

DATE IN <u>3/31/06</u>	SUSPENSE	ENGINEER <u>Will Jones</u>	LOGGED IN <u>3/31/06</u>	TYPE <u>DHC</u>	APP NO. <u>PTD50609048179</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY 3682

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST 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
- [D] Other: Specify _____
- [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
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

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

Daniel R. Hanchova
 Print or Type Name

[Signature]
 Signature

Pecunia Basin Asset Lead 3/24/06
 Title Date

drhanchova@marsthanail.com
 e-mail Address

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE

☒ Single Well

☐ Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

Marathon Oil Company
Operator

P.O. Box 3487
Houston Texas

Walter Lynch

12

F- 1- 21S-37E

Lea

Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14021 Property Code 006424 API No. 30-025-37556 Lease Type: ☐ Federal ☒ State ☒ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Wildcat Queen		Penrose Skelly Grayburg
Pool Code	Not Assigned		50350 OK 50350
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3507'-3694'		3694'-3907'
Method of Production (Flowing or Artificial Lift)	Artificial Lift (Pump)		Artificial Lift (Pump)
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)			
Oil Gravity or Gas BTU (Degree API or Gas BTU)	Unknown		37.6
Producing, Shut-In or New Zone	New Zone		New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 20 % 20 %	Oil Gas % %	Oil Gas 80 % 80 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands
or the United States Bureau of Land Management been notified in writing of this application?

Yes ☐ No ☐

NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Charles E. Kendrix TITLE Regulatory Compliance Representative DATE 03/24/2006

TYPE OR PRINT NAME Charles E. Kendrix TELEPHONE NO. (713) 296-2096

E-MAIL ADDRESS cekendrix@marathonoil.com



Southern Business Unit

P. O. Box 3487

Houston, TX 77253-3487

5555 San Felipe Road

Houston, TX 77056-2799

Telephone: (713) 296-2096

FAX: (713) 499-6750

March 24, 2006

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Exception to Rule 303 (C)
Walter Lynch No. 12 API # 30-015-37556

TO: Mr. Will Jones,

Dear Mr. Jones,

2006 MAR 31 PM 1 03

Marathon is seeking a downhole commingle permit for the newly drilled Walter Lynch No. 12 well. Marathon is proposing to add both pools at once to this well in order to be able to set up for a large frac for both pools. There is little if any history available for the upper pool. This pool will be perforated as a wildcat in the Queen sand with 20 perforations in a 10 foot stringer just above the top of the Grayburg.

The Penrose Skelly Grayburg has been actively produced in a few wells in the area surrounding Section 1 where the Lynch lease is located, however only one well has been produced in the Section 1. This well is Chevron's Alice Paddock No. 2. I am including production reports for this well and the other eleven active wells that are located in sections surrounding Section 1. These reports were taken from Dwigths PI for the Grayburg completions. The reports show that none of the well are capable of making near top allowable of 80 barrels or 400 mcf in the Grayburg pool.

Since Marathon does not have conclusive production data for the two pools, but do not feel that either pool will be capable of making above allowable, we are requesting that we be allowed to base our allocations on the percentages of open perforations in each pool for oil, gas and water allocations. I am including a schedule with this letter of the intervals and perforations.

The ownership in the two pools is identical on the Walter Lynch lease, and a letter certifying this condition is being submitted with this application.

The oil gravity entered on the application for the Grayburg completion was taken from a sample from a Grayburg well Marathon's Mark Owen lease which is offset one section from Section 1.

Sincerely,

A handwritten signature in cursive script that reads 'Charles E. Kendrix'.

Charles E. Kendrix
Engineering Technician
Marathon Oil Company

Walter Lynch No. 12
Allocation Detail
Determined by Percentage of Perforations

Formation	Interval	Feet	Number of holes
Queen	3674' to 3684'	<u>10</u>	<u>20</u>
	Total Queen	10	20
Grayburg	3698' to 3702'	4	8
	3720' to 3722'	2	4
	3818' to 3822'	4	8
	3828' to 3832'	4	8
	3838' to 3848'	10	20
	3870' to 3884'	14	28
	3893' to 3902'	<u>9</u>	<u>18</u>
	Total Grayburg	47	94
Total Holes			114

Queen Percentage of production = $20 / 114 = 17.5\%$

Grayburg Percentage of production = $94 / 114 = 82.5\%$

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-102
Revised June 10, 2003

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-37556	² Pool Code 50350	³ Pool Name Penrose Skelly Grayburg
⁴ Property Code 006424	⁵ Property Name Walter Lynch	⁶ Well Number 12
⁷ OGRID No. 14021	⁸ Operator Name Marathon Oil Company	⁹ Elevation 3353'

¹⁰ Surface Location

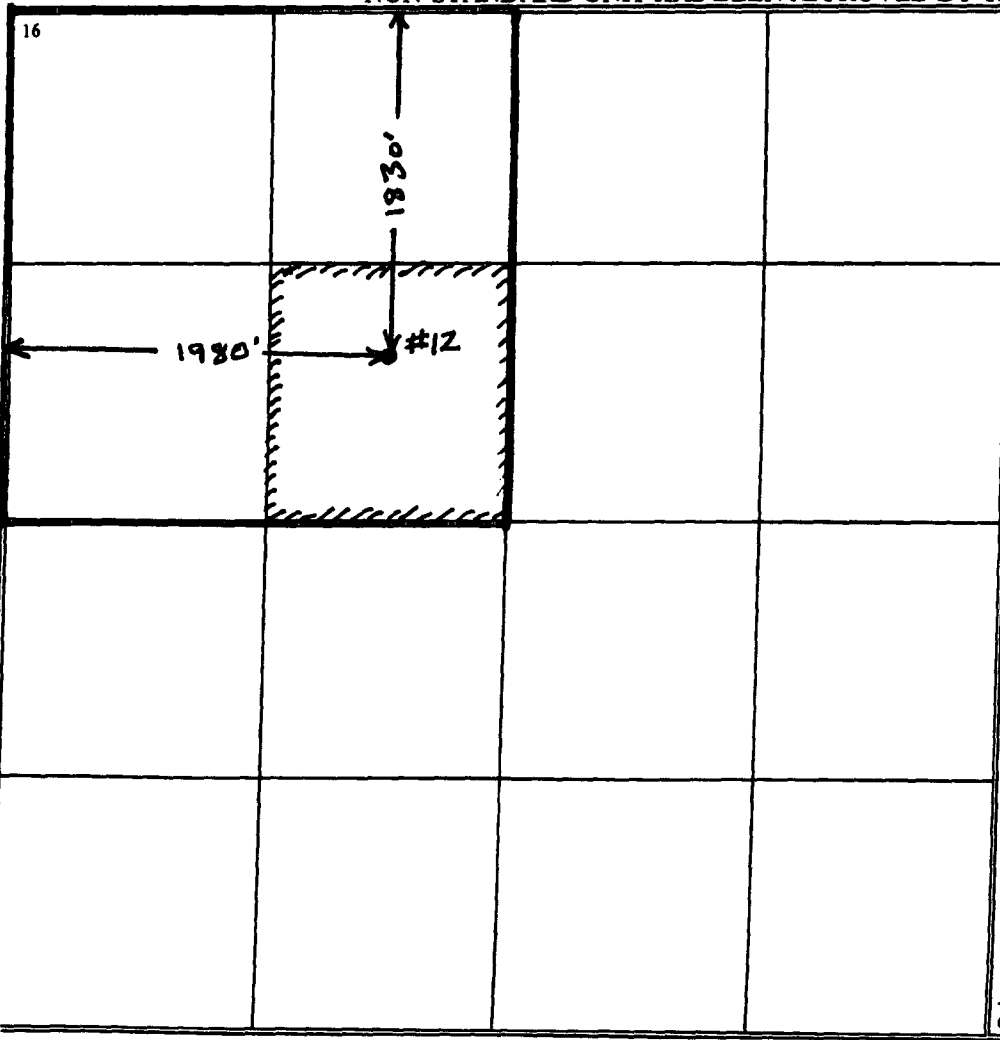
UL or lot no. F	Section 1	Township 22S	Range 37E	Lot. Idn	Feet from the 1830'	North/South line North	Feet from the 1980'	East/West line West	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 40	¹³ Joint or Infill N	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Charles E. Kendrix</i> Signature Charles E. Kendrix Printed Name Regulatory Compliance Rep cekendrix@marathonoil.com Title and E-mail Address 03/24/2006 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyor: Certificate Number</p>

District I
1625 N. French Dr., Hobbs, NM 88240

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1301 W. Grand Avenue, Artesia, NM 88210

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1000 Rio Brazos Rd., Aztec, NM 87410

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State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-37556	² Pool Code 22800	³ Pool Name Wildcat Queen
⁴ Property Code 006424	⁵ Property Name Walter Lynch	⁶ Well Number 12
⁷ OGRID No. 14021	⁸ Operator Name Marathon Oil Company	⁹ Elevation 3353'

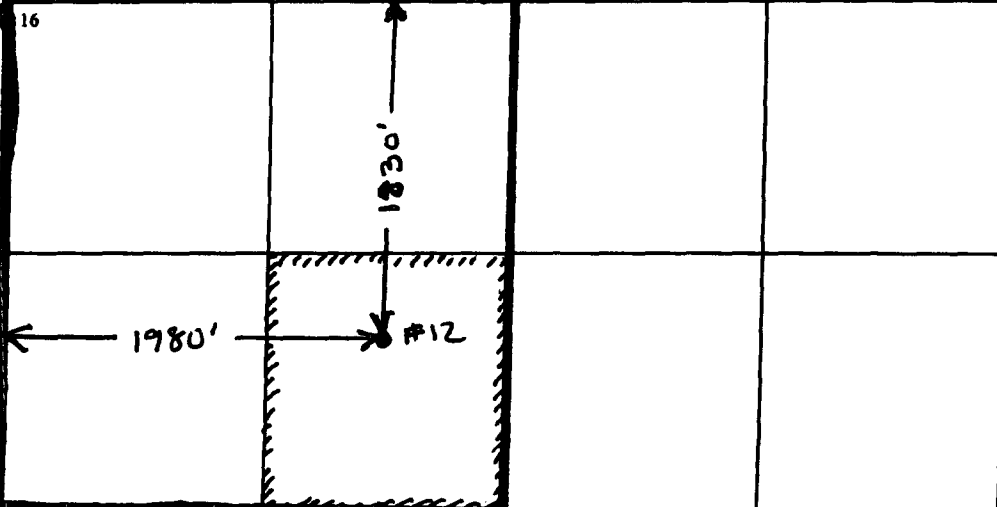
¹⁰ Surface Location

UL or lot no. F	Section 1	Township 22S	Range 37E	Lot. Idn	Feet from the 1830'	North/South line North	Feet from the 1980'	East/West line West	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 40	¹³ Joint or Infill No	¹⁴ Consolidation Code	¹⁵ Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A
NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>Charles E. Kendrick</u> Signature Charles E. Kendrick Printed Name Regulatory Compliance Rep cekendrix@marathonoil.com Title and E-mail Address 03/24/2006 Date
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey Signature and Seal of Professional Surveyer: Certificate Number



Southern U.S. Business Unit
Domestic Production
P.O. Box 3487
Houston, Texas 77253-3487
Telephone 713-296-2084
Facsimile 713-499-6751

March 27, 2006

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: MOC LSE 004007
Walter Lynch Lease
NW/4 of Section 1
T-22-S, R-37-E,
Lea County, New Mexico

To Whom It May Concern:

The purpose of this letter is to inform you of the ownership of different subsurface producing formations within the referenced lands so that we may surface commingle. The ownership of the Queen and Grayburg formations are identical.

Should you require any additional information concerning the ownership of this lease, please call me at (713) 296-2084.

Sincerely,

A handwritten signature in cursive script that reads 'Wyn M. Emerson'.

Wyn M. Emerson
Landman

Offset Penrose Skelly Grayburg Wells

Unit Letter	Section	Township	Range	API	Well Name	Operator	Average Daily Oil	Average Daily Gas
J	1	22S	37E	30-025-09939	Alice Paddock #2	Chevron USA	1.0 bbl	2 mcf
C	11	22S	37E	30-025-10196	Lou Worthan # 1	Chesapeake Operating Inc.	1.5 bbl	59 mcf
E	11	22S	37E	30-025-101200	Lou Worthan # 2	Chesapeake Operating Inc.	1.7 bbl	57 mcf
D	11	22S	37E	30-025-10197	Lou Worthan # 3	Chesapeake Operating Inc.	1.5 bbl	45 mcf
F	11	22S	37E	30-025-10198	Lou Worthan # 4	Chesapeake Operating Inc.	1.5 bbl	43 mcf
F	11	22S	37E	30-025-28617	Lou Worthan # 19	Chesapeake Operating Inc.	2.6 bbl	51 mcf
G	11	22S	37E	30-025-22135	Lou Worthan B # 2	Chesapeake Operating Inc.	.6 bbl	35 mcf
L	11	22S	37E	30-025-10226	Thomas Long # 1	Bruton, Ralph C.	2.0 bbl	7 mcf
K	11	22S	37E	30-025-20147	Thomas Long # 6	John H. Hendrix Corp	108 bbl	48 mcf
L	35	21S	37E	30-025-29468	Mark Owen # 7	Marathon Oil Company	6.8 bbl	28 mcf
L	2	22S	37E	30-025-37335	New Mexico S State # 43	Apache Corp	40.7 bbl	99 mcf
J	2	22S	37E	30-025-37324	New Mexico S State # 44	Apache Corp	9.9 bbl	32 mcf

Abbreviated Production Report

LEA County, NM

ALICE PADDOCK

Oper: CHEVRON U S A INC (006385)

Status: ACT

Prod ID: 1300210250993950350

Production Thru Date: NOV 2005

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ALICE PADDOCK

Operator:	CHEVRON U S A INC	Completion Date:	MAY 03, 2005
State:	NM	First Production Date:	MAY 2005
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	213
Regulatory:		Cum Gas:	2,454
API:	30025099390000		
Field:	PENROSE-SKELLY	Total Depth:	
Reservoir:	GRAYBURG	Upper Perforation:	
Basin Code:	430	LowerPerforation:	
Gas Gatherer:		Gas Gravity:	
Liquid Gatherer:		Temperature Gradient:	
Status:	ACT	N Factor:	
Location:	1J 22S 37E	GOR:	
Liquid Gravity:		Primary Product:	CRUDE OIL
Beginning Liq Cum:	0		
Beginning Gas Cum:	0		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

=====

FIRST MONTH PROD OCCURS: MAY 2005

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS	1			1		1
GAS PRODUCTION	165	2454	2454	54	2454	2454
OIL PRODUCTION	3	213	213	30	213	213

avg 1 bbl. oil /day
2 mcf gas /day

Abbreviated Production Report

LEA County, NM

LOU WORTHAM

Oper: CHESAPEAKE OPERG INC (006365)

Status: ACT

Prod ID: 1300210251019650350

Production Thru Date: NOV 2005

=====

LOU WORTHAM

Operator:	CHESAPEAKE OPERG INC	Completion Date:	
State:	NM	First Production Date:	MAR 1961
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	192,980
Regulatory:		Cum Gas:	1,238,483
API:	30025101960001	Total Depth:	3,726
Field:	PENROSE-SKELLY	Upper Perforation:	3,600
Reservoir:	GRAYBURG	LowerPerforation:	3,700
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	11D 22S 37E	Primary Product:	CRUDE OIL
Liquid Gravity:	37		
Beginning Liq Cum:	122,705		
Beginning Gas Cum:	216,803		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

=====

FIRST MONTH PROD OCCURS: MAR 1961

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1768	20100	20139
OIL PRODUCTION				46	493	493

Avg. 1.5 bbl/day oil

59 mcf/day gas

Abbreviated Production Report

LEA County, NM

LOU WORTHAM

Oper: CHESAPEAKE OPERG INC (006365)

Status: ACT

Prod ID: 1300210251020050350

Production Thru Date: NOV 2005

LOU WORTHAM

Operator:	CHESAPEAKE OPERG INC	Completion Date:	
State:	NM	First Production Date:	
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	200,699
Regulatory:		Cum Gas:	1,634,879
API:	30025102000000	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	11E 22S 37E	Primary Product:	CRUDE OIL
Liquid Gravity:		Water Depth:	
Beginning Liq Cum:	124,520		
Beginning Gas Cum:	364,341		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL		

FIRST MONTH PROD OCCURS:

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1721	20598	22929
OIL PRODUCTION				51	505	557

Avg. 1.7 bbls /day oil
57 mcf /day gas

Abbreviated Production Report

LEA County, NM

LOU WORTHAM

Oper: CHESAPEAKE OPERG INC (006365)

Status: ACT

Prod ID: 1300210251019750350

Production Thru Date: NOV 2005

LOU WORTHAM

Operator:	CHESAPEAKE OPERG INC	Completion Date:	
State:	NM	First Production Date:	
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	193,059
Regulatory:		Cum Gas:	1,559,243
API:	30025101970000	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	11C 22S 37E	Primary Product:	CRUDE OIL
Liquid Gravity:		Water Depth:	
Beginning Liq Cum:	92,028		
Beginning Gas Cum:	277,175		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL		

FIRST MONTH PROD OCCURS:

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1349	12255	13929
OIL PRODUCTION				46	580	606

Avg. 1.5 bbl / day oil

43 mcf / day oil

Abbreviated Production Report

LEA County, NM

LOU WORTHAM

Oper: CHESAPEAKE OPERG INC (006365)

Status: ACT

Prod ID: 1300210251019850350

Production Thru Date: NOV 2005

LOU WORTHAM 4

Operator: CHESAPEAKE OPERG INC
 State: NM
 County: LEA
 District: HOBBS
 Regulatory:
 API: 30025101980000
 Field: PENROSE-SKELLY
 Reservoir: GRAYBURG
 Basin Code: 430
 Gas Gatherer:
 Liquid Gatherer:
 Status: ACT
 Location: 11F 22S 37E
 Liquid Gravity: 32
 Beginning Liq Cum: 67,461
 Beginning Gas Cum: 237,874
 Well Count: 1
 Well Type: ACTIVE PRODUCING-GENERAL

Completion Date:
 First Production Date: DEC 1961
 Last ProductionDate: NOV 2005
 Cum Oil: 138,979
 Cum Gas: 1,458,327
 Total Depth: 3,820
 Upper Perforation: 3,627
 LowerPerforation: 3,721
 Gas Gravity:
 Temperature Gradient:
 N Factor:
 GOR:
 Primary Product: CRUDE OIL
 Water Depth:

FIRST MONTH PROD OCCURS: DEC 1961

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1299	16822	18555
OIL PRODUCTION				45	552	577

Aug. 1.5 bbl /day oil

43 mcf /day gas

Abbreviated Production Report

LEA County, NM

LOU WORTHAM

Oper: CHESAPEAKE OPERG INC (006365)

Status: ACT

Prod ID: 1300210252861750350

Production Thru Date: NOV 2005

LOU WORTHAM 19

Operator:	CHESAPEAKE OPERG INC	Completion Date:	FEB 04, 2004
State:	NM	First Production Date:	FEB 2004
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	1,552
Regulatory:		Cum Gas:	23,308
API:	30025286170001	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	11F 22S 37E	Primary Product:	CRUDE OIL
Liquid Gravity:		Water Depth:	
Beginning Liq Cum:	0		
Beginning Gas Cum:	0		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL		

FIRST MONTH PROD OCCURS: FEB 2004

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS	1	1	1	1		1
GAS PRODUCTION	942	10319	10925	1555	12989	14364
OIL PRODUCTION	188	993	1070	78	559	610

Avg. 2.6 bbl / day oil

51 mcf / day gas

Abbreviated Production Report

LEA County, NM
LOU WORTHAM B
Oper: CHESAPEAKE OPERG INC (006365)
Status: ACT
Prod ID: 1300210252213550350
Production Thru Date: NOV 2005

=====

LOU WORTHAM B 2

Operator:	CHESAPEAKE OPERG INC	Completion Date:	JUN 16, 1967
State:	NM	First Production Date:	
County	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	43,382
Regulatory:		Cum Gas:	642,349
API:	30025221350000		
Field:	PENROSE-SKELLY	Total Depth:	3,811
Reservoir:	GRAYBURG	Upper Perforation:	3,541
Basin Code:	430	LowerPerforation:	3,762
Gas Gatherer:		Gas Gravity:	
Liquid Gatherer:		Temperature Gradient:	
Status:	ACT	N Factor:	
Location:	11G 22S 37E	GOR:	
Liquid Gravity:	34.4	Primary Product:	CRUDE OIL
Beginning Liq Cum:	10,920		
Beginning Gas Cum:	46,765		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

=====

FIRST MONTH PROD OCCURS:
LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1052	11426	12640
OIL PRODUCTION				17	337	386

Avg. .6 bbl /day oil
35 mcf /day gas

Abbreviated Production Report

LEA County, NM
THOMAS LONG
Oper: BRUTON RALPH C (127889)
Status: ACT
Prod ID: 1300210251022650350
Production Thru Date: NOV 2005

=====

THOMAS LONG ¶

Operator:	BRUTON RALPH C	Completion Date:	
State:	NM	First Production Date:	
County	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	84,997
Regulatory:		Cum Gas:	400,172
API:	30025102260000	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	11L 22S 37E	Primary Product:	CRUDE OIL
Liquid Gravity:			
Beginning Liq Cum:	71,544		
Beginning Gas Cum:	161,098		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

=====

FIRST MONTH PROD OCCURS:
LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				215	4206	4348
OIL PRODUCTION				60	400	415

Aug. -2.0 bbl/day oil
7 mcf /day gas

Abbreviated Production Report

LEA County, NM

THOMAS LONG

Oper: HENDRIX JOHN H CORP (017494)

Status: ACT

Prod ID: 1300210252014750350

Production Thru Date: NOV 2005

THOMAS LONG 6

Operator:	HENDRIX JOHN H CORP	Completion Date:	OCT 28, 2005
State:	NM	First Production Date:	
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	68,445
Regulatory:		Cum Gas:	419,673
API:	30025201470000		
Field:	PENROSE-SKELLY	Total Depth:	3,850
Reservoir:	GRAYBURG	Upper Perforation:	3,646
Basin Code:	430	LowerPerforation:	3,758
Gas Gatherer:		Gas Gravity:	
Liquid Gatherer:		Temperature Gradient:	
Status:	ACT	N Factor:	
Location:	11K 22S 37E	GOR:	2240
Liquid Gravity:	38.5	Primary Product:	CRUDE OIL
Beginning Liq Cum:	34,976		
Beginning Gas Cum:	87,513		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

FIRST MONTH PROD OCCURS:

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS				1		1
GAS PRODUCTION				1441	1987	1987
OIL PRODUCTION				325	461	461

Avg 10.8 bbl/day oil
48 mcf/day gas

Abbreviated Production Report

LEA County, NM

MARK OWEN

Oper: MARATHON OIL COMPANY (021224)

Status: ACT

Prod ID: 1300210252946850350

Production Thru Date: NOV 2005

=====

MARK OWEN

Operator:	MARATHON OIL COMPANY	Completion Date:	SEP 17, 2004
State:	NM	First Production Date:	SEP 2004
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	5,329
Regulatory:		Cum Gas:	14,219
API:	30025294680002	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	35L 21S 37E NW SW	Primary Product:	CRUDE OIL
Liquid Gravity:		Water Depth:	
Beginning Liq Cum:	0		
Beginning Gas Cum:	0		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL		

=====

FIRST MONTH PROD OCCURS: SEP 2004

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS	1	1	1	1		1
GAS PRODUCTION	909	3902	11662	846	10317	11309
OIL PRODUCTION	569	2086	4831	204	3243	3542

Avg. oil 6.8 bbl/day 28 mcf gas/day

Abbreviated Production Report

LEA County, NM

NEW MEXICO S STATE

Oper: APACHE CORP (001305)

Status: ACT

Prod ID: 1300210253733550350

Production Thru Date: NOV 2005

NEW MEXICO S STATE

43

Operator:	APACHE CORP	Completion Date:	SEP 12, 2005
State:	NM	First Production Date:	NOV 2005
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	1,222
Regulatory:		Cum Gas:	2,991
API:	30025373350000	Total Depth:	
Field:	PENROSE-SKELLY	Upper Perforation:	
Reservoir:	GRAYBURG	LowerPerforation:	
Basin Code:	430	Gas Gravity:	
Gas Gatherer:		Temperature Gradient:	
Liquid Gatherer:		N Factor:	
Status:	ACT	GOR:	
Location:	2L 22S 37E NE NW SW	Primary Product:	CRUDE OIL
Liquid Gravity:		Water Depth:	
Beginning Liq Cum:	0		
Beginning Gas Cum:	0		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL		

FIRST MONTH PROD OCCURS:NOV 2005

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS	1			1		1
GAS PRODUCTION	2991	2991	2991	2991	2991	2991
OIL PRODUCTION	1222	1222	1222	1222	1222	1222

Avg. oil 40.7 bbl. per day

gas 99 mcf / day

Abbreviated Production Report

LEA County, NM

NEW MEXICO S STATE

Oper: APACHE CORP (001305)

Status: ACT

Prod ID: 1300210253732450350

Production Thru Date: NOV 2005

NEW MEXICO S STATE 44

Operator:	APACHE CORP	Completion Date:	SEP 21, 2005
State:	NM	First Production Date:	NOV 2005
County:	LEA	Last ProductionDate:	NOV 2005
District:	HOBBS	Cum Oil:	297
Regulatory:		Cum Gas:	973
API:	30025373240000		
Field:	PENROSE-SKELLY	Total Depth:	
Reservoir:	GRAYBURG	Upper Perforation:	
Basin Code:	430	LowerPerforation:	
Gas Gatherer:		Gas Gravity:	
Liquid Gatherer:		Temperature Gradient:	
Status:	ACT	N Factor:	
Location:	2J 22S 37E NW NW SE	GOR:	
Liquid Gravity:		Primary Product:	CRUDE OIL
Beginning Liq Cum:	0		
Beginning Gas Cum:	0		
Well Count:	1		
Well Type:	ACTIVE PRODUCING-GENERAL	Water Depth:	

FIRST MONTH PROD OCCURS: NOV 2005

LAST MONTH PROD OCCURS: NOV 2005

	FIRST MONTH	FIRST YEAR	FIRST 12 MON	LAST MONTH	LAST YEAR	LAST 12 MON
NUMBER OF WELLS	1			1		1
GAS PRODUCTION	973	973	973	973	973	973
OIL PRODUCTION	297	297	297	297	297	297

Avg. 9.9 oil/day

32 mcf/day

[illegible]

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

John H. Hendrix Corp.
P.O. Box 3040
Midland, Texas 79702-3040

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 4150 2698

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron USA Inc.
P.O. Box 4791
Houston, Texas 77210-4791

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly)

B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 4150 2704

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

March 28, 2006

Chevron USA Inc
P.O. Box 4791
Houston, Texas 77210-4791

RE: Downhole Commingle Walter Lynch No. 12
In Queen / Penrose Skelly Grayburg
Marathon Oil Company, Walter Lynch Lease
Section 1, T-22-S, R-37-E
Lea County, New Mexico

To Whom It May Concern:

Marathon Oil Company has applied to the New Mexico Oil Conservation Division for a permit to allow downhole commingling of the Queen & Penrose Skelly Grayburg pools in our Walter Lynch No. 12 well located in UL "F" of Section 1, Township-22-South, Range-37- East. You are being notified in accordance with New Mexico Oil Conservation rules requiring notification to operators with wells that offset the proposed downhole commingled well.

Any objections to this permit must be addressed in writing to the New Mexico Oil Conservation Division in Santa Fe and must be received by the NMOCD within 20 days of your receipt of this notice. The NMOCD mailing address is:

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

In the event you need to contact the NMOCD in Santa Fe by phone, the number is 505-476-3440.

If you should need any further information from Marathon Oil Company on this issue please contact me by phone at 713-296-2096 or through email at cekendrix@marathonoil.com.

Sincerely,

Charles E. Kendrix
Charles E. Kendrix
Engineering Technician
Marathon Oil Company



Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

March 28, 2006

John H. Hendrix Corporation
P.O. Box 3040
Midland, Texas 79702-3040

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Sincerely,

Charles E. Kendrix

Charles E. Kendrix
Engineering Technician
Marathon Oil Company