
Production United States



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

June 22, 1998

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



RE: Amend PLC-124

Dear Mr. Stone:

Marathon Oil Company requests that Commingling Order PLC-124 be amended to allow the liquid hydrocarbon production from the Indian Hills State Com Lease in Section 36, T-20-S, R-24-E, to be stored in the tanks at the MOC Central Battery located in Unit Letter D of Section 1, T-21-S, R-23-E. The Indian Hills State Com, Lease No. E-10083, has a separator located at each well so the production will be measured on lease and then transported via pipeline to the central facility for storage and sales. This lease produces from the South Dagger Draw Upper Penn Pool. PLC-124 authorizes the surface commingling of production from the Indian Basin Upper Penn (Associated-33685) Pool and the South Dagger Draw Upper Penn (Associated-15475) Pool. A copy of this order is attached.

Attached is a more detailed description of the proposed operation and allocation of production, a map of the area, and flow diagrams of the facilities and equipment involved. All interest owners have been notified of Marathon's intentions by certified mail. A copy of the letter and a list of the interest owners are attached.

Sincerely,

A handwritten signature in cursive script that reads 'A. B. Schoffmann'.

A. B. Schoffmann
Indian Basin Asset Manager

ABS/vll\m:\wperfect\ihscnibu1\ocdltr.wpd

Attachments

**REQUEST FOR AMENDMENT TO PLC-124
ADDING INDIAN HILLS STATE COM LEASE
SOUTH DAGGER DRAW FIELD
EDDY COUNTY, NEW MEXICO**

Production Allocation - Well

OIL AND WATER

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 and water production will be allocated back to each well based on its daily oil meter readings.

Production Facilities

There is a three-phase separator at each wellsite. Oil production will be metered through a turbine meter. Taps will be installed to accommodate meter proving.

Water production will be metered utilizing turbine meters. Taps will be installed on the water meters to accommodate meter proving.

After separation the oil from these wells will be transported to the MOC central tank battery, located in Unit letter D of Section 1, T-21-S, R-23-E. The water will be sent directly to the Indian Hills State Com #7 SWD well for disposal.

Production Facilities - Consolidated Battery

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

Gas production delivered to the consolidated facility will be compressed, further processed through a dehydrator, and transported through a common trunkline to the Indian Basin Gas Plant. After processing, the gas and NGLs will be measured and sold at the tailgate of the plant.

The production from each pool will continue to be separately metered prior to commingling. Production from all the other leases will continue to be allocated to each well and lease by well tests.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

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

5. Lease Designation and Serial No.

SEE ATTACHMENTS

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation
INDIAN HILLS STATE COM

8. Well Name and No.
SEE ATTACHMENT

9. API Well No.

10. Field and Pool, or exploratory Area
SOUTH DAGGER DRAW UPPER PENN
& INDIAN BASIN UPPER PENN

11. County or Parish, State

EDDY NM

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Marathon Oil Company

3. Address and Telephone No.

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

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

Sections 1, 2, 3, 10, 11, 12 of T-21-S, R-23-E and
Section 36 of T-20 1/2-S, R-23-E and
Section 36 of T-20-S, R-24-E

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 COMMINGLE
 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.)*

As required by 43 CFR 3162.7-2 and Onshore Oil and Gas Order No. 4, Marathon Oil Company is requesting approval of off-lease storage and sales and surface commingling of liquid hydrocarbon production.

Surface commingling, off-lease measurement & storage, and use of a LACT unit were originally approved for the MOC Central tank battery 10/5/94.

A form along with maps and schematics are attached showing the leases and wells addressed by this request, and the equipment which will be utilized. Also, a copy of the NMOC's PLC-124 is attached for your convenience.

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

Signed

Denny Lark

Title Engineer Technician

Date 6/22/98

(This space for Federal or State office use)

Approved by

Title

Date

Conditions of approval, if any:

APPLICATION FOR SURFACE COMMINGLING
OFF LEASE MEASUREMENT, STORAGE AND ALTERNATIVE 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 of hydrocarbon production from the following formation and well(s) on State and Federal Lease(s) listed below:

INDIAN HILLS STATE COM LEASE: E-10083 SECTION 36, T20S, R24E
SOUTH DAGGER DRAW UPPER PENN POOL

<u>Well No.</u>	<u>UL</u>	<u>LEASE NUMBER</u>	<u>BOPD</u>	<u>API Grav 60°F</u>	<u>MCFD</u>	<u>API NO. 30-015</u>
1	G	E-10083	S.I.			
3	D	E-10083	26	46.5	327	27168
4	E	E-10083	25	46.5	317	27235
5	L	E-10083	31	42.3	603	27433
6	K	E-10083	48	42.8	480	27456
8	M	E-10083	34	42.2	708	27486

Marathon would like to commingle this production with the commingled production at the MOC Central Tank Battery located in Unit Letter D of Section 1, T-21-S, R-23-E. The following leases currently produce into this central facility:

<u>Lease Name</u>	<u>BOPD</u>	<u>API Grav.</u>	<u>MCFD</u>
MOC Federal	297	42	12,916
North Indian Basin Unit	1,496	43	22,130
Bone Flats Federal	732	42.3	1,926
Comanche Federal "3"	17	47	8,876
Stinking Draw	157	42.2	2,498

Lease numbers and locations of these leases are as follows:

North Indian Basin Unit (Including Com #NM-SW 242)

Lease Numbers: NM-0487-B, NM-05608, NM-05551, NM-05551-B, NM-SW242, and State Leases E-7906 and E-10170

Description: Section 2, S/2 Section 3, Section 10 and Section 11, T-21-S, R-23-E

Comanche Federal Lease (Including Com # NM-SW 242)

Lease Numbers: NM-04827-B, NM-34623, and NM-0384623

Description: N/2 of Section 3, T-21-S, R-23-E

Bone Flats Federal "12" Lease

Lease Numbers: NM-05608, NM-81677, and NM-05551-A
Description: Section 2, T-21-S, R-23-E

MOC Federal Lease

Lease Numbers: NM-04827-B
Description: Section 1, T-21-S, R-23-E

Stinking Draw Lease

Lease Numbers: State Leases K-1877 and E-10169-1
Description: Section 36 T-20½-S, R-23-E

The proposed operation is shown in detail on the attached diagrams. 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. Schematic diagrams are also attached which clearly identify all equipment that will be utilized.

The production from the Indian Hills State Com Lease is measured at each well site using a 3-phase separator. After separation, it is proposed to transport the oil production, via pipeline, to the Storage and Measurement facility (MOC Central tank battery). The oil will be further processed through the heater treater prior to storage at the tank battery. The gas is compressed and transported to the MOC Central tank battery. The water production will be sent directly to the Indian Hills State Com #7 SWD well for disposal.

The Storage and Measurement facility is located at UNIT Letter "D", Section 1, T-21-S, R-23-E, Eddy County, New Mexico. A satellite separation and measurement facility is located at UL "O", Sec. 2, T21S, R23E. The BLM will be notified of any change in facility location. Gas is measured using allocation meters. It is then transported to the Indian Basin Gas Plant (SW/NE, Section 23, T21S, R23E) by pipeline. After processing, the gas and NGLs are metered at the tail-gate of the plant and sold. Liquid hydrocarbon production and water will be measured using turbine meters per prior approvals. These meters are proved on a regular schedule. Oil is then sold through a LACT unit. All production will be allocated to wells based on monthly well tests and the previously approved methods of lease allocation. The working interest owners have been notified of this commingling 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 State Lease.

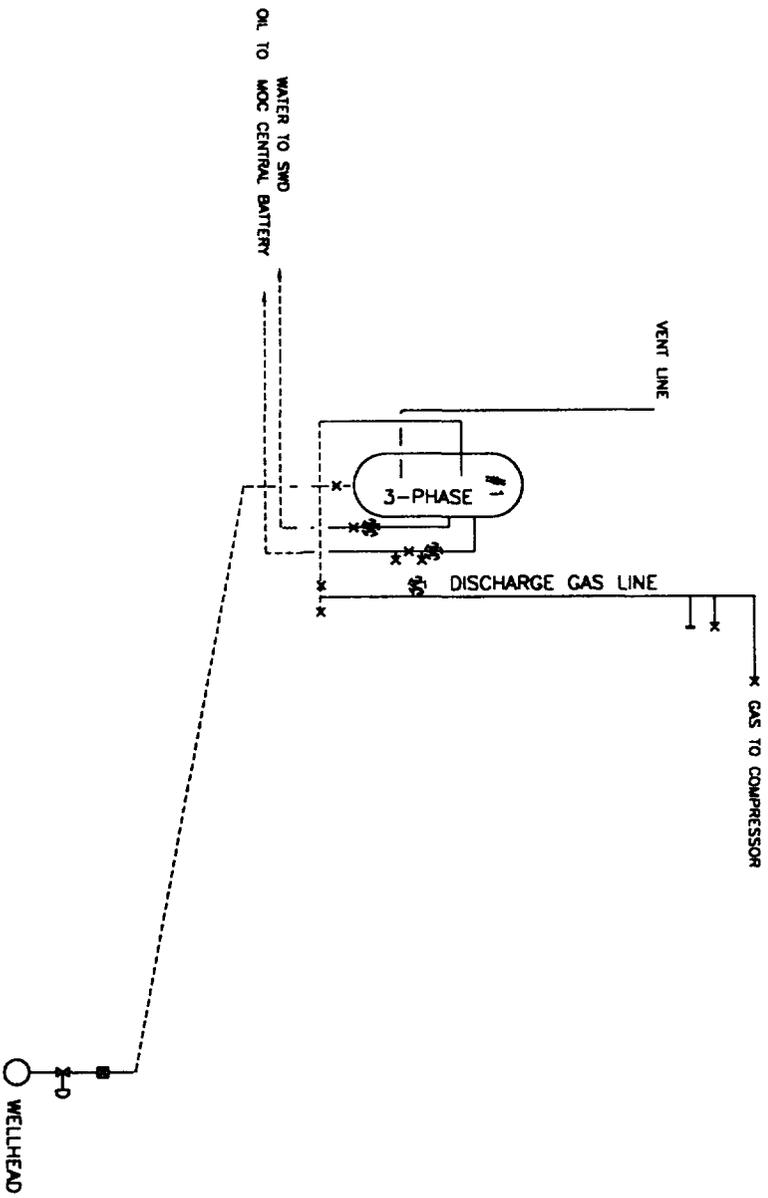
We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by lease instrument and, we will submit within 30 days an application for right-of-way to the BLM's Realty Section in your office if we have not already done so.

Additional wells require additional commingling approvals.

Signature



Name: A. B. Schoffmann
Title: Indian Basin Asset Team Manager
Date: June 22, 1998



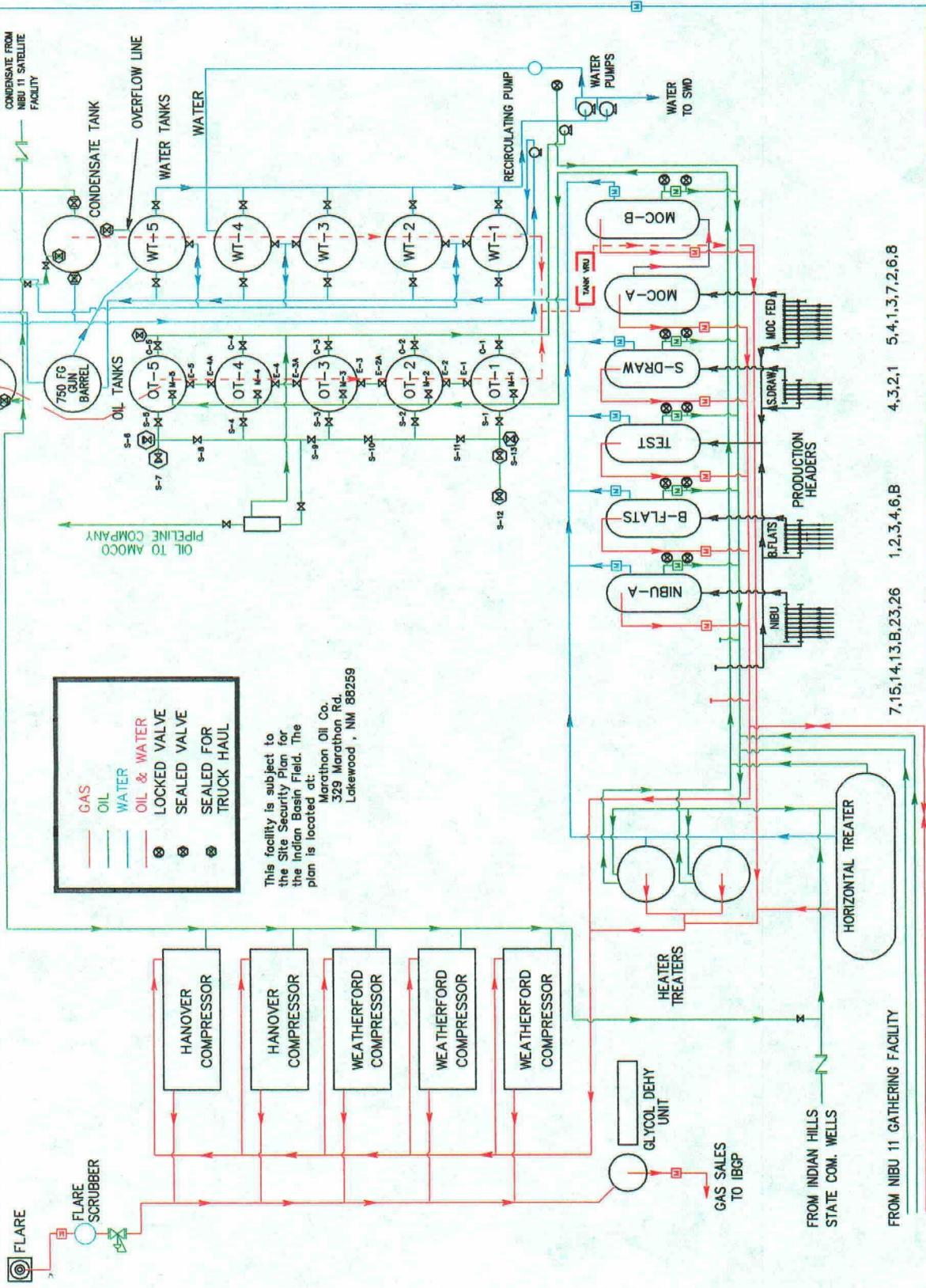
MARATHON OIL COMPANY	
INDIAN BASIN	
INDIAN HILLS STATE COAL LEASES WELLSITE FACILITIES	
HSC 000 050 0001	0001

MOC CENTRAL PRODUCTION FACILITY

760' FNL; 660' FWL
 Sec. 1; T-21S; R-23E
 EDDY COUNTY, NEW MEXICO

TRUCK HAUL SALES

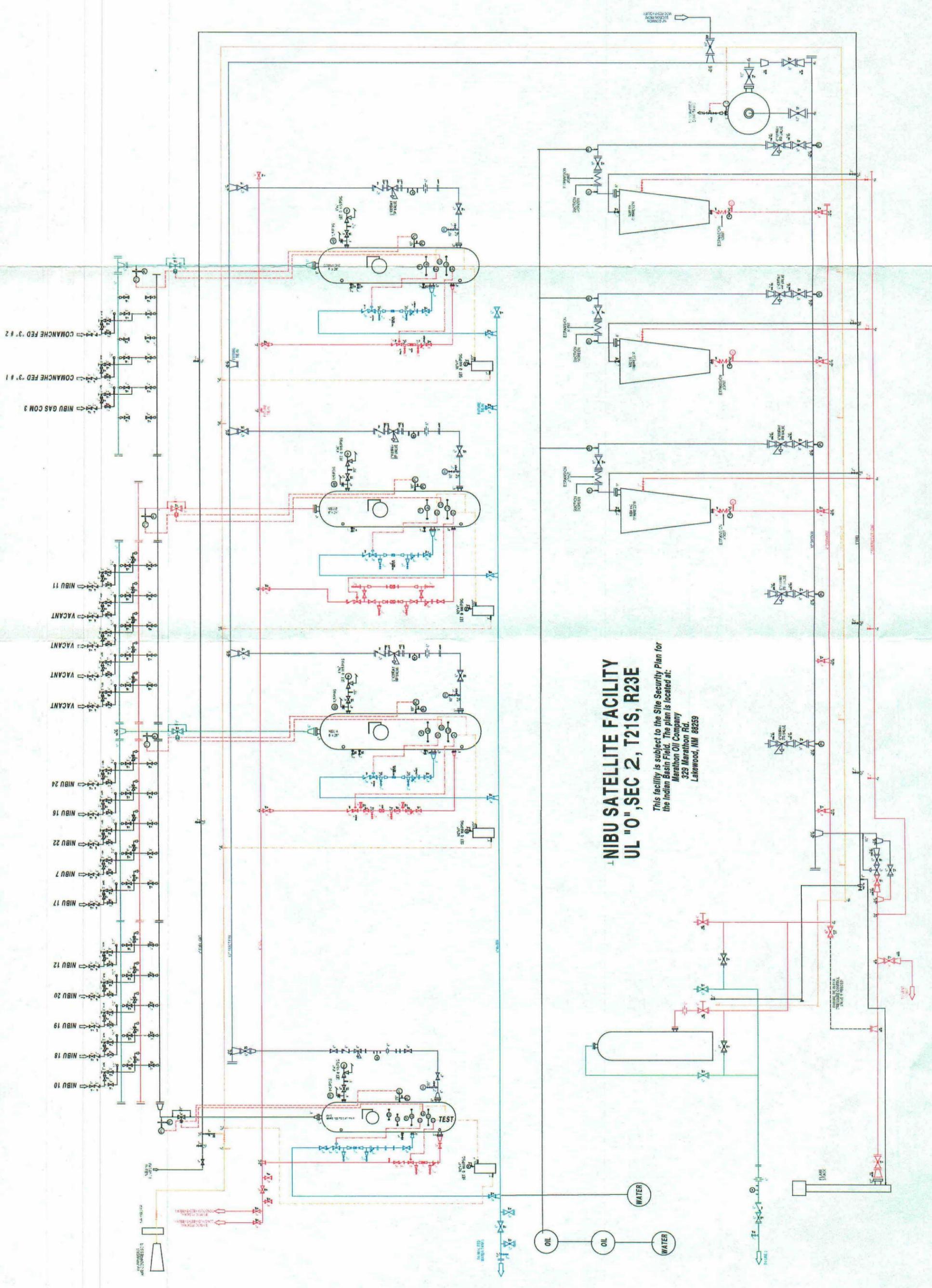
TRUCK HAUL SALES



—	GAS
—	OIL
—	WATER
—	OIL & WATER
⊗	LOCKED VALVE
⊗	SEALED VALVE
⊗	SEALED FOR TRUCK HAUL

This facility is subject to the Site Security Plan for the Indian Basin Field. The plan is located at:
 Marathon Oil Co.
 329 Marathon Rd.
 Lakewood, NM 88259

FROM INDIAN HILLS STATE COM. WELLS
 FROM NIBU 11 GATHERING FACILITY
 GAS SALES TO IBCP
 HEATER TREATERS
 HORIZONTAL TREATER
 NIBU
 B-FLATS
 S-DRAW
 MOC-A
 MOC-B
 PRODUCTION HEADERS
 MOC FED
 WATER PUMPS
 WATER TO SWD
 RECIRCULATING PUMP
 OIL TO AMOCO PIPELINE COMPANY
 7,15,14,13,B,23,26
 1,2,3,4,6,B
 4,3,2,1
 5,4,1,3,7,2,6,8



**NIBU SATELLITE FACILITY
UL "O" SEC 2, T21S, R23E**

This facility is subject to the Site Security Plan for
the Indian Basin Field. The plan is located at:
Marathon Oil Company
329 Marathon Rd.
Lakewood, NM 88259

CONTROL ROOM
NIBU SATELLITE FACILITY

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