



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

June 23, 1993

Oil Conservation Division
State Land Office Building
P.O. Box 2088
Santa Fe, New Mexico 87504-2088
Attn: Mr. David R. Catanach

RE: Surface Commingling - Indian Hills State Com Wells

Marathon, as operator of Indian Hills State Com Wells, South Dagger Draw Field, Eddy County, New Mexico respectfully requests administrative approval for surface commingling of production.

It is requested that surface commingling of "Upper Penn" production be approved for Indian Hills State Com wells, Section 36, T-20-S, R-24-E, Eddy County, New Mexico (State Leases E-10083 and L-5098). This request is being made in order to commingle production due to the varying overriding royalty and working interests in the wells located on these leases (see attached plat). The communitized north-half of Section 36 will be commingled with the communitized south-half of Section 36.

Marathon proposes to surface commingle Upper Penn production at a central battery after separating and metering fluids through individual well production separators. Three-phase separators will be utilized to separate and meter oil, water, and gas, prior to delivering the oil and water to the central battery and delivering gas for processing. Attached drawing "IHSC-001" illustrates the typical individual well separation equipment. Drawing "IHSC-002" illustrates the existing production battery and flow scheme for liquids processed 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 production. Attached as part of this application is a copy of the letters submitted to each party, a copy of the certified mail returned receipts, and copies of returned approvals. To date, Marathon has received approvals from all parties with the exception of Columbia Gas Development Corporation which has not responded.

Marathon Oil Company respectfully requests administrative approval of this application for surface commingling of Upper Penn production. Should you require any further information concerning this application, please call me at (915) 687-8334. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads 'Robert A. Biernbaum'.

Robert A. Biernbaum
Operations Superintendent

Attachments:

RAB:HEG/002/
IB/E&HS/ENVILP

**Upper Penn Commingling Application
Indian Hill State Com
South Dagger Draw Field
Eddy County, New Mexico**

Production Facilities - Well

Each well will be equipped with a three-phase production vessel to separate and meter oil, water, and gas production.

- * Oil production will be metered through a positive displacement (PD) meter. The non-resetting counter head will measure the fluid in barrels. Taps will be installed to accommodate meter proving. The meters 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.
- * Gas production will be measured using a three-inch gas meter run and three-pen chart recorder (static, differential, and temperature).

After separation, the oil will be combined with oil production from other wells and delivered to the central battery for further treatment through a common trunkline system. Water will be delivered to the central battery through a common water trunkline system. Gas will be compressed at the well site and processed at a gas processing plant.

Production Facilities - Central Battery

Oil production delivered to the central battery via the oil trunkline will be further processed through a heater-treater prior to storage at the tank battery. *UNIT LETTER " D "*

Water production from the field separators is stored in tankage at the central facility and is pumped into a disposal system.

Production Allocation

Daily gross production for the battery 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 communitized proration unit based on each well's daily oil meter readings, associated with that proration unit, and the gross daily battery production.

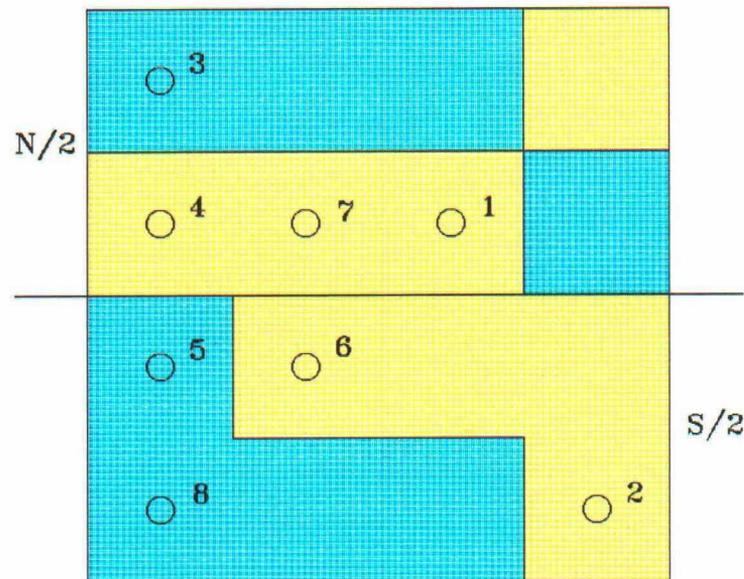
$$\text{North-half Production} = \frac{(\text{sum of oil readings from north-half wells})}{(\text{sum of all oil readings})} \times \text{Gross Battery Production}$$

$$\text{South-half Production} = \frac{(\text{sum of oil readings from south-half wells})}{(\text{sum of all oil readings})} \times \text{Gross Battery Production}$$

*EG
J - 36-205-24-E*

INDIAN HILLS STATE COM LEASE

Section 36, T-20-S, R-24-E



North-half Communitized / South-half Communitized

- State Lease E-10083 (Royalty Interest - 12.5%)
- State Lease L-5098 (Royalty Interest - 12.5%)

- Well No. 1 - Upper Penn
- Well No. 2 - Morrow
- Well No. 3 - Upper Penn
- Well No. 4 - Upper Penn
- Well No. 5 - Drilling (Upper Penn / Morrow)
- Well No. 6 - Proposed
- Well No. 7 - Proposed
- Well No. 8 - Proposed

Working Interest Ownership

North-half

- Marathon - 50%
- Columbia - 25%
- Southwest Royalty - 25%

South-half

- Marathon - 50%
- Columbia - 50%

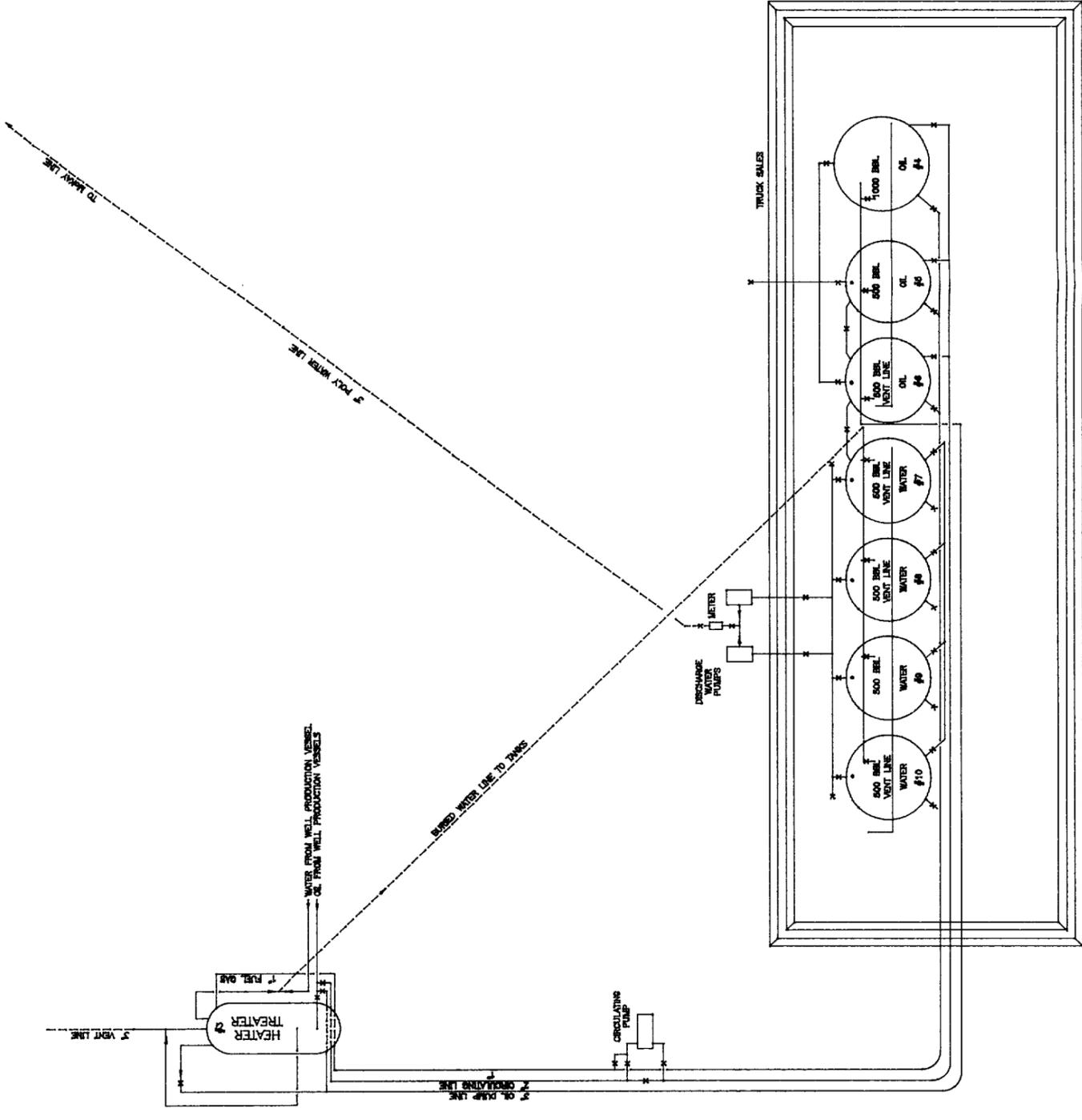
Over-Riding Royalty Interest Owners

North-half

- R.E. Chambers - 0.54687%
- Alice Ann Hanks - 0.40032%
- W.T. Probandt - 0.65625%

South-half

- R.E. Chambers - 0.54687%
- Alice Ann Hanks - 0.40032%
- W.T. Probandt - 0.65625%
- Marathon Oil Company - 4.645656%
- Phillips Petroleum Company - 1.5625%



ELECT. PANEL



MARATHON OIL COMPANY

INDIAN BASIN

INDIAN HILLS STATE COMM. #3

CENTRAL BATTERY

APPROVALS

DATE 2/78

NOTES:





**Marathon
Oil Company**

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

May 11, 1993

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells
Our Lease NM-4875 - State of New Mexico E-10083
NM-4879 - State of New Mexico L-5098
Section 36, T-20-S, R-24-E,
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to surface commingle the production from the wells located on the Indian Hills State Lease in Section 36, T-20-S, R-24-E, N.M.P.M., Eddy County, New Mexico, with all production being metered before commingling. Our records indicate that you are an interest owner in the subject wells and as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling operations which Marathon believes will minimize operation costs and should be beneficial to all interest owners.

Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA
Landman

RPW:mmc'
Encl.

APPROVED THIS _____ day of _____,
1993.

By:
Title:
Company:

Indian Hills State Com Wells Mailing List

R. E. Chambers
c/o Lacy Armour Properties
1107 Oil & Gas Building
Wichita Falls, Texas 76301

Alice Ann Hanks
c/o Melburn Nutt
P. O. Box 4143
Wichita Falls, Texas 76308-4143

W. T. Probandt
1608 Wilco Building
Midland, Texas 79701

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762
Attn: Land Department

Columbia Gas Development Corporation
P. O. Box 1350
Houston, Texas 77251-1350
Attn: Mr. Ed Gordon, CPL

Southwest Royalties, Inc.
300 N. Big Spring Street
Midland, Texas 79701
Attn: Mr. Jon Tate



**Marathon
Oil Company**

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

May 11, 1993

Scurlock-Permian
3705 E. Hwy 158
Midland, Texas 79701

Re: **Surface Commingle - Indian Hills State Com Wells**
Our Lease NM-4875 - State of New Mexico E-10083
NM-4879 - State of New Mexico L-5098
Section 36, T-20-S, R-24-E,
Eddy County, New Mexico

Gentlemen:

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Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS _____ day of _____,
1993.

SCURLOCK-PERMIAN

By:
Its:

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 R. S. Chagnon's Prop.
 470 Gray Arrows Prop.
 1107011 + Gar's Bldg
 Wichita Falls, TX
 W.B. Barber 76301

4a. Article Number: P 614 793 073
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery: 5/13
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 Alice Gumpf
 4040 1/2 St
 Wichita Falls, TX
 76308-4143

4a. Article Number: P 614 793 074
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery:
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 W. J. Probandt
 400 Wilco Bldg
 Chickland, TX 79701

4a. Article Number: P 614 793 075
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery: 5-12-93
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 Plumbing Pte. Co.
 4001 Penbrook
 Dallas, TX 79762

4a. Article Number: P 614 793 076
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery: 5-12-93
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 Columbia Gas Serv. Corp.
 Attn: Ed Gordon
 PO Box 1350
 Houston, TX 77251-1350

4a. Article Number: P 614 793 077
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery: MAY 14 1993
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4, 5, and 6.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requester" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

3. Article Addressed to:
 Southwest Roy. Inc.
 2585 D. Big Spring St.
 Chickland, TX 79701

4a. Article Number: P 614 793 078
 4b. Service Type: Registered Insured Certified COD Express Mail Return Receipt for Merchandise
 7. Date of Delivery: 5-12-93
 8. Addressee's Address (Only if requested and fee is paid):
 Signature (Agent):

PS Form 3811, December 1981 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT

SENDER:

- Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.
- Space on the reverse side, failure to do this will prevent this card from being returned to you. The return receipt fee is available. Consult postmaster for fees.
- Put your address in the "RETURN TO" space on the reverse side, failure to do this will prevent this card from being returned to you. The return receipt fee is available. Consult postmaster for fees.
- Check boxes for additional services requested.
- Show to whom delivered, date, and addressee's address.
- (Extra charge)

1. Show to whom delivered, date, and addressee's address. 2. Restricted Delivery (Extra charge)

3. Article Addressed to:
 Penlock - Farmer
 3705 E. Hwy 157
 Chickland, TX 75701

4. Article Number: P 614 793 079
 Type of Service: Registered Insured COD Express Mail Return Receipt for Merchandise

5. Signature (Agent):
 Signature - Agent

6. Addressee's Address (Only if requested and fee is paid):

7. Date of Delivery: MAY 14 1993

PS Form 3811, Apr. 1989 • U.S.G.P.O. : 1982-307-530 DOMESTIC RETURN RECEIPT



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

May 11, 1993

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells
Our Lease NM-4875 - State of New Mexico E-10083
NM-4879 - State of New Mexico L-5098
Section 36, T-20-S, R-24-E,
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to surface commingle the production from the wells located on the Indian Hills State Lease in Section 36, T-20-S, R-24-E, N.M.P.M., Eddy County, New Mexico, with all production being metered before commingling. Our records indicate that you are an interest owner in the subject wells and as such, pursuant to NMOCD rules and regulations, are required to provide your consent to the proposed commingling operations which Marathon believes will minimize operation costs and should be beneficial to all interest owners.

Please indicate your approval by signing in the space below and returning one (1) copy of this letter to this office in the enclosed envelope. The second copy is provided for your files. Your prompt reply will be deeply appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS 18 day of May,
1993.

A handwritten signature in black ink, appearing to read 'Robert E. Chambers, Jr.'.

By: Robert E. Chambers, Jr.
Title: Independent Executor
Company: Estate of Robert E. Chambers

RP6



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

May 11, 1993

Mailing List Attached

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Our Lease NM-4875 - State of New Mexico E-10083
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Very truly yours,

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS 14th day of May,
1993.

RECEIVED

MAY 20 1993

MARATHON OIL COMPANY
LAND DEPARTMENT
MIDLAND, TEXAS

By:
Title:
Company:

JCR
E.P.U.



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

May 11, 1993

Mailing List Attached

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Our Lease NM-4875 - State of New Mexico E-10083
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Very truly yours,

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS 12th day of May,
1993.

RECEIVED

MAY 13 1993

MARATHON OIL COMPANY
LAND DEPARTMENT
MIDLAND, TEXAS

By: W. T. Probandt
Title:
Company: W. T. Probandt

Rt



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

RECEIVED

MAY 12 1993

May 11, 1993

LAND SECTION
PHILLIPS PETROLEUM CO
ODESSA, TEXAS

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells
Our Lease NM-4875 - State of New Mexico E-10083
NM-4879 - State of New Mexico L-5098
Section 36, T-20-S, R-24-E,
Eddy County, New Mexico

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Very truly yours,

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS 24 day of May,
1993.

RECEIVED

JUN 01 1993

MARATHON OIL COMPANY
LAND DEPARTMENT
MIDLAND, TEXAS

T.J. Paulin
By: Paulin Basin District Engineer - Partnership Operations
Title:
Company: **PHILLIPS PETROLEUM CO**



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

RECEIVED

JUN 07 1993

May 11, 1993

MARATHON OIL CO.
Process & Construction
Midland, Texas

Mailing List Attached

Re: Surface Commingle - Indian Hills State Com Wells
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Very truly yours,

A handwritten signature in cursive script, appearing to read 'Randal P. Wilson'.

Randal P. Wilson, CPL/ESA
Landman

RPW;mmc'
Encl.

APPROVED THIS 20th day of May,
1993.

A large, stylized handwritten signature in cursive script, appearing to read 'Jon P. Tate'.

By: Jon P. Tate
Title: Vice President
Company: Southwest Royalties, Inc.



Rft

SCURLOCK PERMIAN CORPORATION • 333 CLAY ST. • P.O. BOX 4648 • HOUSTON, TX • 77210-4648 • (713) 646-4100
(713) 646-4261
Fax (713) 646-4216

JERIL R. BENEDICT
Attorney

June 7, 1993

Randal P. Wilson, CPL
Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552

RE: SPC No. 010-83670**Indian Hills State Com #3
SPC No. 010-84942**Indian Hills State Com #1
Eddy County, New Mexico
(Our File L596A.22)

Dear Mr. Wilson:

We acknowledge receipt of your letter of May 11, 1993 regarding the surface co-mingling of the production from the captioned wells.

We do not anticipate that this will be a problem, but Marathon, as operator, will have to provide us the monthly production allocation between the wells to enable us to make proper distribution of the sales proceeds. Please coordinate the changeover with our Philip Jasman, Supervisor of Lease Accounting, who may be reached at (713) 646-4456.

Thank you for your assistance and cooperation in this matter.

Very truly yours,

SCURLOCK PERMIAN CORPORATION

Jeril R. Benedict
Jeril R. Benedict

cc: J. D. Bradley (w/o att)
P. Jasman (w/ att)

bjy\june\l596a22.007\jrb8

RECEIVED

JUN 14 1993

MARATHON OIL COMPANY
LAND DEPARTMENT
MIDLAND, TEXAS



Subsidiary of Ashland Oil, Inc.