



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

January 15, 1998

Working and Royalty Interest Owners
(Mailing list attached)

(Certified Return Receipt Requested)

Re: Off-lease Storage, Measurement, and Sales and Commingling
Marathon Leases: Indian Hills Unit, Indian Hills Unit Gas Com, IB "32" State
Including all of Sections 20, 21, 28, 29, 32 and 33, Township 21 South, Range 24 East
Federal Lease Nos.: Section 20 - LC 064391-B ✓ Section 29 - LC 064391-B
Section 21 - NM 07260 ✓ NM0330449 ✓
NM 07360-F ✓ Section 33 - NM 07260
Section 28 - NM 06293 ✓ LC 067649-A ✓
NM 06293-A ✓ State Leas Nos: Section 32 - V-992-3
NM 030482 ✓ V-993-3

Gentlemen:

Marathon Oil Company is proposing commingling and off-lease metering, storage, and sales of production from the Indian Hills Unit, Indian Hills Unit Gas Com, and IB "32" State 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,

A handwritten signature in black ink that reads 'A. B. Schoffmann'.

A. B. Schoffmann
Indian Basin Asset Team Manager

ABS/vll/wperfect/eibwiltr.wpd

Approved this _____ day of _____, 19__

Attachments

By:
Title:
Company:

Mailing List:

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Parkway, Suite 600
Oklahoma City, Oklahoma 73134

Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79707

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

Hugh Hanagan
P. O. Box 329
Roswell, New Mexico 88201

Nolan Brunson, Jr.
P. O. Box 1039
Hobbs, New Mexico 88241-1039

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

Merit Group II Partnership
P. O. Box 351
Midland, Texas 79702-0351

Claremont Corporation
P. O. Box 549
Claremore, Oklahoma 74018-0549

Texas Independent Exploration, Inc.
1600 Smith, Suite 3800
Houston, Texas 77002

Nearburg Exploration Company
3300 N. A Street, Building 2, Suite 120
Midland, Texas 79705-5421

Hoover H. Wright
P. O. Box 2312
Santa Fe, New Mexico 87504-2312

Kathryn Burger Richardson Executrix
Estate of E. R. Richardson
C/O Paula Kaufman
P. O. Box 91
Glorieta, New Mexico 87535-0091

The Home-Stake Oil & Gas Company
2800 First National Tower
Tulsa, Oklahoma 74103

The Home-Stake Royalty Corporation
2800 First National Tower
Tulsa, Oklahoma 74103

James J. Johnston Estate
2425 Fountainview Drive, Apt. 310
Houston, Texas 77057

Estate of Howard W. Jennings
Peggy P. Jennings Executrix
d.b.a. Jennings Production Company
P. O. Box 670326
Dallas, Texas 75367-0326

Charles Hinton
9426 Sanford
Houston, Texas 77031-2218

Joe B. Schutz
P. O. Box 98111
Las Vegas, Nevada 89193-8111

Bonnie M. Morrison
C/O Norwest Bank New Mexico NA
400 N. Pennsylvania Avenue
Roswell, New Mexico 88201-4754

Willis F. Ammentorp
423 Fitch
Kerrville, Texas 78028-2755

John C. Stanfield
2314 Maxwell
Midland, Texas 79705-4910

James P. Murphy
2817 Stutz Drive
Midland, Texas 79705-4929

Charles W. Perry, Jr.
P. O. Box 371
Midland, Texas 79702-0371

Robert D. Anson, Trustee
2503 Culpepper Drive
Midland, Texas 79705-6318

Sarah Louise Harrington
2602 Bay Meadows Drive
Roswell, New Mexico 88201-5204

Richard P. Montoya
1425 S. Galisteo
Santa Fe, New Mexico 87505-4669

Barbara B. Talento
3785 Mauna Loa Street
Brea, California 92823-6328

W. L. Furche
301 North Colorado Street
Mid-America Building, Suite 108
Midland, Texas 79701-4617

Ralph A. Shugart Trust
Elizabeth Duncan Special Trustee
300 S. Jackson Street, Suite 500
Denver, Colorado 80209-3133

Elinor M. Chase
1303 W. Kansas
Midland, Texas 79701-6036

Marjorie F. Chase
1303 W. Kansas
Midland, Texas 79701-6036

Mary Ann Chase
89 Sunnyside Drive
Athens, Ohio 45701-1921

Samuel Chase
19 Bonita Street
Sausalito, California 94965-2113

Steve Chase
1303 W. Kansas
Midland, Texas 79701-6036

E. Bernard Johnston
2715 N. Kentucky, #16
Roswell, New Mexico 88201-5868

Mary Ellen Johnston
2715 North Kentucky, #16
Roswell, New Mexico 88201-5868

Dorothy C. Frenzel
130 Abell Hanger Circle
Midland, Texas 79707-6140

Roswell Museum and Art Center Foundation
100 West Eleventh Street
Roswell, New Mexico 88201-4910

Rimco Partners, L.P. I
C/O Rimco Associates, Inc.
22 Waterville Road
Avon, Connecticut 06001-2066

Rimco Partners, L.P. II
C/O Rimco Associates, Inc.
22 Waterville Road
Avon, Connecticut 06001-2066

Rimco Partners, L.P. III
C/O Rimco Associates
6300 Bridgepoint Parkway, Building 2 # 500
Austin, Texas 78730-5016

New Mexico Oil Corporation
P. O. Box 1714
Roswell, New Mexico 88202-1714

Jeffrey D. Landua
P. O. Box 2296
Brenham, Texas 77834-2296

Sandra Taylor Landua
2004 Community Lane
Midland, Texas 79701-4016

Sabine Royalty Trust
Nations Bank of Texas Escrow Agent
Department 0887
Dallas, Texas 75284-0887

Elizabeth Mendez Wills
9215 Hagerman, N.E.
Albuquerque, New Mexico 87109-6455

Wills Royalty, Inc.
P. O. Box 1658
Carlsbad, New Mexico 88221-1658

Ashmar Oil Company
C/O John A. Howell
1250 Humboldt Street #404
Denver, Colorado 80218-2450

Paul W. Eaton, Jr.
P. O. Box 12118
Amarillo, Texas 79101

The Donald B. Anderson Foundation
C/O Anderson Oil Company
1060 Three Park Central
Denver, Colorado 80202

Parker Wilson
P. O. Box 1297
Santa Fe, New Mexico 87504-1297

Santa Fe Energy Resources, Inc.
550 West Texas Ave., Suite 1330
Midland, Texas 79707

Steven D. Wentworth
904 Country Club Drive
Midland, Texas 79701

Petro-Quest Exploration
P. O. Box 10016
Midland, Texas 79702



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

January 15, 1997

State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Surface Commingling, Off-Lease Storage, Measurement, and Sales and Alternative Measurement Method of Hydrocarbon Production for the Indian Hills Unit Lease, Indian Hills Unit Gas Com Lease, and the IB "32" State Lease; Sections 20, 21, 28, 29, 32 and 33 of Township 21 South, Range 24 East

Gentlemen:

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 Hills Unit Lease, the Indian Hills Unit Gas Com Lease and the IB "32" State Lease.

It is requested that surface commingling of the Indian Basin Upper Penn Gas Pool in sections 20, 21, 28, 29, and 32 and the Indian Basin Upper Penn Associated Pool in section 33 be approved. This involves Federal Lease Nos. NM07260, NM07260-F, NM06293, NM06293-A, LC064391B, LC067649-A, NM0330449, and NM030482, and State Lease Nos. V-992-3 and V-993-3.

Marathon proposes to surface commingle Upper Penn production at a central battery. The proposed central battery will consist of a 3-phase test separator and a 3-phase production separator for gathering and metering the production from Section 29, and a 3-phase production separator that will receive the liquid production from 4 satellite locations for re-separation. The gas will be compressed, processed through a dehydrator, 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 consolidated facility will be processed and stored in tanks at the facility. Processing may include the use of heat treating or other liquid hydrocarbon processing equipment. The liquid hydrocarbons will be metered through a LACT unit prior to sales at the truck loading rack. Water production will be run through a gun barrel tank for further separation, stored in tanks, metered, and pumped to a disposal well.

The attached drawings illustrate the proposed separation equipment and the proposed production battery and flow scheme for liquids processed and gas dehydrated and compressed in this facility and the four satellite facilities. Also attached is a more detailed description of the proposed flow and metering of all production, along with a map showing flow from wellhead to central facility.

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, a copy of the sundry notice that was sent to the BLM, and a check in the amount of \$30.00 for the application fee.

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. B. Schoffmann
Indian Basin Asset Team Manager

ABS/vll/wperfect/eiblando.wpd

Attachments



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

January 15, 1998

Navajo Refining
Attn: Gwenetta Morgan
P. O. Box 159
Artesia, NM 88211

(Certified Return Receipt Requested)

Re: Off-lease Storage, Measurement, and Sales and Commingling
 Marathon Leases: Indian Hills Unit, Indian Hills Unit Gas Com, IB "32" State
 Including all of Sections 20, 21, 28, 29, 32 and 33, Township 21 South, Range 24 East

Federal Lease Nos.:	Section 20 - LC064391-B	Section 29 - LC064391-B
	Section 21 - NM 07260	NM0330449
	NM 07260-F	Section 33 - NM 07260
	Section 28 - NM 06293	LC 067649-A
	NM 06293-A	State Lease Nos.: Section 32-V-992-3
	NM 030482	V-993-3

Gentlemen:

Marathon Oil Company is proposing off-lease metering and storage of production from the Indian Hills Unit, Indian Hills Unit Gas Com, and the IB "32" State wells, with all production being metered prior to commingling. Our records indicate that you are the purchaser of liquid hydrocarbons from the subject leases. Pursuant to Rule 309-A, as set forth by the New Mexico Oil Conservation Division, Marathon Oil Company respectfully requests Navajo's approval to utilize automatic custody transfer equipment for the properties referenced above.

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. B. Schoffmann
 Indian Basin Asset Team Manager

Approved this _____ day of _____, 19__

 By:
 Title:
 Company:

ABS/vll/wperfect/eibpurch.wpd