

DATE IN 3/24/06	SUSPENSE 4/13/06	ENGINEER DAVID CATANACH	LOGGED IN 3/27/06	TYPE PLC	APP NO. PTDS 0608630940
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

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



274

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 _____

2006 MAR 24 PM 12 02

[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.

Dan Hanchera
 Print or Type Name

[Signature]
 Signature

Permian Asset Team Leader 3/20/06
 Title Date

DR Hanchera @marathonoil.com
 e-mail Address

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 87240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
May 27, 2004

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

WELL API NO. Multiple (see attachment)
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. Multiple (see attachment)
7. Lease Name or Unit Agreement Name: Multiple (see attachment)
8. Well Number Multiple (see attachment)
9. OGRID Number 14021
10. Pool name or Wildcat Multiple (see attachment)

Pit or Below-grade Tank Application ☐ or Closure ☐
Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other _____	2. Name of Operator Marathon Oil Company
3. Address of Operator P.O. Box 3487 Houston, TX 77253-3487	4. Well Location Unit Letter _____: _____ feet from the _____ line and _____ feet from the _____ line Section _____ Township 22-S Range 36-E NMPM County Lea
11. Elevation (Show whether DR, RKB, RT, GR, etc.) _____	

12. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPLETION ☐

OTHER: Surface Commingle ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDONMENT ☐
CASING TEST AND CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Marathon Oil Company is requesting that we be permitted to surface commingle production from multiple pools and leases underlying Sections 15 & 16 in Township 22 South, Range 36 East in the McDonald State A/C 1 Central battery. This battery is currently dedicated to production from the Eunice Seven Rivers Queen, South pool. The ownership in the pools and leases to be added to this battery are identical with Marathon holding a net revenue interest of 87.5% and the State of New Mexico holding the remaining 12.5% interest. Please see attachments for details of the proposed surface commingling plan.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐ , a general permit ☐ or an (attached) alternative OCD-approved plan ☐

SIGNATURE Charles E. Kendrix TITLE Engineering Technician DATE 03/16/2006

Type or print name Charles E. Kendrix

E-mail address: cekendrix@marathonoil.com

Telephone No. 713-296-2096

For State Use Only

APPROVED BY _____ TITLE _____ DATE _____

Conditions of Approval, if any:



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 20, 2006

New Mexico Oil Conservation Division
Attn: Mr. Will Jones
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Surface Commingle Oil and Gas Production at McDonald State A/C 1 Central Battery

Dear Mr. Jones,

This application is for a permit to surface commingle multiple leases and pools underlying Marathon Oil Company properties in Section 15 and 16, Township 22 South, Range 36 East. I have attached with this letter a list of the leases, pools, and wells to be involved in the commingling of production at the McDonald State A/C 1 battery.

Marathon Oil Company and the State of New Mexico are the only interest owners in the wells/ leases to be commingled. Ownership percentages in all leases are identical. Please see the attached letter from Marathon's landman for this area.

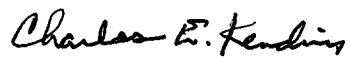
The McDonald State AC 1 battery is currently being operated as a sour battery with oil from the battery being sold under contract as sour crude. The pools that Marathon intends to add to the battery are also sour oil pools, therefore no reduction of value will be incurred on the original production or on the new oil and gas production from these pools or leases.

All wells on the attached list are dedicated to a 40 acre spacing unit with no two wells dedicated to the same 40 acres in the same pool. None of the wells that are currently producing are capable of making the top unit allowable. The last two wells on the attached list have not been drilled as of this time. It is not anticipated that they will be capable of making greater than their allowable, but if this situation should occur Marathon would put the wells on a production separator that would allow them to be tracked individually for allowable rates, until such time as the production had dropped below allowable.

A copy of this notice is being sent to Mr. Chris Williams at the New Mexico OCD District I office in Hobbs, and a similar letter of request is being sent to Mr. Pete Martinez with the New Mexico State Lands Office in Santa Fe.

If you have any questions in regard to this application, please contact me at ph. 713-296-2096 or through email at cekendrix@marathonoil.com.

Thank You,

A handwritten signature in black ink that reads "Charles E. Kendrix". The script is cursive and fluid.

Charles E. Kendrix
Engineering Technician
Marathon Oil Company

State Property Code	API Number	Well Name	Reservoir Number	Reservoir Name	Unit Letter	Section	Distance to Lease Lines	Avg Daily Oil in Bbls t/ Last 60	Avg Daily Gas in MCF t/ Last 60
								Days	Days
6433	30-025-08923	MCDONALD STATE A/C 1 NO. 3	24130	Eunice Seven Rivers Queen, South	J	16	1980 FSL & 1980 FEL	1.62	28
6433	30-025-08924	MCDONALD STATE A/C 1 NO. 4	24130	Eunice Seven Rivers Queen, South	P	16	660 FSL & 660 FEL	5.57	6
6433	30-025-08927	MCDONALD STATE A/C 1 NO. 7	24130	Eunice Seven Rivers Queen, South	O	16	660 FSL & 1980 FEL	4.05	7
6433	30-025-08928	MCDONALD STATE A/C 1 NO. 8	24130	Eunice Seven Rivers Queen, South	M	16	660 FSL & 660 FWL	1.01	23
6433	30-025-08929	MCDONALD STATE A/C 1 NO. 9	24130	Eunice Seven Rivers Queen, South	L	16	1980 FSL & 660 FWL	4.25	20
6433	30-025-08930	MCDONALD STATE A/C 1 NO. 10	24130	Eunice Seven Rivers Queen, South	K	16	1980 FSL & 1980 FWL	13.33	19
6433	30-025-25475	MCDONALD STATE A/C 1 NO. 29	24130	Eunice Seven Rivers Queen, South	I	16	1980 FSL & 660 FEL	6.78	4
6433	30-025-31141	MCDONALD STATE A/C 1 NO. 38	24130	Eunice Seven Rivers Queen, South	F	16	1980 FNL & 2074 FWL	4.65	14
6433	30-025-31142	MCDONALD STATE A/C 1 NO. 39	24130	Eunice Seven Rivers Queen, South	G	16	1980 FNL & 1980 FEL	3.85	5
6433	30-025-31144	MCDONALD STATE A/C 1 NO. 45	24130	Eunice Seven Rivers Queen, South	A	16	660' FNL & 560' FEL	4.76	5
6433	30-025-31184	MCDONALD STATE A/C 1 NO. 46	24130	Eunice Seven Rivers Queen, South	H	16	1980 FNL & 760 FEL	2.73	8
6433	30-025-31185	MCDONALD STATE A/C 1 NO. 47	24130	Eunice Seven Rivers Queen, South	N	16	900' FSL & 1920' FWL	0.2	15
6435	30-025-08915	MCDONALD STATE A/C 1-A-NO. 1	24130	Eunice Seven Rivers Queen, South	M	15	660 FSL & 990 FWL	7.08	3
6435	30-025-08917	MCDONALD STATE A/C 1-A-NO. 3	24130	Eunice Seven Rivers Queen, South	E	15	1980 FNL & 660 FWL	4.15	2
6435	30-025-08918	MCDONALD STATE A/C 1-A-NO. 4	24130	Eunice Seven Rivers Queen, South	D	15	660 FNL & 660 FWL	2.02	5
6430	30-025-08921	MAXWELL STATE NO. 1	24130	Eunice Seven Rivers Queen, South	C	16	660 FNL & 1980 FWL	0.7	4
Not yet Assigned	30-025-31268	MCDONALD STATE A/C 1 - 16 NO.1		Grayburg Wildcat	G	16	2480' FSL & 1660' FEL	3.63	16
Not yet Assigned	30-025-37754	MCDONALD STATE A/C 1 - 15 NO.1		Paddock Wildcat	F	15	1650' FNL & 1650' FWL	Pre-Drilling	Pre-Drilling
Not yet Assigned	30-025-37755	MCDONALD STATE A/C 1 - 15 NO.5		Paddock Wildcat	N	15	990' FSL & 2310' FWL	Pre-Drilling	Pre-Drilling

Marathon Oil Company

Exception Request to Rule 303

Surface Commingle Leases & Pools

19.15.5.303.B(3)b

(i) List of Leases

State Property No.	Name	State Lease Number
006433	McDonald State A/C 1	A-02614
006435	McDonald State A/C 1 A	A-02614
006430	Maxwell State	B-01103
To be determined	McDonald State A/C 1 – 16	A-02614
To be determined	McDonald State A/C 1 – 15	A-02614

The first two properties on this list represent wells that are producing from the Eunice Seven Rivers Queen South pool in sections 16 & 15. The last two properties in this list will represent wells completed in Sections 16 & 15 that are completed to non-water flood intervals. These wells will be completed in the non-unit formations of the Paddock, San Andres, and Grayburg wildcat pools.

List of Pools

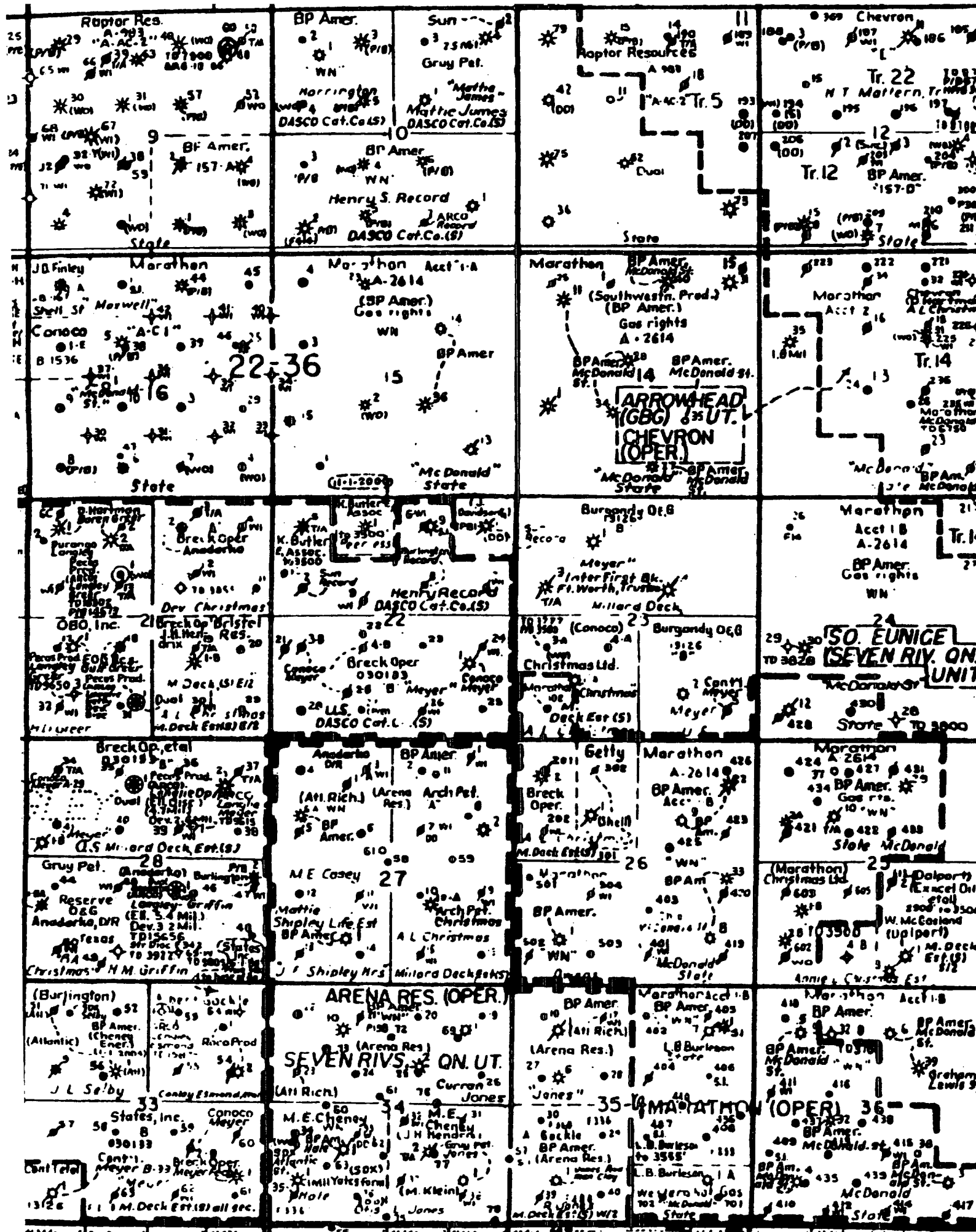
Pool Number	Pool Name
24130	Eunice Seven Rivers Queen, South
Undesignated	Grayburg, Wildcat
Undesignated	San Andres Wildcat
Undesignated	Paddock Wildcat

(ii) Allocation Method

Oil and gas from these wells will be allocated based on well tests with the following formula used to determine the individual well's share in total production of both oil and gas.

$$\frac{(\text{Well Test} \times \text{Volume Days Produced})}{\text{Total of all (Well Test Volumes} \times \text{Days Produced)}} \times \text{Total Volume of Oil or Gas Produced}$$

In the event that a well is completed that is capable of making more than top allowable for the formation in which it is completed. That well will be allocated production based on actual metered volumes.





P.O. Box 3487
Houston, TX 77253-3487
5555 San Felipe Street
Houston, TX 77056-2799
Telephone 713/629-6600

March 20, 2006

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

RE: State of New Mexico Lease Nos. A-2614 & B-1103
MOC Lease Nos.: 3998 & 3976
Section 15 & E/2, SW/4 and E/2 NW/4 Section 16
All in T-22-S, R-36-E
Lea County, New Mexico

Gentlemen:

The purpose of this letter is to inform you of the ownership from different subsurface producing formations within the referenced lands so that Marathon can surface commingle. The ownership of oil and casinghead gas for the referenced lands is identical as to all depths with Marathon owning 100% of the working interest and 87.5% of the net revenue interest and the State of New Mexico owning the remaining 12.5% of the net revenue interest.

Should you require any additional information regarding the referenced leases do not hesitate to contact me at 713.296.3408.

Best regards,

A handwritten signature in cursive script that reads 'Matthew D. Brown'.

Matthew D. Brown
Land Professional

		6			5			4			3			2			1
		7			8			9			10			11			12
		18			17		↙	16		↘	15			14			13
							↘	↗		↙							
							↙	↘		↙							
							↘	↙		↘							
		19			20			21			22			23			24
		30			29			28			27			26			25
		31			32			33			34			35			36

Township _____ Range _____

Catanach, David, EMNRD

From: Kendrix, Charles E. [cekendrix@marathonoil.com]
Sent: Monday, April 17, 2006 11:38 AM
To: Catanach, David, EMNRD
Subject: RE: Application

David,

The McDonald State A/C 1 battery is located in UL"G", Section 16, T-22-S, R-36-E. It is just across the quarter section line north of the McDonald State A/C 1 -16 No. 1 well (old water source well) API # 30-025-31268.

Thanks,
Charles

From: Catanach, David, EMNRD [mailto:david.catanach@state.nm.us]
Sent: Monday, April 17, 2006 11:09 AM
To: Kendrix, Charles E.
Subject: Application

Charles,

I'm working on this application to commingle production on the McDonald State Leases. Could you please tell me where the central tank battery is located. UL, Section, Township & Range.

Thanks,

David Catanach
Engineer

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4/17/2006