

NLC-165

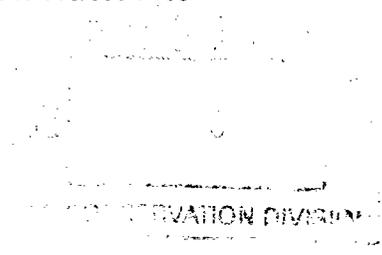
Houston Division
Production Operations, United States



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
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,

Andrew J. Schwandt
Production Engineer

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Enclosure

Agreed and accepted this 4th day of March 2000
by Jerome Geigelman, as representative of
Versado Gas Processors, L.L.C., acting by and through its operator,
Dynegy Midstream Services, Limited Partnership.

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

12/22/99 13:08:29
OGOMWA -TP8F
PAGE NO: 1

Sec : 35 Twp : 16S Rng : 34E Section Type : NORMAL

D 40.00 MI VB0508 0000 MARATHON OIL CO C 12/01/01	C 40.00 MI VB0508 0000 MARATHON OIL CO C 12/01/01	B 40.00 MI L03393 0003 MALLON OIL CO 08/19/79	A 40.00 MI L03393 0003 MALLON OIL CO 08/19/79
E 40.00 MI VB0508 0000 MARATHON OIL CO C 12/01/01	F 40.00 MI VB0508 0000 MARATHON OIL CO C 12/01/01 A	G 40.00 MI L03393 0003 MALLON OIL CO 08/19/79 A	H 40.00 MI L03393 0003 MALLON OIL CO 08/19/79

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

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12/22/99 13:08:33
OGOMWA -TP8F
PAGE NO: 2

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M 40.00 MI L04526 0002 MALLON OIL CO C U 05/19/80	N 40.00 MI L04526 0002 MALLON OIL CO C U 05/19/80 A	O 40.00 MI L03393 0003 MALLON OIL CO U 08/19/79	P 40.00 MI L03393 0003 MALLON OIL CO U 08/19/79 A

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E 40.00 CS E00619 0005 YATES DRILLING CO U 11/10/55	F 40.00 CS E00619 0005 YATES DRILLING CO U 11/10/55 A	G 40.00 CS E00754 0005 YATES DRILLING CO U 02/11/56 A	H 40.00 CS K05029 0003 MALLON OIL CO U 05/18/75 A A

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PAGE NO: 2

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M 40.00 CS E00619 0005 YATES DRILLING CO U 11/10/55 A	N 40.00 CS E00619 0005 YATES DRILLING CO U 11/10/55 A	O 40.00 CS E00754 0005 YATES DRILLING CO U 02/11/56 A	P 40.00 CS E00754 0005 YATES DRILLING CO U 02/11/56 P A

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

COMMISSIONER'S OFFICE

Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION

Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL

Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS

Phone (505) 827-1245
Fax (505) 827-5766

PLC - 163



COMMERCIAL RESOURCES

Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES

Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT

Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES

Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

January 11, 2000

Marathon Oil Company
P.O. Box 2490
Hobbs, New Mexico 88240

Attn: Mr. Andrew J. Schwandt

Re: Application for Surface Commingling
Silverstrand State Well No. 1
N/2NW/2, Section 2-17S-34E, State Lease E0-0619
Willowpeg State Well No. 1
W/2, Section 35-16S-34E, State Leases VB-0508 and L0-4526
North Vacuum-Abo and North Vacuum-Atoka Morrow Pools
Lea County, New Mexico

Dear Mr. Schwandt:

We have received your letter of December 14, 1999 wherein you requested our approval to surface commingle of the production from the above-referenced wells.

We understand that gas will be metered on the Silverstrand location before commingling with the Willowpeg gas prior to the gas sales. The subtraction method will be utilized to calculate the Willowpeg production. Oil production will be measured individually and sold at each lease.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division.

Please submit your \$30.00 filing fee.

Please contact Ms. Debbie Padilla of our Right-of-Way Section at 827-5729 regarding a right-of-way through the SE/4NW/4, E/2SW/4 of Section 35-16S-34E. Our approval is contingent upon Marathon Oil Company securing the appropriate right-of-way through Section 35.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY:

JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

Enclosure

cc: Reader File

~~CCD-Mr. David [redacted]~~ Mr. Ben Stone