



P.O. Box 2490
Hobbs, New Mexico 88240
Telephone 505/393-7106

December 15, 1999

Mr. Mark Ashley
Petroleum Engineering Specialist
New Mexico Oil Conservation Division
2040 S. Pacheco
Sante Fe, NM 87505

RE: Application for Surface Commingling and Off Lease Gas Sales

Silverstrand State No. 1
Sec. 2, T-17-S, R-34-E
660' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Abo
(505-617600)

Willowpeg State No. 1
Sec. 35, T-16-S, R-34-E
1980' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Atoka
(505-868001)

Mr. Ashley:

Marathon Oil Company respectfully requests the State of New Mexico Oil Conservation Division to grant administrative approval for exemption of Rule 303.A and 309.A to sell the Silverstrand State No. 1 gas off lease and surface commingle the gas with the Willowpeg State No. 1.

The Willowpeg is a 175 MCFD flowing gas well and the Silverstrand is a rod pump well which produces 30 BOPD. Gas from the Willowpeg is currently being sold on location. The Silverstrand gas is currently not being sold, but has increased to a marginally economic rate tested at 17 MCFD. To increase revenue Marathon Oil Company proposes to lay a gas line from the Silverstrand to the Willowpeg. Gas will be metered on the Silverstrand location before commingling with the Willowpeg gas prior to the gas sales meter. The subtraction method will be utilized to calculate the Willowpeg production.

It should be noted that there is a diversity of ownership between the leases. However, the proposed production operation is in accordance with the applicable provisions and all necessary parties have been notified by certified mail.

Please find attached a lease commingling plat and a production facility schematic. Please note that the value of the gas will not be adversely affected.

If you have any questions or comments, please advise.

Sincerely,

Andrew J. Schwandt
Production Engineer
(505) 393-7106 ext. 216

N:\reglatory\commingling\surface\Silverstrand_a.doc
Attachments

Houston Division
Production Operations, United States



P.O. Box 2490
Hobbs, New Mexico 88240
Telephone 505/393-7106

December 14, 1999

Mr. Pete Martinez
Commissioner of Public Lands
State Land Office Building
P.O. Box 1148
Santa Fe, NM 87504-1148

Re: Request for Exception to Rule 303.A and 309.A
Surface Commingling and Off Lease Gas Sales

Silverstrand State No. 1
Sec. 2, T-17-S, R-34-E
660' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Abo

Willowpeg State No. 1
Sec. 35, T-16-S, R-34-E
1980' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Atoka

Dear Mr. Martinez:

Marathon Oil Company has filed an application with the New Mexico Oil Conservation Division to surface commingle the above referenced wells. Please find enclosed a copy of the application as outlined in Rule 303.A and 309.A.

If you are in agreement and waive all objections to the surface commingling, please sign below and mail the original to the NMOCD in the enclosed addressed envelope. Also, please return one copy to Marathon in the enclosed addressed envelope.

Sincerely,

A handwritten signature in cursive script that reads 'Andrew J. Schwandt'.

Andrew J. Schwandt
Production Engineer

n:\regtory\comming\surface\Silver_State.doc
Enclosure

Agreed and accepted this _____ day of _____ 1998

by _____, as representative of

Houston Division
Production Operations, United States



P.O. Box 2490
Hobbs, New Mexico 88240
Telephone 505/393-7106

December 14, 1999

Mr. Randy Stalcup
Vice President Land
Mallon Oil Company
999 18th Street, Suite 1700
Denver, Colorado 80202

Re: Request for Exception to Rule 303.A and 309.A
Surface Commingling and Off Lease Gas Sales

Silverstrand State No. 1
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660' FNL & 1980' FWL
Lea County, New Mexico
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Mr. Stalcup:

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Andrew J. Schwandt
Production Engineer

n:\regtory\comming\surface\Silver_Mallon.doc
Enclosure

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by _____, as representative of

Houston Division
Production Operations, United States



P.O. Box 2490
Hobbs, New Mexico 88240
Telephone 505/393-7106

December 15, 1999

Mr. Jerome Geigelman
Gas Supply Rep
Dynegy
6 Desta Dr. Suite 3300
Midland, TX 79705

Re: Request for Exception to Rule 303.A and 309.A
Surface Commingling and Off Lease Gas Sales

Silverstrand State No. 1
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660' FNL & 1980' FWL
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North Vacuum; Abo

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Andrew J. Schwandt
Production Engineer

n:\regitory\commingling\surface\Silver_Dynegy.doc
Enclosure

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by _____, as representative of

Houston Division
Production Operations, United States



P.O. Box 2490
Hobbs, New Mexico 88240
Telephone 505/393-7106

December 14, 1999

Mr. Chris Williams
District 1 Supervisor
New Mexico Oil Conservation Division
P.O. Box 1980
Hobbs, NM 88241

Re: Request for Exception to Rule 303.A and 309.A
Surface Commingling and Off Lease Gas Sales

Silverstrand State No. 1
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Sincerely,

A handwritten signature in black ink that reads 'Andrew J. Schwandt'.

Andrew J. Schwandt
Production Engineer

n:\reglatory\commingling\surface\Silver_Williams.doc
Enclosure

Marathon Oil Company

Silverstrand State No. 1
Sec. 2, T-17-S, R-34-E
660' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Abo

Willowpeg State No. 1
Sec. 35, T-16-S, R-34-E
1980' FNL & 1980' FWL
Lea County, New Mexico
North Vacuum; Atoka

Parties Notified

NMOCD:

Mr. Mark Ashley
Petroleum Engineering Specialist
New Mexico Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87505

Mr. Chris Williams
District 1 Supervisor
New Mexico Oil Conservation Division
P.O. Box 1980
Hobbs, NM 88241

Royalty Interest Owners:

Mr. Randy Stalcup
Vice President Land
Mallon Oil Company
999 18th Street, Suite 1700
Denver, Colorado 80202

Mr. Pete Martinez
Commissioner of Public Lands
State Land Office Building
P.O. Box 1148
Santa Fe, NM 87504-1148

Gas Purchaser:

Jerome Geigelman
Gas Supply Rep
Dynergy
6 Desta Dr. Suite 3300
Midland, TX 79705

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 S. 1st Street, Artesia, NM 88210-2834
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 2040 South Pacheco
 Santa Fe, NM 87505

Form C-102
 Revised October 18, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|---|--------------------------------|
| ¹ API Number 30-025-33691 | | ² Pool Code 86800 | | ³ Pool Name Vacuum; Atoka Morrow, North | |
| ⁴ Property Code 19980 | | ⁵ Property Name Willowpeg State | | | ⁶ Well Number 1 |
| ⁷ OGRID No. 014021 | | ⁸ Operator Name Marathon Oil Company | | | ⁹ Elevation 4057 |

¹⁰ Surface Location

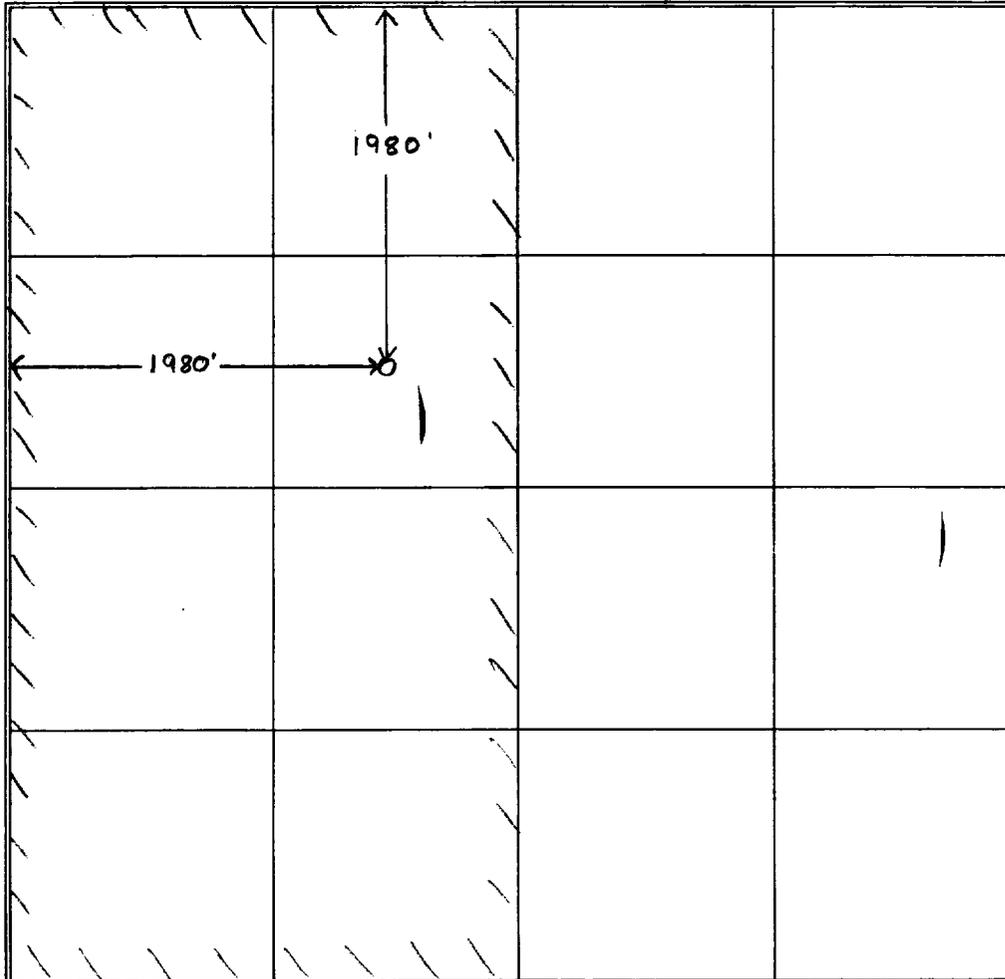
| UL or lot no. | Section | Township | Range | Lot. Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| F | 35 | 16-S | 34-E | | 1980 | North | 1980 | West | Lea |

¹¹ Bottom Hole Location If Different From Surface

| UL or lot no. | Section | Township | Range | Lot. Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 320 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



¹⁷ OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Andrew J. Schwandt
 Signature

Andrew J. Schwandt
 Printed Name

Production Engineer
 Title

12-15-99
 Date

¹⁸ SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

11-18-96
 Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
811 S. 1st Street, Artesia, NM 88210-2834
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Revised October 18, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|--|---------------------------------|
| ¹ API Number 30-025-33659 | | ² Pool Code 61760 | | ³ Pool Name Vacuum; Abo, North | |
| ⁴ Property Code 19741 | | ⁵ Property Name Silverstrand State | | | ⁶ Well Number 1 |
| ⁷ OGRID No. 14021 | | ⁸ Operator Name Marathon Oil Company | | | ⁹ Elevation 4049' |

| ¹⁰ Surface Location | | | | | | | | | |
|--------------------------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot. Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
| C | 2 | 17 S | 34 E | | 660' | North | 1980' | West | Lea |

| ¹¹ Bottom Hole Location If Different From Surface | | | | | | | | | |
|--|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot. Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
| | | | | | | | | | |

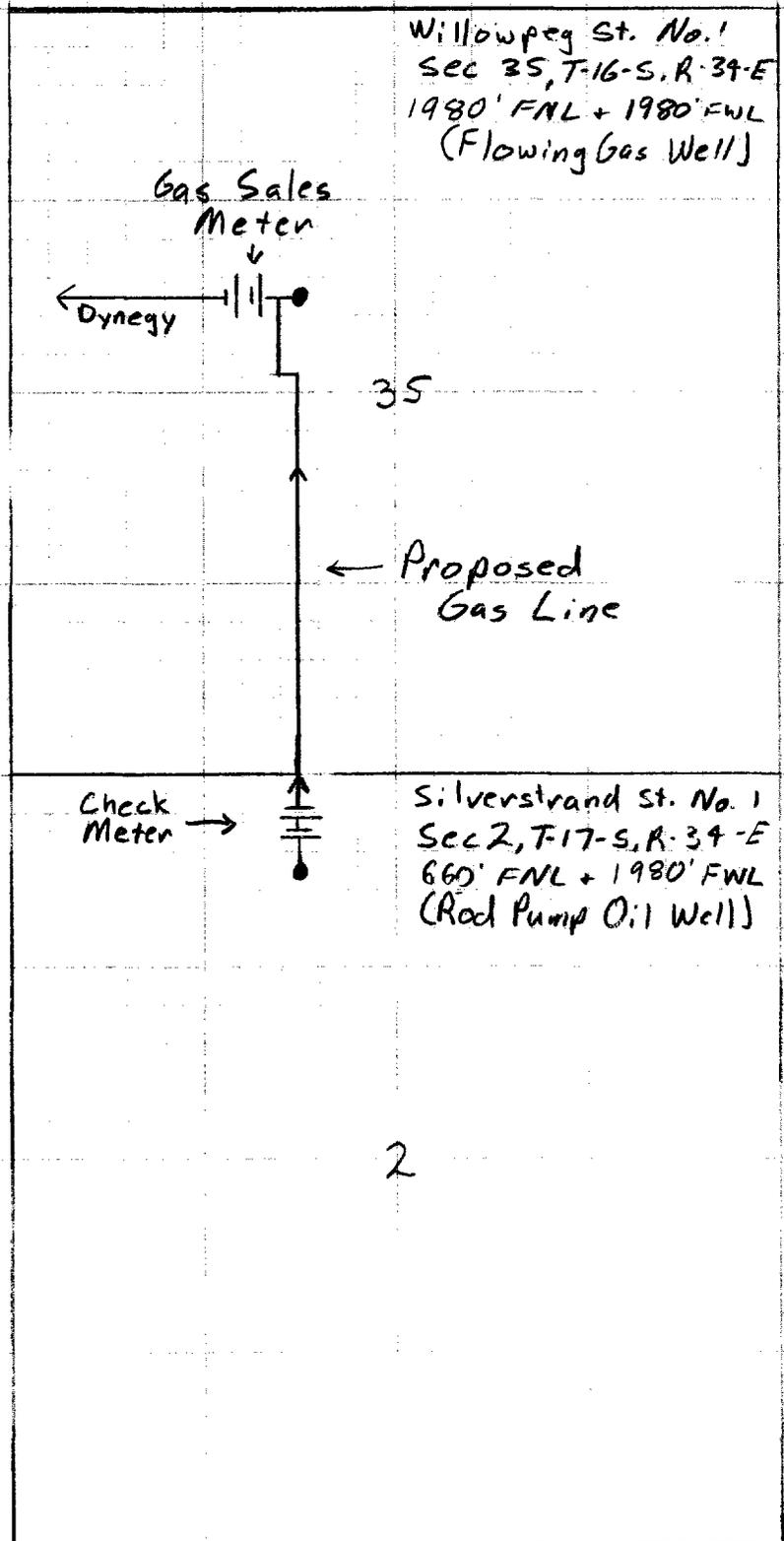
| | | | |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 80 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|-------------------------------------|-------------------------------|----------------------------------|-------------------------|

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON--STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | |
|--|--|--|--|
| | ¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> | | |
| | <p><i>Andrew J. Schwandt</i> Signature</p> <p>Andrew J. Schwandt Printed Name</p> <p>Production Engineer Title</p> <p>12-15-99 Date</p> | | |
| | ¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> | | |
| <p>October 10, 1996 Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> | | | |
| Certificate Number | | | |



| | | | |
|---------|--------------------------|----------|----------------|
| Subject | Silverstrand - Willowpeg | Page No. | Of |
| File | Gas Surface Commingle | By | A. J. Schwandt |
| | | Date | 12-15-99 |





Laboratory Services, Inc.

4016 Fiesta Drive
Hobbs, New Mexico 88240

Telephone: (505) 397-3713

FOR: Marathon Oil Company
Attention: Mr. Tony Hallum
P. O. Box 2490
Hobbs, New Mexico 88241

SAMPLE: Meter Run
IDENTIFICATION: Willowpeg State #1
COMPANY: Marathon Oil Co.
LEASE:
PLANT:

SAMPLE DATA: DATE SAMPLED: 12/14/99 9:20 am
ANALYSIS DATE: 12/14/99
PRESSURE - PSIG 21
SAMPLE TEMP. °F
ATMOS. TEMP. °F 42

GAS (XX) LIQUID ()
SAMPLED BY: Rolland Perry
ANALYSIS BY: Vickie Walker

REMARKS: H2S = 0

COMPONENT ANALYSIS

| COMPONENT | MOL. PERCENT | GPM |
|------------------------|----------------|--------------|
| Hydrogen Sulfide (H2S) | 0.000 | |
| Nitrogen (N2) | 1.380 | |
| Carbon Dioxide (CO2) | 0.412 | |
| Methane (C1) | 85.402 | |
| Ethane (C2) | 7.202 | 1.921 |
| Propane (C3) | 2.671 | 0.794 |
| I-Butane (IC4) | 0.505 | 0.165 |
| N-Butane (NC4) | 0.886 | 0.263 |
| I-Pentane (IC5) | 0.277 | 0.101 |
| N-Pentane (NC5) | 0.238 | 0.086 |
| Hexane Plus (C6+) | 1.077 | 0.442 |
| | <u>100.000</u> | <u>3.712</u> |

BTU/CU.FT. - DRY 1173
AT 14.650 DRY 1169
AT 14.650 WET 1149
AT 14.73 DRY 1175
AT 14.73 WET 1165

MOLECULAR WT. 19.6890

SPECIFIC GRAVITY -
CALCULATED 0.680
MEASURED



Laboratory Services, Inc.

4016 Fiesta Drive
Hobbs, New Mexico 88240

Telephone: (505) 397-3713

FOR: Marathon Oil Company
Attention: Mr. Tony Hallum
P. O. Box 2490
Hobbs, New Mexico 88241

SAMPLE: Meter Run
IDENTIFICATION: Silverstrand State #1
COMPANY: Marathon Oil Co.
LEASE:
PLANT:

SAMPLE DATA: DATE SAMPLED: 12/14/99 9:00 am
ANALYSIS DATE: 12/14/99
PRESSURE - PSIG 32
SAMPLE TEMP. °F
ATMOS. TEMP. °F 44

GAS (XX) LIQUID ()
SAMPLED BY: Rolland Perry
ANALYSIS BY: Vickie Walker

REMARKS: H2S = 0

COMPONENT ANALYSIS

| COMPONENT | | MOL PERCENT | GPM |
|------------------------|--|--------------|--------------|
| Hydrogen Sulfide (H2S) | | 0.000 | |
| Nitrogen (N2) | | 1.901 | |
| Carbon Dioxide (CO2) | | 0.257 | |
| Methane (C1) | | 54.166 | |
| Ethane (C2) | | 21.751 | 5.803 |
| Propane (C3) | | 14.833 | 4.078 |
| I-Butane (IC4) | | 1.627 | 0.531 |
| N-Butane (NC4) | | 3.413 | 1.074 |
| I-Pentane (IC5) | | 0.609 | 0.220 |
| N-Pentane (NC5) | | 0.478 | 0.173 |
| Hexane Plus (C6+) | | <u>0.971</u> | <u>0.398</u> |
| | | 100.000 | 12.277 |

BTU/CU.FT. - DRY 1559
AT 14.650 DRY 1554
AT 14.650 WET 1527
AT 14.73 DRY 1583
AT 14.73 WET 1535

MOLECULAR WT. 26.9617

SPECIFIC GRAVITY -
CALCULATED 0.931
MEASURED