

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. See Attachment
2. Name of Operator Marathon Oil Company		6. If Indian, Allottee or Tribe Name
3a. Address P.O. Box 552 Midland, TX 79702	3b. Phone No. (include area code) 800-351-1417	7. If Unit or CA/Agreement, Name and/or No. See Attachment
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sections 15 and 22, T-21-S, R-23-E		8. Well Name and No. See Attachment
		9. API Well No. See Attachment
		10. Field and Pool, or Exploratory Area Indian Basin Field
		11. County or Parish, State Eddy NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION		
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal
			<input type="checkbox"/> Water Shut-Off
			<input type="checkbox"/> Well Integrity
			<input checked="" type="checkbox"/> Other <u>Commingling, Off lease storage & measurement</u>

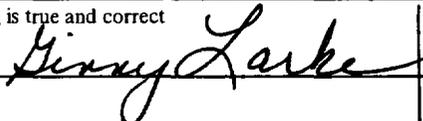
13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

As required by 43 CFR 3162.7-2 and Onshore Oil and Gas Order No. 4 Marathon Oil Company is requesting approval of the amendment to off lease measurement, storage & sales, alternate measurement method, and surface commingling of liquid hydrocarbon production. Also, as required by CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of surface commingling and off-lease measurement and sales of gas production.

Both liquid hydrocarbons, and gas are transported to the Marathon Oil Company Gas Plant, which is located in SW/NE, Section 23, T21S, R23E, Eddy County, NM, by separate pipelines.

Turbine meters will be used for for the Alternate Method of Metering for liquid hydrocarbons per prior approvals.

A form is attached showing the leases and wells addressed by this request and describing the proposed operation in detail. Also attached are maps and diagrams that more fully explain the proposed operation and show the equipment that will be used.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Ginny Larke		Title Engineer Technician
		Date 8/21/01

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

CRA BLM FORMAT

**AMENDMENT TO APPLICATION FOR SURFACE COMMINGLING,
OFF LEASE MEASUREMENT, STORAGE AND ALTERNATIVE MEASUREMENT
APPROVAL**

To: **Bureau of Land Management
P.O. Box 1778
Carlsbad, New Mexico 88220-1778**

Marathon Oil Company is requesting approval of the amendment to Surface Commingling, Off Lease Storage & Measurement and Alternative Measurement agreement for the hydrocarbon production from the following formation and well(s) on Federal Lease(s) listed below:

<u>Lease Name</u>	<u>Location</u>	<u>BOPD</u>	<u>MCFD</u>	<u>API°</u>	
North Indian Basin Gas Com #32	UL "F", Sec. 15	1	4015	44	30-015-29305
Federal IBA Gas Com #1	UL "K", Sec. 15	3	1038	60	10556
Federal IBA Gas Com #2	UL "T", Sec. 15	7	2512	60.2	30041
Indian Basin "A" #2	UL "K", Sec. 22	3	2531	58.1	26011
Indian Basin "A" #3	UL "F", Sec. 22	1	677	44	27932
Indian Basin "A" #4	UL "G", Sec. 22	Not completed			31469

All the above wells are in Township 21 South, Range 23 East. The North Indian Basin Unit #32, Federal IBA Gas Com #1, Indian Basin "A" #2, Indian Basin "A" #3, and Indian Basin "A" #4 produce from the Indian Basin Upper Penn Gas Pool. The Federal IBA Gas Com #2 produces from the South Dagger Draw Upper Penn Associated Gas Pool. The Federal IBA Gas Com #1 and #2 and the North Indian Basin Unit #32 produce from the Upper Penn (Cisco-Canyon) zone.

This amendment is to add the Indian Basin "A" #4 well to the current commingle agreement and to correct the agreement to reflect current methods of transportation, measurement and sales. The proposed operation is described in detail on the attached diagrams. A map is enclosed showing the location of all leases and wells that will contribute production to the commingling/common storage facility. Schematic diagrams are also attached which clearly identify all equipment that will be utilized.

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 below.

$$\frac{\text{Individual Well Test X Producing Days}}{\text{Total (Well Tests X Producing Days) for all wells}} \times (\text{Total Lease Production}) = \text{Allocated volume}$$

The interest owners are being notified of the amendment to this commingling proposal by certified mail. A copy of the letter is attached along with a list of the recipients.

The proposed commingling will not result in reduced royalties or improper measurement of production. The North Indian Basin Unit Gas Com #32, Federal IBA Gas Com #1, and Federal IBA Gas Com #2 are operated under Communitization Agreement No. SW-280. The Indian Basin "A" wells are in the same lease, NM-05612A and all three wells have identical ownership.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by lease instrument. Additional wells require additional commingling approvals.

Signature



Name: Ginny Larke

Title: Indian Basin Asset Team Engineer Technician

Date: August 21, 2001

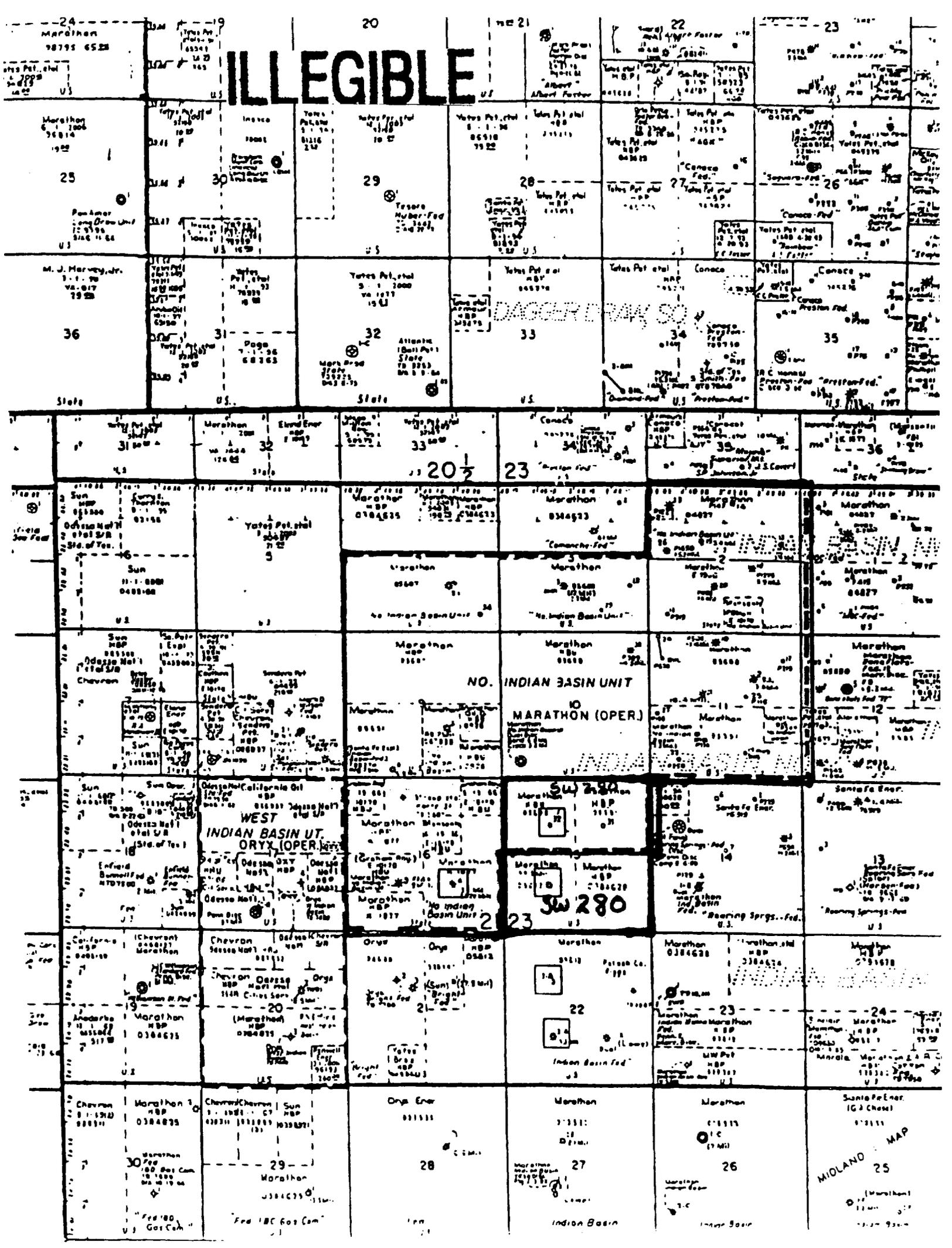
ILLEGIBLE

DAGGER DRAW

NO. INDIAN BASIN UNIT MARATHON (OPER.)

SW 280

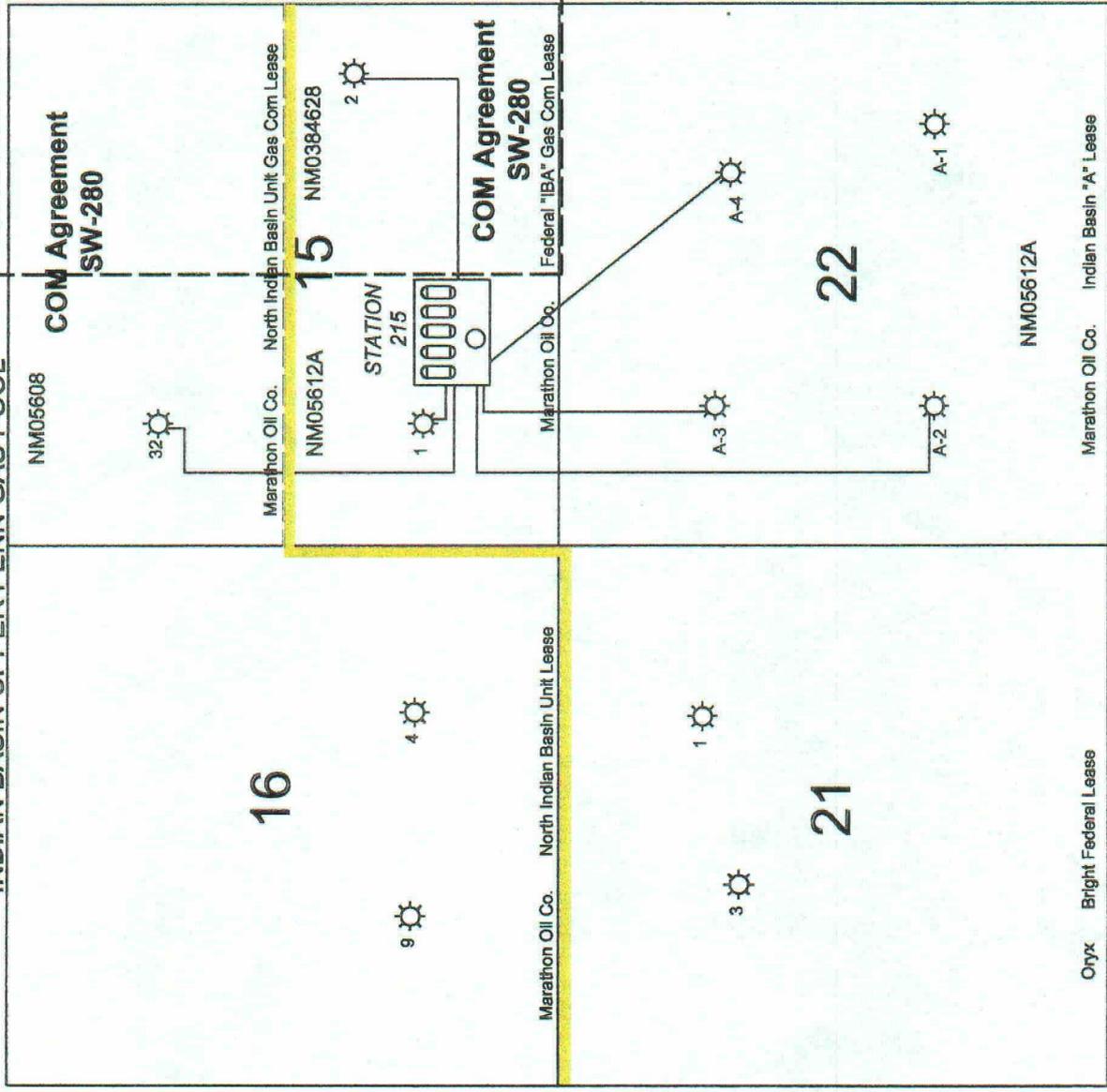
MILANO MAP



SOUTH DAGGER DRAW UPPER
PENN ASSOCIATED GAS POOL

INDIAN BASIN UPPER PENN GAS POOL

STATION 215
UL "K", SECTION 15,
T-21-S, R-23-E
EDDY COUNTY, NM



--- POOL BOUNDARY LINE

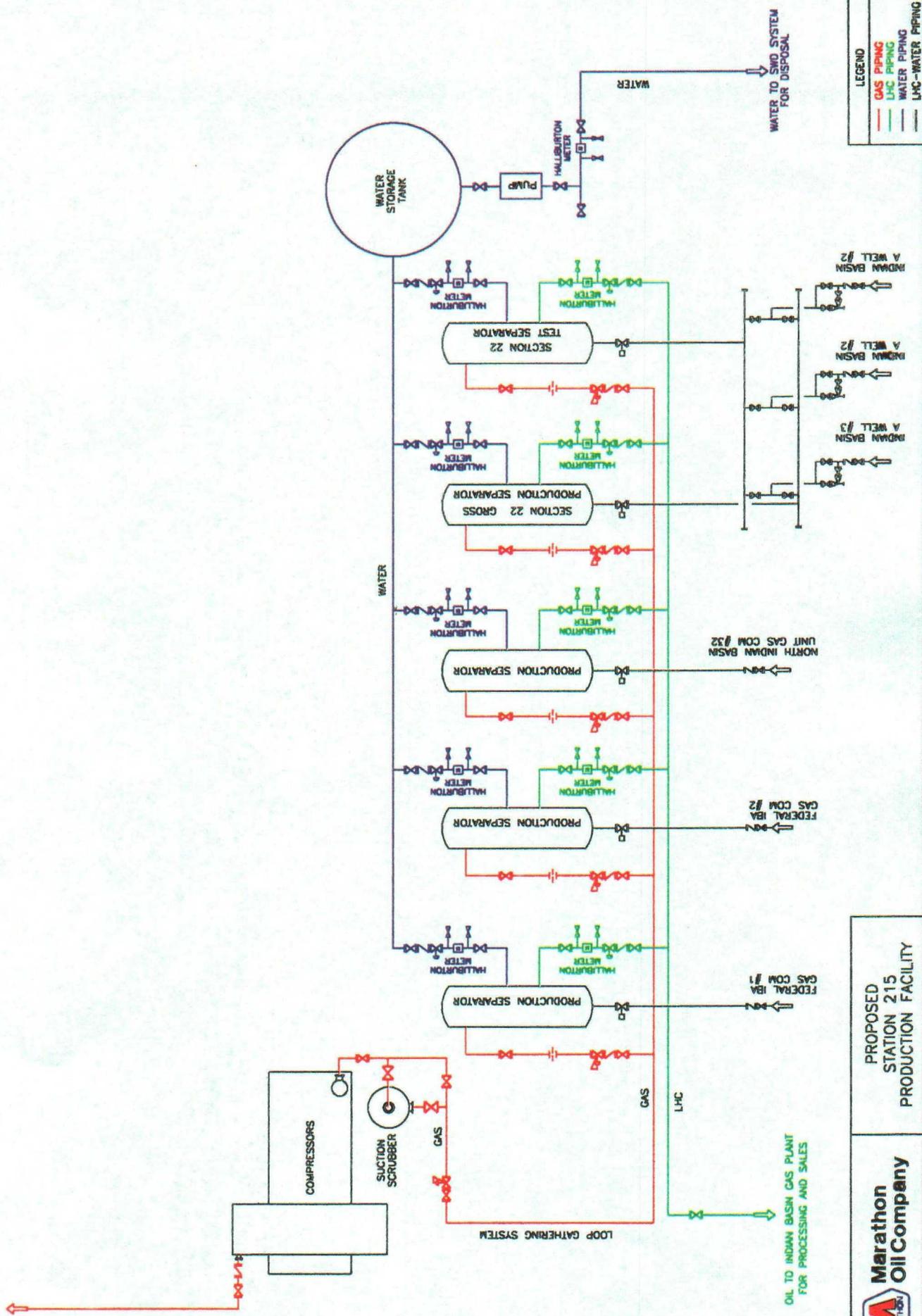
— NORTH INDIAN BASIN UNIT BOUNDARY

ATTACHMENT TO APPLICATION
FOR SURFACE COMMINGLE,
OFF LEASE MEASUREMENT,
STORAGE, AND SALES, AND
ALTERNATIVE MEASUREMENT
METHOD 8/20/2001

T-21-S

R-23-E

GAS TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES



LEGEND

—	GAS PIPING
—	LHC PIPING
—	WATER PIPING
—	LHC-WATER PIPING

PROPOSED
STATION 215
PRODUCTION FACILITY



OIL TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES

WATER TO SMD SYSTEM
FOR DISPOSAL

NORTH INDIAN BASIN
UNIT GAS COM #32

FEDERAL IBA
GAS COM #2

FEDERAL IBA
GAS COM #1

INDIAN BASIN
A WELL #2

INDIAN BASIN
A WELL #2

INDIAN BASIN
A WELL #3



LOOP GATHERING SYSTEM

COMPRESSORS

SUCTION SCRUBBER

GAS

GAS

LHC

GAS

PRODUCTION SEPARATOR

PRODUCTION SEPARATOR

PRODUCTION SEPARATOR

PRODUCTION SEPARATOR

SECTION 22 GROSS
PRODUCTION SEPARATOR

SECTION 22
TEST SEPARATOR

HALLIBURTON
METER

HALLIBURTON
METER

HALLIBURTON
METER

PUMP

HALLIBURTON
METER

WATER

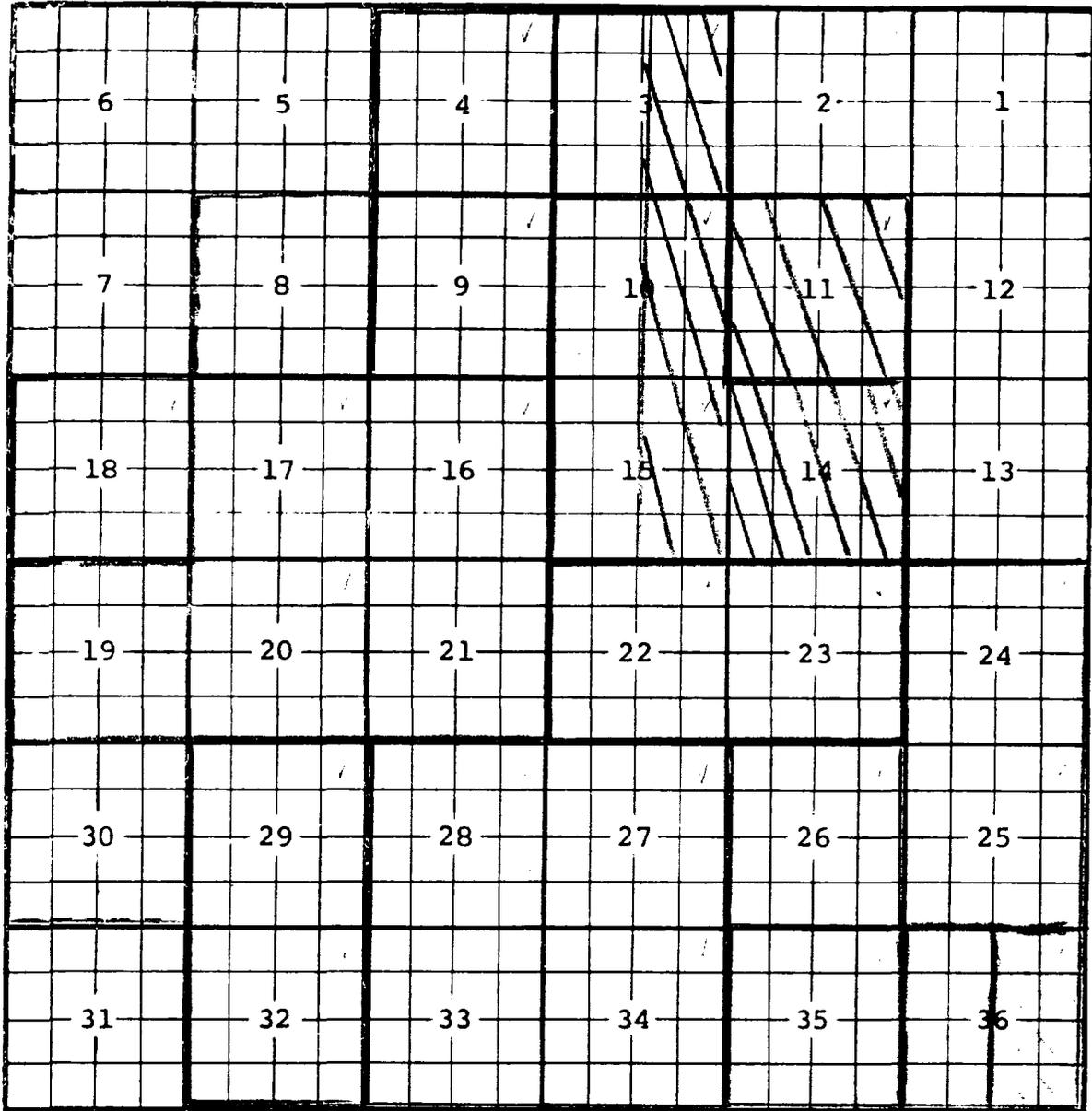
COUNTY *Eddy*

POOL *Indian Basin - Upper Pennsylvanian Gas*

TOWNSHIP *21 South*

RANGE *23 East*

NMPM



Description: All Sec. 22 & 23 (R-2440, 2-28-63)

Ext: All Sec. 10, 14 & 15 (R-2569, 10-1-63) - All Sec. 26 (R-2679, 4-1-64)

- All Sections 16, 17, 19, 20, 21, 24, 25, 35 & 36 (R-2726, 7-1-64)

- All Secs. 9, 11, 27, 28, 33 & 34 (R-2911, 6-1-65) - All Sec. 3 (R-2946, 9-1-65)

- All Sec. 18 (R-3030, 2-1-66) - All Sec. 29 & 32 (R-3056, 5-1-66) - All Sec. 4 (R-3342, 12-1-67)

EXT: All Sec 30 (R-6657, 4-20-81) EXT: All SEC 8 (R-9418, 2-1-91)

Delete All Sec. 11 (R-10234, 11-7-94) Delete All Sec. 14 (R-10236, 11-3-94)

Delete 1/2 Sec. 3, 1/2 Sec. 10, 1/2 Sec. 15 (R-10895, 10-14-97)

Delete 1/2 Sec. 36 (R-9922-0, 12-7-98)

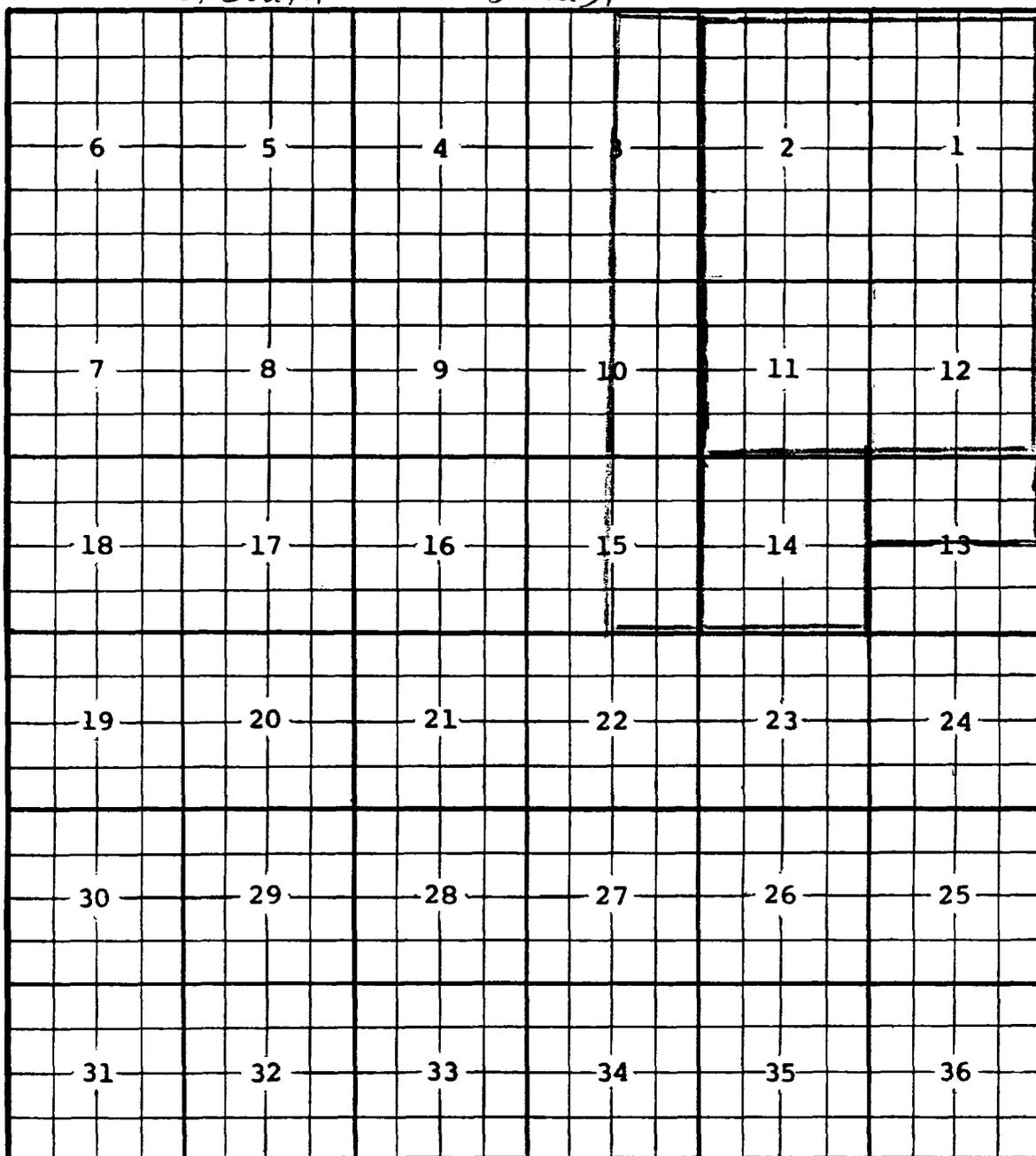
COUNTY *Eddy*

POOL *South Dagger Draw - Upper Pennsylvanian Associated*

TOWNSHIP *21 South*

RANGE *23 East*

NMPM



Ext: All Secs. 1, 2, 11, and 12 (R-10234, 11-7-94)

Ext: All Sec. 14 (R-10236, 11-3-94) Ext. $\frac{1}{2}$ Sec. 13 (R-10224, 1-8-97)

Ext: $\frac{1}{2}$ Sec. 3, $\frac{1}{2}$ Sec. 10, $\frac{1}{2}$ Sec. 15 (R-10893, 10-14-97)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

September 7, 2001

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

Ms. Ginny Larke

Re: Surface Commingling Application (Amend PLC-175)
Indian Basin "A" No. 4

Dear Ms. Larke:

This letter acknowledges the receipt of your administrative application dated August 21, 2001, to surface commingle production from certain wells on the North Indian Basin Unit and the Federal "IBA" Lease in Sections 15 and 22, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. The Division received your application on August 31, 2001.

Our preliminary review indicates that the information provided in the application is not sufficient to process the administrative order. The following information is necessary:

- a) **Administrative Application Checklist (Enclosed)**
- b) **A C-102 for each well showing the acreage dedicated to the well.**

Since the submitted information is insufficient to review, the application was **Ruled Incomplete** on September 7, 2001. Please submit the above stated information by September 14, 2001.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the division will continue to process your application. The additional information can be faxed, or mailed to the Division. If the necessary information is not submitted, your application will be returned to you.

If you have any questions, please contact me in Santa Fe, at (505) 476-3466.

Sincerely,

David Catanach
Petroleum Engineer