



MARATHON OIL COMPANY

December 18, 1967

P. O. Box 220
Hobbs, New Mexico 88240

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

Attention: Mr. A. L. Porter, Jr.,
Secretary and Director

RECEIVED
DEC 20 PM 1 32

Dear Sir:

Marathon Oil Company hereby respectfully requests an exception to Rule 303 to permit the commingling of Penrose Skelly and Drinkard Oil Pool production on the Dayton C. Hardy Lease comprising the N/2 of the SE/4 Section 20, T.21S, R.37E, Lea County, New Mexico.

Attached hereto is a plat showing the wells on the subject lease and indicating the formation in which they are completed along with a diagrammatic sketch of the proposed commingling facility, showing it to be of an acceptable design in accordance with the Commission "Manual for the Installation and Operation of Commingling Facilities." Also, attached is a letter of approval from Shell Pipeline Company, transporter of the oil from the subject lease.

All of the wells on the subject lease are marginal producers incapable of making top allowable and none have restricted production due to high gas oil ratios. A tabulation of the last two months oil production from the wells is listed below:

<u>Pool & Well No.</u>	<u>Month</u>	<u>Top Allow. (Bbls.)</u>	<u>Oil Prod. (Bbls.)</u>
Penrose Skelly #1	October	1674	96
	November	1620	88
Drinkard #2	October	1674	54
	November	1620	66
Drinkard #3	October	1674	110
	November	1620	132

A tabulation showing the present segregated production value as compared to the commingled production value of the oil on this lease

based on the November production is shown below:

Segregated

<u>Pool</u>	<u>Gravity (°API)</u>	<u>Price (/Bbl.)</u>	<u>Nov. Prod. (Bbls.)</u>	<u>Income (\$)</u>
Penrose Skelly Oil	34.2	2.88	88	253.44
Drinkard Oil	37.0	2.94	<u>198</u>	<u>582.12</u>
Total			286	835.56

Commingled

<u>Pool</u>	<u>Weighted Gravity (°API)</u>	<u>Price (/Bbl.)</u>	<u>Nov. Prod. (Bbls.)</u>	<u>Income (\$)</u>
Penrose Skelly & Drinkard Oil	36.1	2.90	286	829.40

Loss of Income from Commingling: $835.56 - 829.40 =$
\$ 6.16 based on the month of November.

It is estimated that increase in gravity of oil due to more frequent pipeline runs could conceivably offset or reduce this deficit.

Marathon proposes to determine the oil production from each well and pool from periodic well tests and allocate this production to the proper well and pool.

The ownership of the three wells on the subject lease along with the working interest ownership, royalty ownership, and overriding ownership are common throughout.

Yours very truly,

MARATHON OIL COMPANY

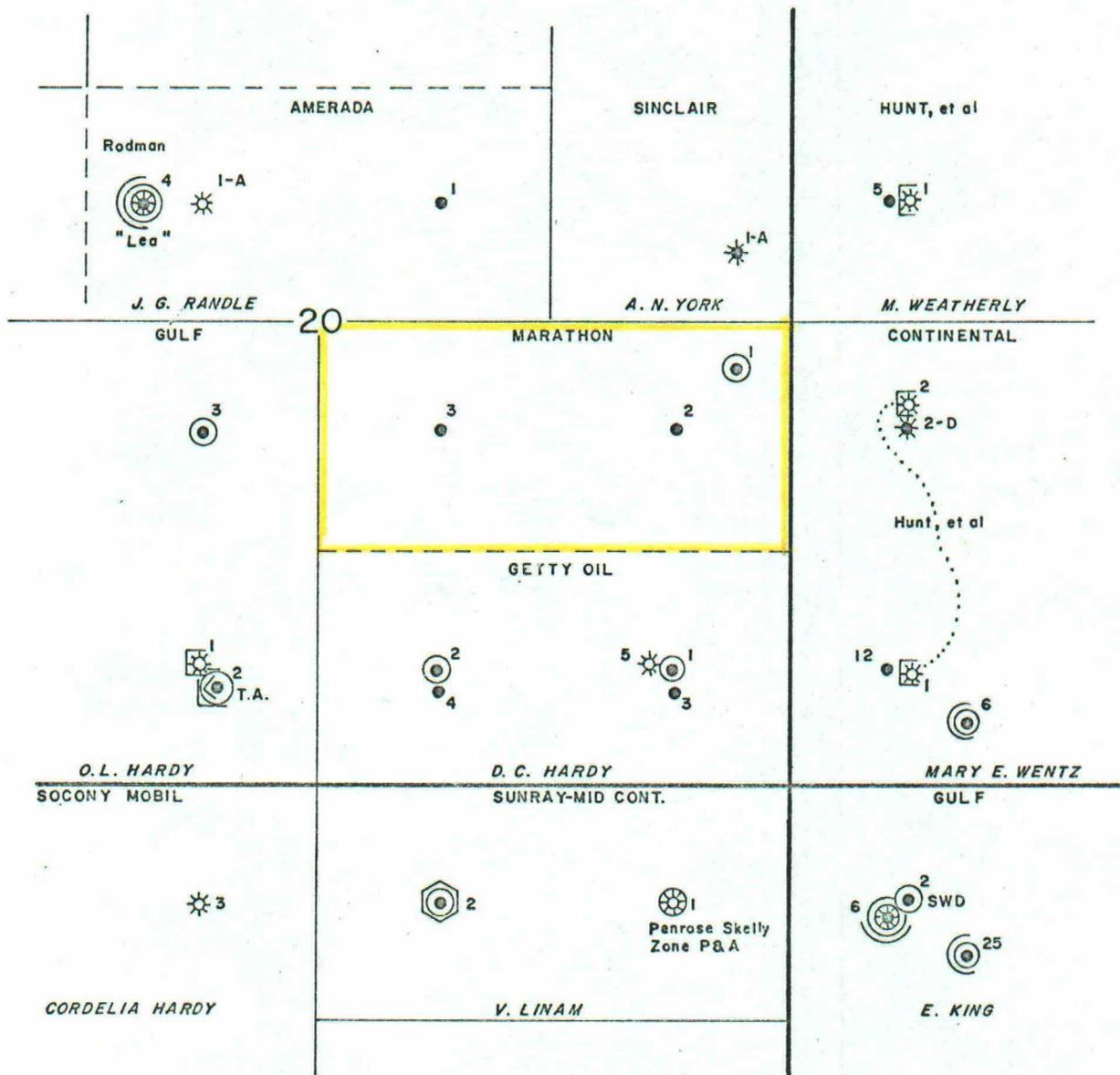


Joe W. Younger
Area Engineer

LCM:bje

cc: NMOCC-Santa Fe 0/2
J. R. Murray
T. O. Webb
File

R-37-E

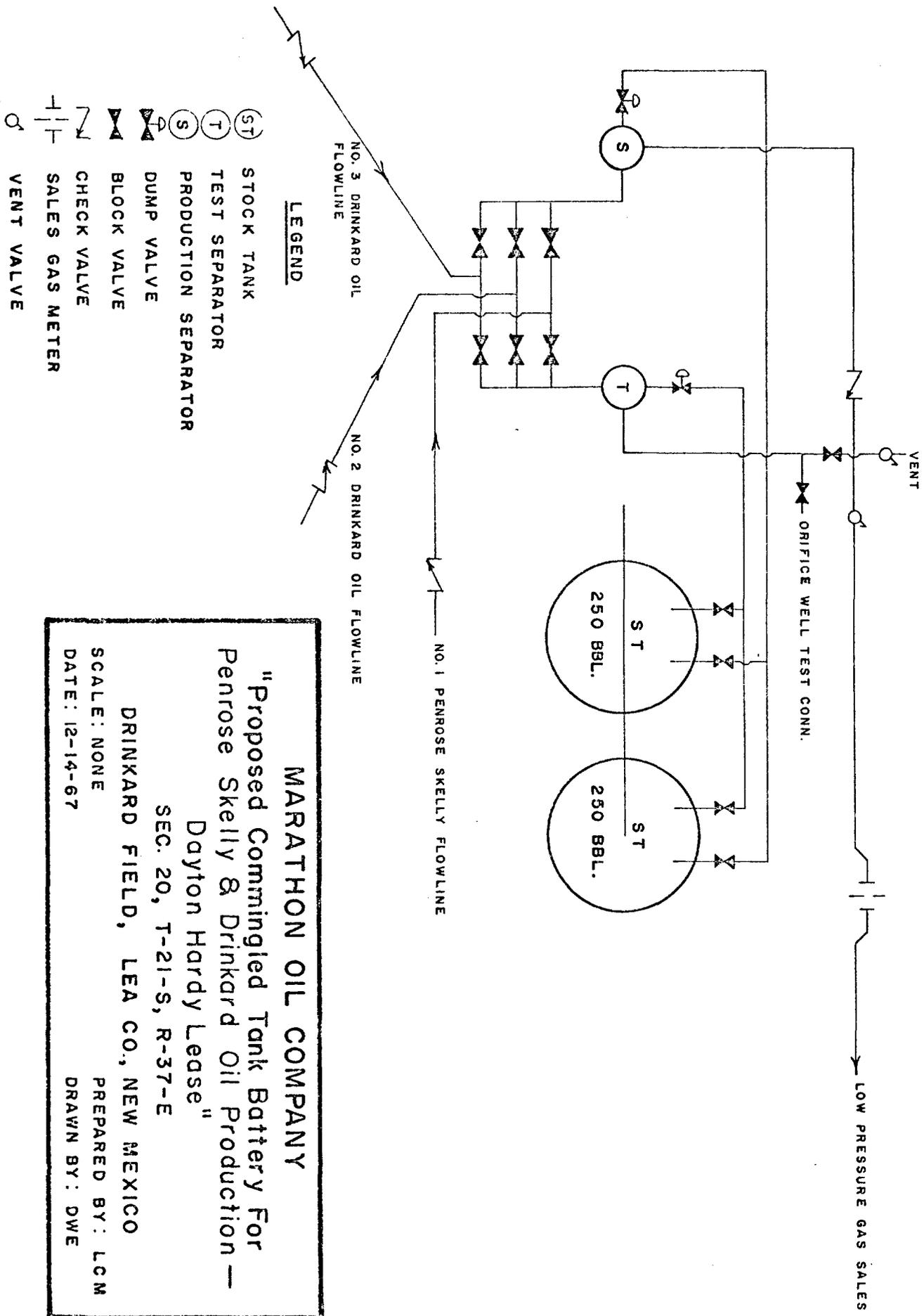


LEGEND

- DRINKARD OIL
- ⊙ PENROSE-SKELLY OIL
- ⊙ BLINEBRY OIL
- ⊙ PENROSE-SKELLY OIL-DRINKARD OIL - Dual
- ⊙ PADDOCK OIL-BLINEBRY OIL- Dual
- ⊙ DRINKARD OIL - BLINEBRY GAS - Dual
- ⊙ PENROSE SKELLY OIL - EUMONT GAS - Dual
- ⊙ BLINEBRY GAS
- ⊙ BLINEBRY GAS - TUBB GAS - Dual
- ⊙ EUMONT GAS



MARATHON OIL COMPANY
 'Plat of Dayton Hardy Lease'
 DRINKARD AREA
 Lea County, New Mexico
 Scale: 1" = 1000' 12-18-67



MARATHON OIL COMPANY

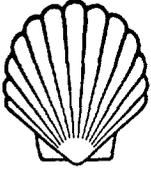
"Proposed Commingled Tank Battery For
Penrose Skelly & Drinkard Oil Production —

Dayton Hardy Lease "
SEC. 20, T-21-S, R-37-E

DRINKARD FIELD, LEA CO., NEW MEXICO

SCALE: NONE
DATE: 12-14-67

PREPARED BY: LCM
DRAWN BY: DWE



SHELL OIL COMPANY

PETROLEUM BUILDING

P. O. BOX 1509

MIDLAND, TEXAS 79704

October 6, 1967

Subject: Marathon Oil Company
Dayton Hardy Lease
Penrose Skelly and Drinkard Pools
Lea County, New Mexico
Key Code 84054

Marathon Oil Company
P. O. Box 220
Hobbs, New Mexico 88240

Attention Mr. L. Charles Marquart

Gentlemen:

We have received your letter of October 5, 1967 requesting our permission, as purchaser of the production from the above lease, for you to commingle both zones into the Penrose Skelly battery.

We have no objections to this proposed commingling since both zones are compatible for entry into Shell Pipe Line Corporation's sour stream. If volumes or gravities change substantially in the future, we would again like to review the procedure.

When we have received your approved Form C-104 from the New Mexico Conservation Commission, we will change our records accordingly.

Yours very truly,

For: T. B. Medders, Manager
Area Raw Materials Supply

TEM:MC