Houston Division
Production Operations, U.S. & Canada

Marathon Oil Company

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Hobbs, New Mexico 88240
Telephone 505/393-7106

March 16, 1978

Need St. Lnd Off Approval no - same lease

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

ATTENTION: Mr. Joe D. Ramey, Secretary-Director

Re: Multiple-Lease Commingling, Marathon Oil Company, McDonald State A/C 1 and McDonald State A/C 1-A Leases, South Eunice Field, Lea County, New Mexico

Gentlemen:

Marathon Oil Company respectfully requests administrative approval of an exception to Rule 303-A of the New Mexico Oil Conservation Commission Rules and Regulations to permit the surface commingling of liquid hydrocarbons produced from the Seven Rivers-Queen formation on the McDonald State A/C 1 Lease, described as all of Section 16, Township 22-South, Range 36-East except the Northeast, Northwest, and Southwest quarters of the Northwest quarter, and the McDonald State A/C 1-A Lease, described as all of Section 15, Township 22-South, Range 36-East in Lea County, New Mexico. At the present time there are two active wells in the Seven Rivers-Queen formation on these leases, the McDonald State A/C 1 Well No. 29 and the McDonald State A/C 1-A Well No. 2.

Attached hereto is a plat of the subject leases showing all wells both active and inactive and the producing horizon of each. Also attached is a diagrammatic sketch of the proposed commingling facility showing it to be of an acceptable design in accordance with the Commission's "Manual for the Installation and Operation of Commingling Facilities."

It should be noted that the same State Oil and Gas Lease Number (A-2614) applies to both leases. They were separated into the McDonald State A/C 1 and McDonald State A/C 1-A for accounting purposes only.

Listed below are the daily average liquid hydrocarbon producing rates from the Seven Rivers-Queen for each lease during the 60-day period ending January 31, 1978:

| Lease | Daily Rate B/D | Gravity °API |
|---|---|---|
| McDonald State A/C 1 (Well No. 29) | 13.3 | 36.0 |
| McDonald State A/C 1-A (Well No. 2) | 6.2 | 36.0 |

The royalty ownership in the Seven Rivers-Queen is common for each lease.

To allocate production to the proper lease and well, Marathon proposes to monitor each completion's production potential by periodic well tests.

Very truly yours,

MARATHON OIL COMPANY

William R. Huck
Production Engineer

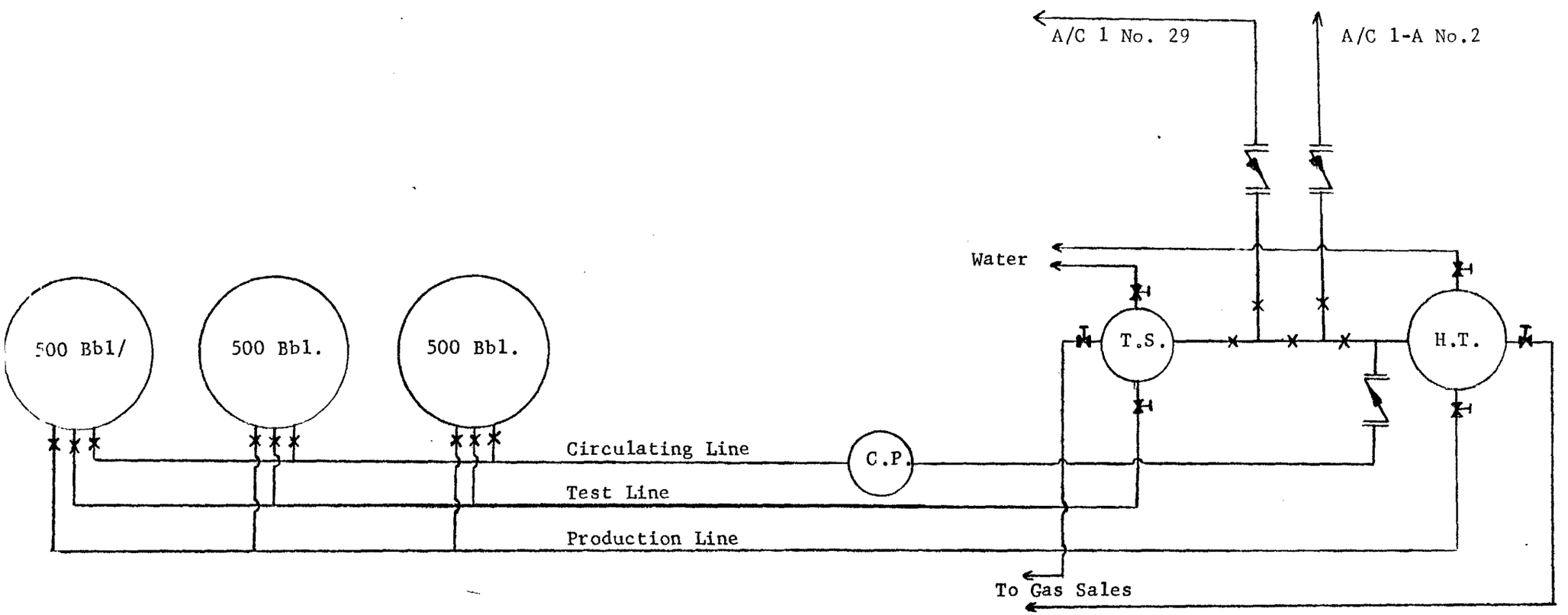
WRH:mfm
Enclosures

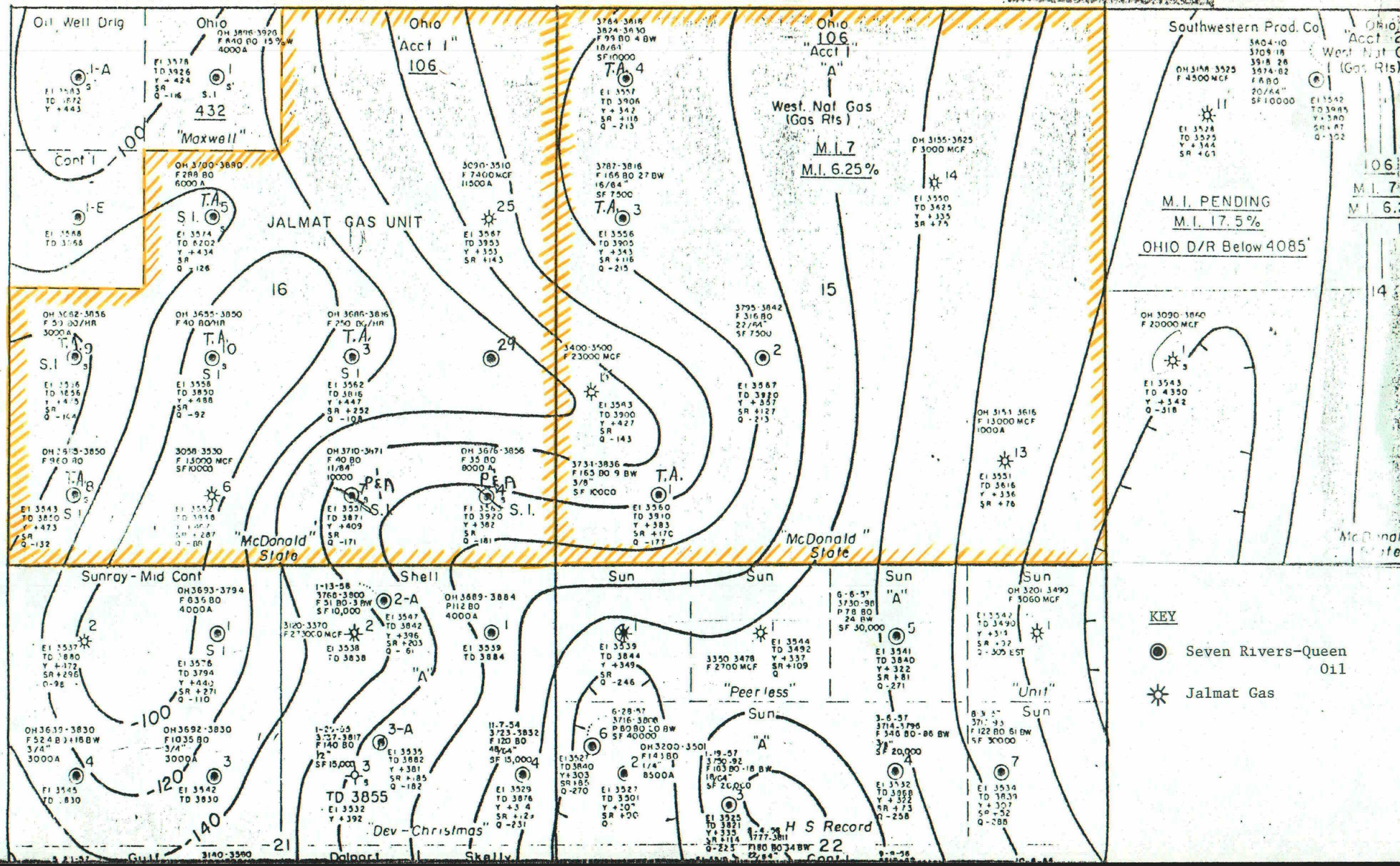
MARATHON OIL COMPANY

Schematic Diagram of Proposed McDonald State A/C 1--
McDonald State A/C 1-A Commingled Tank Battery.
Seven Rivers-Queen Formation
Unit O, Sec.15, T-22S, R-36E, Lea County, New Mexico

LEGEND

- (CP) Circulating Pump
- (TS) Test Seperator
- (HT) Heater Treater
- Block Valve
- Dump Valve
- Check Valve




Oil Well Drlg
Ohio
Ohio "Acct 1" 106
Ohio 106 "Acct 1" "A"
West. Nat Gas (Gas Rts)
M.I. 7
M.I. 6.25%
Southwestern Prod. Co
M.I. PENDING
M.I. 17.5%
OHIO D/R Below 4085'
JALMAT GAS UNIT
432
"Maxwell"
"McDonald" State
"McDonald" State
Sunray - Mid Cont
Shell
Sun
Sun
Sun "A"
Sun
"Peerless"
"Unit"
"A"
"Dev - Christmas"
H S Record
TD 3855
Gulf
Dalport
Skelly
Cont'l
T 22 S
KEY
Seven Rivers-Queen Oil
Jalmat Gas