

8/31/01	ENGINEER DC	LOGGED IN KW	TYPE PLC	APP NO 124837854
---------	-------------	--------------	----------	------------------

AMEND
#175

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
 - [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
 - [B] Offset Operators, Leaseholders or Surface Owner
 - [C] Application is One Which Requires Published Legal Notice
 - [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 - [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 - [F] Waivers are Attached

01 AUG 31 PM 1:56
OL OLS PLANNING

[3] **INFORMATION / DATA SUBMITTED IS COMPLETE** - Certification

I hereby certify that I, or personnel under my supervision, have reviewed the applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common.

I understand that any omission of data (including API numbers, pool codes, etc.), pertinent information and any required notification is cause to have the application package returned with no action taken.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

K. W. Tatarzyn
Print or Type Name

Signature

Asset Team Manager 8/21/01
Title Date

e-mail Address

Southern U.S. Business Unit
Domestic Production



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

NEW MEXICO OIL CONSERVATION DIV.
AUG 31 PM 1:56

August 21, 2001

New Mexico Oil Conservation Division
Attn: David Catanach
1220 South Saint Francis
Santa Fe, New Mexico 87505

RE: ***Amendment to Commingling Order PLC-175***
North Indian Basin Unit Well 32, and Federal IBA Gas Com Wells 1 and 2, Section 15, T-21-S, R-23-E and Indian Basin "A" Wells 2, 3 and 4, Section 22, T-21-S, R-23-E
Federal Lease Nos. NM 05612A, NM 0384628, NM 5608, and Com Agreement SW-280

Dear Mr. Catanach:

Marathon Oil Company, as operator of the aforementioned leases, respectfully requests administrative approval for an amendment to the surface commingling, off lease measurement and storage, and alternative measurement of hydrocarbon production from the subject wells. The amendment is to add the Indian Basin "A" #4 well to the agreement and to correct the current methods of transportation and measurement.

Marathon has made notification to all parties owning an interest in these leases of the intent to amend this commingle agreement. Attached, as part of this application, is a copy of the letter submitted, by certified mail, to each interest owner and a copy of the sundry notice that was sent to the Bureau of Land Management along with all its attachments. The interest owners, including all working, royalty and overriding royalty interests, of the three Indian Basin "A" wells are identical. The interest owners, including all working, royalty and overriding royalty interests, of the other three wells are identical, (see Com Agreement SW-280). The production from each lease will be separately measured prior to commingling.

Marathon proposes to modify the existing satellite facility where the production from these wells will be gathered. This satellite facility is located at UL "K", Section 15, T-21-S, R-23-E, Eddy County, New Mexico. This facility, after modification, will consist of five 3-phase separators. The first production separator will measure the three Indian Basin "A" wells. The second separator will be used as a test separator for the Indian Basin "A" wells. The Federal IBA Gas Com #1, #2 and the North Indian Basin Gas Com #32 wells, will be individually measured through the three remaining separators. The gas will be metered before entering the Loop Gas Gathering System, it will then be compressed and transported to the Indian Basin Gas Plant (UL "G", Section 23, T-21-S, R-23-E, Eddy County, NM) for further processing. After processing, the gas and NGLs will be metered at the tail-gate of the plant and enter the transportation line to be transferred to various sales points. Liquid hydrocarbon and water production will be measured using turbine meters as the Alternative Measurement Method. These meters will be

proved on a regular schedule. The liquid hydrocarbon production will then be sent, via pipeline, to the Storage and Measurement Facility located at the Indian Basin Gas Plant where it will be metered again and sold through a LACT unit. The water production will be sent to a storage tank on the satellite facility location and then injected into various water disposal wells per prior approvals. All production will be allocated to the Indian Basin "A" wells based on monthly well tests and using the lease allocation formula shown in the attachments. The drawings attached to the Sundry notice illustrate the proposed separation equipment and the proposed flow of production from the wellhead to the satellite facility. There is also a map of the area attached.

If you require any additional information concerning this application, please call me at (915) 687-8321. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink that reads "Ginny Larke". The signature is written in a cursive, flowing style.

Ginny Larke
Engineer Technician
Indian Basin Asset Team

Attachments

August 20, 2001

Working and Royalty Interest Owners
(Mailing List Attached)

Re: Amendment of Off-Lease Storage, Measurement, Sales and Commingling Agreement

Leases Affected:

- North Indian Basin Unit Gas Com (SW-280, NM 05608)
- Federal IBA Gas Com (SW-280, NM 05612A, and NM 0384628)
- Indian Basin "A", #2, #3, and #4 wells only (NM 05612A)

Sections 15 and 22 of T-21-S, R-23-E, Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to amend the Off-Lease Storage, Measurement, Sales and Commingling Agreement that covers the above named leases. Marathon proposes to modify the existing satellite facility where the production from these wells will be gathered. This facility will consist of five 3-phase separators. The first production separator will measure the three Indian Basin "A" wells. The second separator will be used as a test separator for the Indian Basin "A" wells. The Federal IBA Gas Com #1, #2 and the North Indian Basin Gas Com #32 wells, will be individually measured through the three remaining separators. A copy of the complete application is attached and explains the proposed operation in detail. Our records indicate that you are an interest owner in one of the subject leases and, as such, pursuant to NMOCD rules and regulations, are requested to provide your consent to this amendment.

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. If you have any questions, please call me at (915) 687-8321. Your prompt attention to this matter will be greatly appreciated.

Sincerely,



Ginny Larke
Engineer Technician

Approved this _____ day of _____, 2001.

Printed Name: _____

Title: _____

Company Name: _____

Attachments

Mary Adele Stromberg Perry
123 Beachview Way
Runaway Bay, TX 76426-9740

John W. Gates & Jean M. Gates
Revocable Trust
706 W. Grand
Artesia, NM 88210-1935

Robert L. Bergman
Jacqueline R. Bergman
Revocable Trust
2515 Gaye Drive
Roswell, NM 88201-3424

Michael Francis McCoy
P. O. Box 51554
Sarasota, Florida 34232-0000

Gates Properties, LTD
P. O. Box 81119
Midland, TX 79708-1119

Jon Stromberg
12101 N. MacArthur #213
Oklahoma City, OK 73162

Sarann Company
Attn: Sara Stromberg Jones
1203 Vernon Road
Ardmore, OK 73401-3653

The Hill Foundation
Wells Fargo Bank NA, Trustee
OGM MAC C7324-038
P. O. Box 5383
Denver, CO 80217-5383

Bank of America NA
Escrow Agent
Sabine Royalty Trust
Lock Box 840887
Dallas, TX 75284-0887

Southwest Royalties, Inc.
P. O. Box 970613
Dallas, TX 75397-0613

Robert G. Hanagan
Hanagan Properties
P.O. Box 1887
Santa Fe, NM 87504-1887

William H. Stromberg
William H. Stromberg, Trustee
P.O. Box 1412
Ardmore, OK 73402-1412

William Douglas McCoy
19002 Red River Pass
San Antonio, TX 78259-3514

Laura Ann McCoy Lindsey
P.O. Box 1137
Artesia, NM 88211-1137

Leif Helton Olsen Estate
2702 56th Street
Lubbock, TX 79413-4916

TC & June Stromberg
P.O. Box 2208
Ardmore, OK 73402-2208

Ann H. Stromberg
274 San Luis Place
Claremont, CA 91711-1746

Wallace & Vergine Gates
Family Trust
Wallace & Vergine Gates,
Trustees
1515 W. 28th Street, Apt.219
Loveland, CO 80538-3161

Hugh E. Hanagan
P.O. Box 1737
Roswell, NM 88202-1737

First Century Oil, Inc.
P.O. Box 1518
Roswell, NM 88202-1518

Wheatley Trust Agency
First National Bank of Artesia,
Trustee
P.O. Drawer AA
Artesia, NM 88211-7526

Mary Love Stromberg Trust
Mary Love Stromberg, Trustee
P.O. Box 1412
Ardmore, OK 73402-1412

Encore Operating, LP
777 Main Street, Suite 1400
Ft. Worth, TX 76102-5356

Brian Patrick McCoy
1708 Meadow Crest Lane
Mansfield, TX 76063-2941

Nortex Corporation
1415 Louisiana Suite 3100
Houston, TX 77002-7353

Westway Petro
500 N. Akard Street, Suite 200
Dallas, TX 75201-6615

C. John McIntyre
732 Cloyden Rd.
Palos Verdes Estates, CA 90274

Sara S. Jones
1203 Vernon Rd.
Ardmore, OK 73401-3653

Virginia Gates Irish
7450 Olivetos Ave. Apt.154
La Jolla, CA 92037-4902

Helen Gates Maxwell
218 Aldersgate Circle
Givens Estates
Asheville, NC 28803-2044

Commissioner of Public Lands
P.O. Box 791
Santa Fe, NM, 87504-0791

Devon Energy
P.O. Box 843559
Dallas, TX 75284-3559

Vol L. Boswell
Trustee Tag Trust B
Ann Kennedy Winslow
825 E. Skelly Dr. Ste 825
Tulsa, OK 74105-6250

Thelma G. Thompson
P.O. Box 1576
Uvalde, TX 78802-1576

Mary Jane Clingman
4416 McFarlin Blvd.
Dallas, TX 75205-1631

Minerals Management Service
Royalty Management Program
P.O. Box 5810 TA
Denver, CO 80217-5810