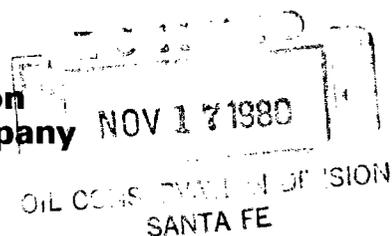


Houston Division
Production Operations, U.S. & Canada



**Marathon
Oil Company**



P.O. Box 2409
Hobbs, New Mexico 88240
Telephone 505/393-7106

November 13, 1980

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

Re: Lea Unit Surface Commingling, Lea County, New Mexico

Dear Sir:

Marathon Oil Company respectfully requests permission to surface commingle production in the battery located at L, Section 12, Township 20 S, Range 34 E from the Devonian and Bone Spring reservoirs in our Lea Unit, Lea County, New Mexico.

Attached is a map, see Figure No. 1, with the boundaries of the unit, each well, it's producing zone and Federal Lease Number indicated. Figure No. 2 is a schematic of the proposed installation.

As indicated on Figure No. 1 Lea Unit Well No. 5 is the only Bone Spring producer in the unit. It was recently recompleted in the Middle Bone Spring. It's current producing rate is 59 BOPD. Surface commingling will allow us to produce this well without requiring a separate tank for this one well.

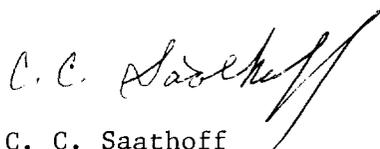
The royalty interest is identical for both the Devonian and Bone Spring and both are in the unit. Attached is a copy of the notification sent to all working interest owners and the letter of approval from the District Supervisor of the United States Geological Survey.

Unit production from the Devonian zone is currently averaging 368 BOPD. Total commingled production is estimated at 427 BOPD with the Bone Spring oil comprising 13.8% of this production. Allocation will be based on monthly well test and the number of days produced.

The gravity of the Devonian oil is 58^o API and that of the Bone Spring oil is 41.3^o API. The estimate of the gravity of the commingled liquid is 55.7^o API. Based on a \$.02/degree of gravity for crude oil the value of 1 days production of the commingled liquid is \$16,847 and the value of the separate zones

total is \$16,847, therefore there will be no loss or gain in the value of the oil. The exempt price for Devonian oil is \$39.50/bbl., the price for Bone Spring oil is \$39.17/bbl. and the price for the commingled oil is anticipated as \$39.45/bbl.

Very truly yours,

A handwritten signature in cursive script, appearing to read "C. C. Saathoff". The signature is written in dark ink and is positioned above the typed name.

C. C. Saathoff
Operations Superintendent

CCS:lt

MARATHON OIL COMPANY
A UNIT
LEA COUNTY, NEW MEXICO

Gulf
Trove

U.S.
Virgil Lindsey
J.M. Parker

U.S.
"Owa-1"

ARCO
Marathon
1532

Lse #
NM02127-78

UNIT 1603

W1 44631987

WATER
DISPOSAL

Lse #NM06531-A

Lse #
NM02127-B

DEVONIAN

DEVONIAN

"Fed Lee"
U.S.
7
R.G. Monagan

Lse #NM02127-B

Lse #NM01747

DEVONIAN
Lse #NM06531-A

DEVONIAN

BONE
SPRING

Tank
Battery

Lse #NM02127-B

DEVONIAN

J.N. Smith
L.V. & G.P. Sims, et al

DEVONIAN

Nathan T. Roberts

1532 1571

ARCO
Marathon
1571

DEVONIAN

Lse #NM053434

ARCO
Marathon
1551

D.D. Patterson

Lse # NM053434

Lse #NM053434

Ross
Marathon
1555

Ross
Marathon
1554

W. Ross
V. Hest

DEVONIAN

DEVONIAN

Lse #NM03085

DEVONIAN

Lse #053434
BEND GAS

Nathan T. Roberts

ARCO
Marathon
1551

W. Ross
V. Hest

Southwestern Nat'l Gas
(Maxwell)

Union Prod.

ARCO
Marathon
1553

ARCO
Marathon
1555

ARCO
Marathon
1551

W. Ross
V. Hest

1-B (A. Cooley)

"Zirc Fed"

Nathan T. Roberts

Nathan T. Roberts

L.V. & G.P. Sims, et al

Achuc

Union Prod.

ARCO

Cox & Hamon
Marathon
1555

Marathon
1556

Gulf
D-18-79

Pennzell

ARCO

U.S.
29
U.S. Saffling

Marathon
Cox & Hamon
1556

U.S.

U.S.
L.V. & G.P. Sims, et al

State

West'n. Reserve
12-1-79

Exxon
6-1-84

Exxon
10-2-79

Exxon
10-2-79

U.S.
10
TO 10-100

(Only & Dept.)
Bourne
TO 10-100

U.S.
R.H. W. Steen Est.
25

State
L.V. & G.P. Sims, et al
30

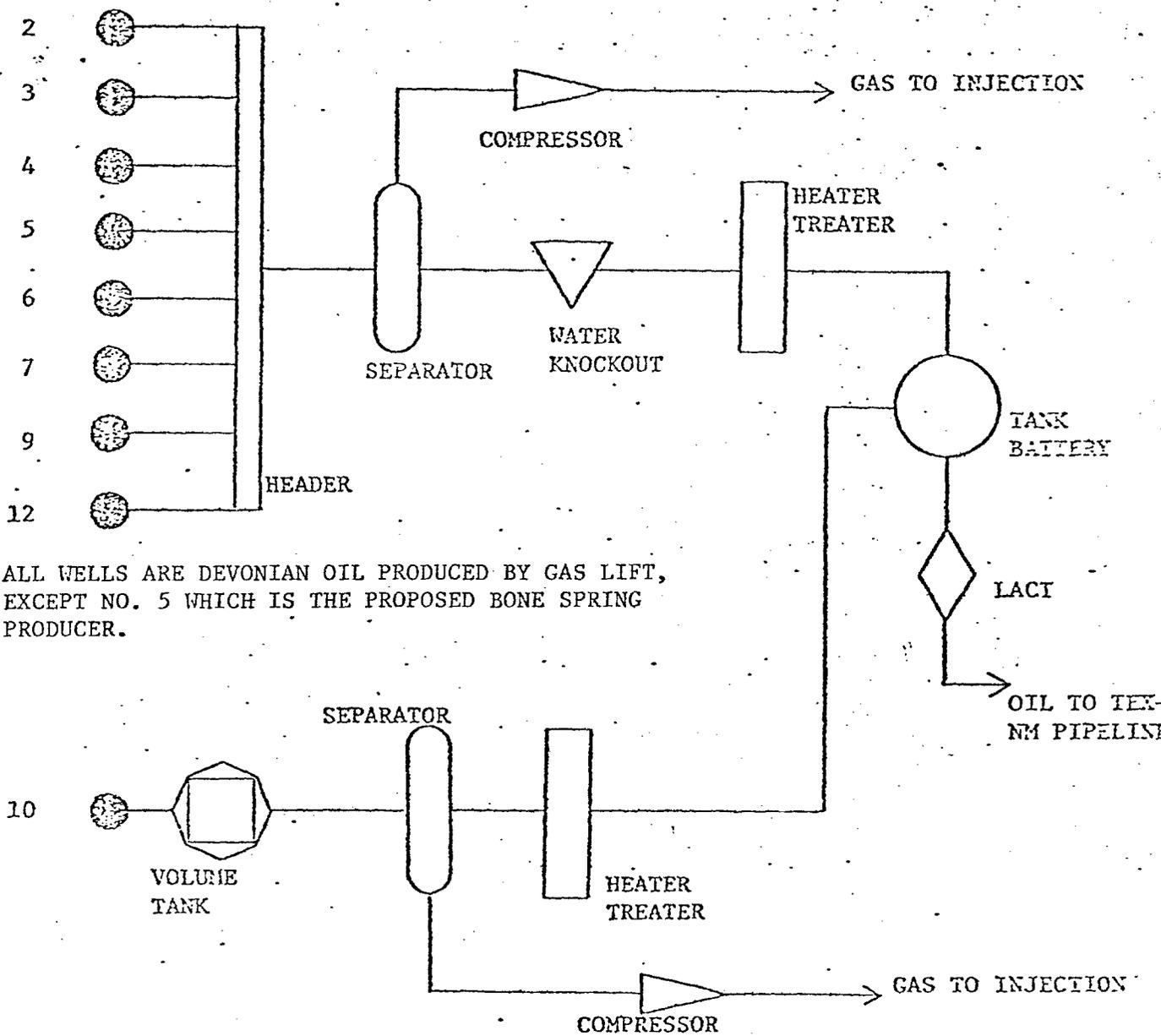
Burk Roy

Gulf
9-16-79

"Hanson-Fed."
TO 10-100

Phillips, et al

FIGURE NO. 2
 LEA DEVONIAN FIELD
 DEVONIAN RESERVOIR
 LEA UNIT LEASE



ALL WELLS ARE DEVONIAN OIL PRODUCED BY GAS LIFT, EXCEPT NO. 5 WHICH IS THE PROPOSED BONE SPRING PRODUCER.

ALL WELLS SPUDDED PRIOR TO 1-1-72



United States Department of the Interior

GEOLOGICAL SURVEY
P. O. Drawer 1857
Roswell, New Mexico 88201

October 28, 1980

C.C. Saathoff
Marathon Oil Company
P.O. Box 2409
Hobbs, New Mexico 88240

Dear Mr. Saathoff:

Surface commingling of production from the Bone Spring and Devonian reservoirs on the Lea Unit, Lea County, New Mexico is hereby approved. Surface commingling is approved so that the single existing tank battery located in SW $\frac{1}{4}$ SW $\frac{1}{4}$ section 12, T. 20 S., R. 34 E., N.M.P.M., Lea County, New Mexico may be used for all production from the Lea Unit.

The method of allocating production based on the monthly well test and the number of days produced can be used since royalty rates are identical for the Devonian and Bone Spring.

Sincerely yours,

Jerry W. Long
for Jerry W. Long
District Supervisor, Oil & Gas

cc: R.L. McLean
11-7-80
mf



**Marathon
Oil Company**

P.O. Box 2409
Hobbs, New Mexico 88240
Telephone 505/393-7106

October 9, 1980

Working Interest Owners
Lea Unit
Lea County, New Mexico

Dear Sir:

This is to notify you that Marathon Oil Company intends to surface commingle production from the Devonian and Bone Spring reservoir at our Lea Unit in Lea County New Mexico. Production will be allocated by the monthly well test and the number of days produced. The Bone Spring production is from Lea Unit No. 5, a recent re-completion that has tested successful in the Middle Bone Spring.

Very truly yours,

A handwritten signature in cursive script that reads 'C. C. Saathoff'.

C. C. Saathoff
Operations Superintendent

CCS:lbp

ADDRESSES OF INTEREST OWNERS

Lea Unit

~~Mr. C. T. Atkins~~

Atlantic Richfield

P. O. Box ~~1610~~ 1710

Midland, Texas ~~79701~~ *Hebbes, N.M. 88240*

Gulf Energy & Minerals Co.-U.S.

P. O. Box 1150

Midland, Texas ~~79701~~ 79702

Union Oil Company of California

District Operations Manager

P. O. Box 671

Midland, Texas 79701

Mrs. Vee K. Ross

P. O. Box ~~86~~

Midland, Texas ~~79701~~

Mr. W. G. Ross

P. O. Box ~~86~~ 1094

Midland, Texas 79701

Mr. Jake L. Hamon

~~P. O. Box 663~~ 511 *Midland Savings & Loan Bldg.*

Dallas, Texas 75221

Mr. Edwin L. Cox

~~3800 First National Bank Building~~ *2100 Adolphus Tower*

Dallas, Texas ~~75202~~ 75221

Miller Ranch Unit

Atlantic Richfield Company

P. O. Box 1610

Midland, Texas 79701