

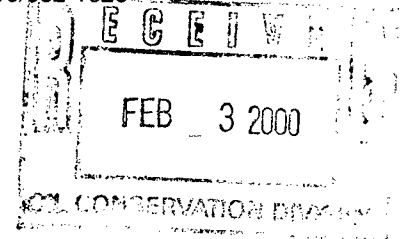
DHC 2/23/00  
2646

Mid-Continent Region  
Production United States



**Marathon  
Oil Company**

P.O. Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626



February 1, 2000

Mr. David Catanach  
Oil Conservation Department  
Energy and Minerals Department  
P.O. Box 2088  
Santa Fe, New Mexico 87501

RE:                   **Request for Exception to Rule 303-A  
Downhole Commingling  
Ohio 'C' Government No. 5  
1450' FNL & 950' FEL  
Unit Letter "H", Section 26, Township 28-N, Range 11-W  
Kutz Fruitland Sand and Fulcher Kutz Pictured Cliffs  
Kutz Canyon Field  
San Juan County, New Mexico**

Dear Mr. Catanach:

Marathon Oil Company requests administrative approval for an exception to Rule 303-A to permit the downhole commingling of production in the above subject well from the Kutz Fruitland Sand and Fulcher Kutz Pictured Cliffs pools in San Juan County, New Mexico. Marathon also requests a 30 day exception to Rule 303-A to permit the downhole commingling of production while awaiting for approval of this application. If this application is not approved, then the well will remain as a dual producer from the two pools.

Both pools represent marginal production. The well was drilled and dually completed in the Kutz Fruitland Sand and the Fulcher Kutz Pictured Cliffs in January, 1978. In December 1998, the Pictured Cliffs perforations were acidized and the well was returned to production from the two zones. Plans are to downhole commingle the two pools. By downhole commingling the production from these two zones, production will be realized that could not economically justify the cost of equipment to separate the zones. Rod pumping equipment will be utilized to keep the PBHP as low as possible. Producing the well in this manner will allow complete development of the productive capacity of the well, prevent crossflow and extend the economic life of both completions, thereby preventing waste.

Enclosed is pertinent data to support this application as outlined in Rule 303-A. If additional information is necessary, please contact me at (915) 687-8268.

Sincerely,

A handwritten signature in cursive script that reads 'Tim L. Chase'.

Tim L. Chase  
Advanced Engineer Technician

**REQUEST FOR EXCEPTION TO RULE 303-A**  
**Ohio 'C' Government No. 5, Kutz Canyon Field**

**A: Operator**

Marathon Oil Company  
P.O. Box 552, Midland, Texas 79702-0552

**B: Lease Name and Well Number**

Ohio Government 'C' No. 5  
1450' FNL & 950' FEL, Unit Letter "H", Section 26, Township 28-N, Range 11-W  
Kutz Canyon Field, San Juan County, New Mexico  
Kutz Fruitland Sand, Fulcher Kutz Pictured Cliffs

**C: Plats and Offset Operators**

Plat attached. Offset operator list not attached since offset operators no longer need to be notified.

**D: C-116's**

None available. PI reports attached.

**E: Production Decline Curves**

Attached

**F: Estimated Current Bottomhole Pressures (PSI)**

Kutz Fruitland Sand = 300; Fulcher Kutz Pictured Cliffs = 325

**G: Product Characteristics**

Previous commingling of these zones by Marathon and other operators in this area have shown that the produced fluids are compatible and commingling will not cause formation damage.

**H: Value**

Marathon receives the same price for product from these zones, so value won't be adversely affected.

**I: Production Allocation**

<u>POOL</u>	<u>BOPD</u>	<u>MCFPD</u>	<u>BWPD</u>	<u>Estimation Methods</u>
Kutz Fruitland Sand	0	12	0	Current Production
Fulcher Kutz PC	0	15	0	Current Production
Total	0	27	0	

<u>Allocated %</u>	<u>Oil %</u>	<u>Gas %</u>	<u>Water %</u>
Kutz Fruitland Sand	0.00	44.44	0.00
Fulcher Kutz Pictured Cliffs	0.00	55.56	0.00
Total	0.00	100.00	0.00

*Actual allocation will be determined from post-workover rates.*

**J: Ownership**

Ownership of all zones is common and correlative rights will not be compromised.

**K: Offset Operator Notification**

Offset operators are not provided with a copy of this application since they no longer need to be.



Jan-31-2000

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Petroleum Information\Dwights Production Data on CD-ROM

1 of 2

Northwest New Mexico - August, 1999

Full Entity Monthly Production Report - Super Base

=====

Entity	: OHIO C GOVT (006448)	Product:	GAS
Field	: FULCHER KUTZ (22300)	Start	: 197805
Reservoir:	PICTURED CLIFFS (631)	Stop	: 199908
Operator	: MARATHON OIL COMPANY (21224)	Status	: ACTIVE
Location	: S26 T28N R11W H SAN JUAN	Dist	: AZTEC
Basin	: SAN JUAN (580)	Well#	: 5
Zone	: PICTURED CLIFFS (604PCCF)	Lat	: 36.63641
API	: 30045227050000	Lng	: 107.96688

## Well Information

=====

API	Well Number	Total Depth	Upper Perf	Lower Perf	BHP	Well Type	Dev. Shale	Tight HRZ	Sand
30045227050000	5	1757	1650	1668		PRORATED	NO	NO	NO

## Test Information

=====

Well Nbr	Test Date	Upper Perf	Lower Perf	Gas MCFD	Liq BPD	Wtr BPD	GOR	Pressures SITP	FTP	Liq Grav	Gas Grav	- Mt
5	19780124	1650	1668	690	0.0				47	0.0	0.000	IP
5	19800506	1650	1668	129	0.0			186	149	0.0	0.000	
5	19810519	1650	1668	117	0.0			198	178	0.0	0.000	
5	19831121	1650	1668	176	0.0			180	156	0.0	0.000	

## Monthly Production

=====

Year	Gas (MCF)	Liq (BBLs)	Wtr (BBLs)	Gas Trans	Liq Trans	Active Wells	Days On
1999 CUM	810992		1004				
1999 JAN	890			EPG		1	31
1999 FEB	1217			EPG		1	28
1999 MAR	876			EPG		1	31
1999 APR	576			EPG		1	30
1999 MAY	595			EPG		1	31
1999 JUN	912			EPG		1	30
1999 JUL	670			EPG		1	31
1999 AUG	363			EPG		1	31
1999 SEP							
1999 OCT							
1999 NOV							
1999 DEC							
1999 ANN	6099	0	0				

Jan-31-2000

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Petroleum Information\Dwights Production Data on CD-ROM

2 of 2

Northwest New Mexico - August, 1999

Full Entity Monthly Production Report - Super Base

=====

Entity	: OHIO C GOVT (006448)	Product:	GAS
Field	: KUTZ (30700)	Start	: 197806
Reservoir:	FRUITLAND (610)	Stop	: 199908
Operator	: MARATHON OIL COMPANY (21224)	Status	: ACTIVE
Location	: S26 T28N R11W H SAN JUAN	Dist	: AZTEC
Basin	: SAN JUAN (580)	Well#	: 5
Zone	: FRUITLAND (604FRLD)	Lat	: 36.63641
API	: 30045227050000	Lng	: 107.96688

## Well Information

=====

API	Well Number	Total Depth	Upper Perf	Lower Perf	BHP	Well Type	Dev. Shale	Tight HRZ	Sand
30045227050000	5	1757	1424	1434		PRORATED	NO	NO	NO

## Test Information

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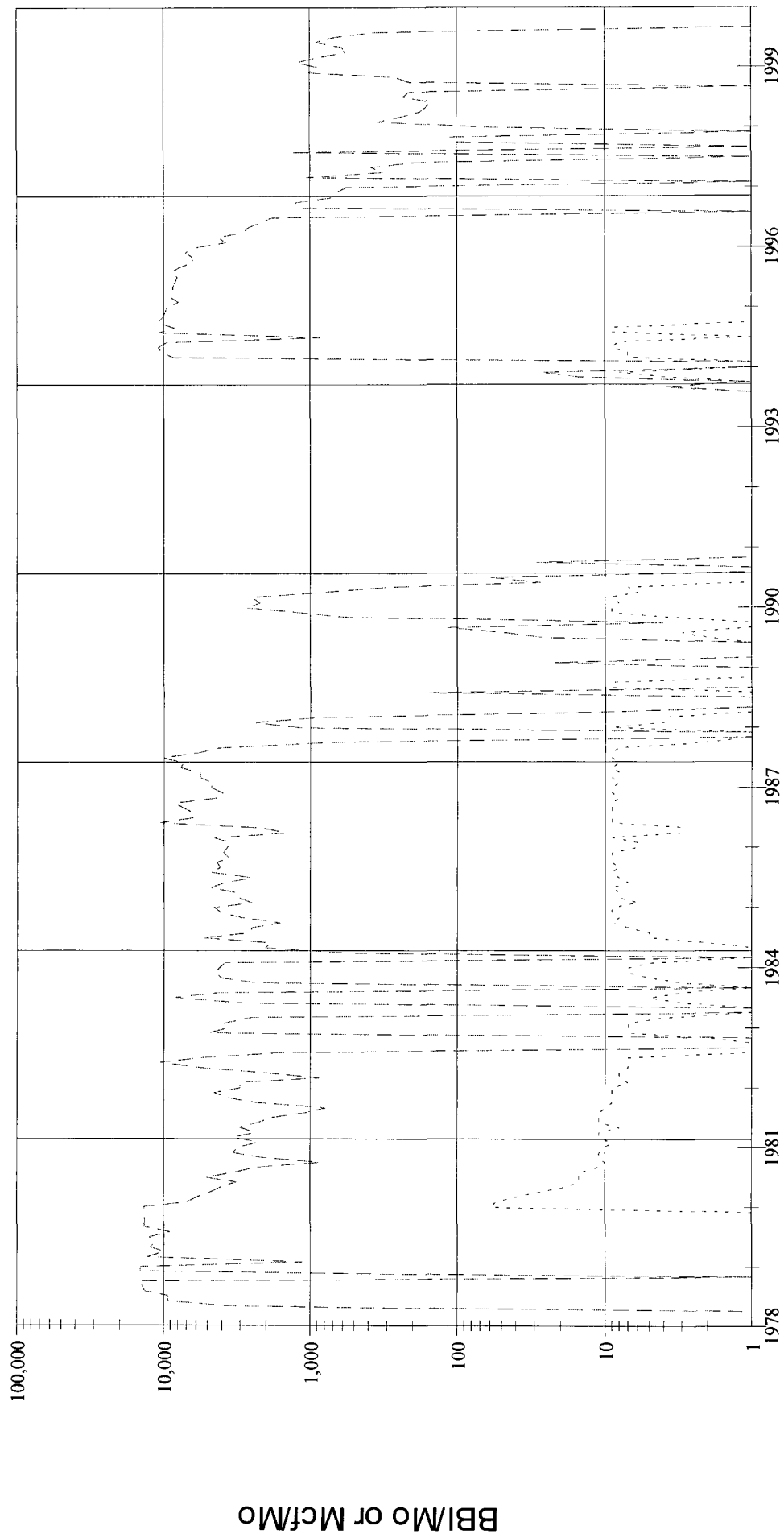
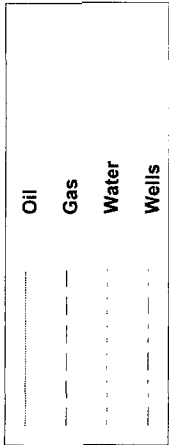
Well Nbr	Test Date	Upper Perf	Lower Perf	Gas MCFD	Liq BPD	Wtr BPD	GOR	Pressures SITP	FTP	Liq Grav	Gas Grav	- Mt
5	19780124	1424	1434	1134	0.0					0.0	0.000	IP
5	19800506	1424	1434	35	0.0			218	148	0.0	0.000	

## Monthly Production

=====

Year	Gas (MCF)	Liq (BBLs)	Wtr (BBLs)	Gas Trans	Liq Trans	Active Wells	Days On
1999 CUM	164991			7			
1999 JAN	475			EPG		1	31
1999 FEB	320			EPG		1	28
1999 MAR	466			EPG		1	31
1999 APR	380			EPG		1	30
1999 MAY	473			EPG		1	31
1999 JUN	348			EPG		1	30
1999 JUL	295			EPG		1	31
1999 AUG	474			EPG		1	31
1999 SEP							
1999 OCT							
1999 NOV							
1999 DEC							
1999 ANN	3231	0	0				

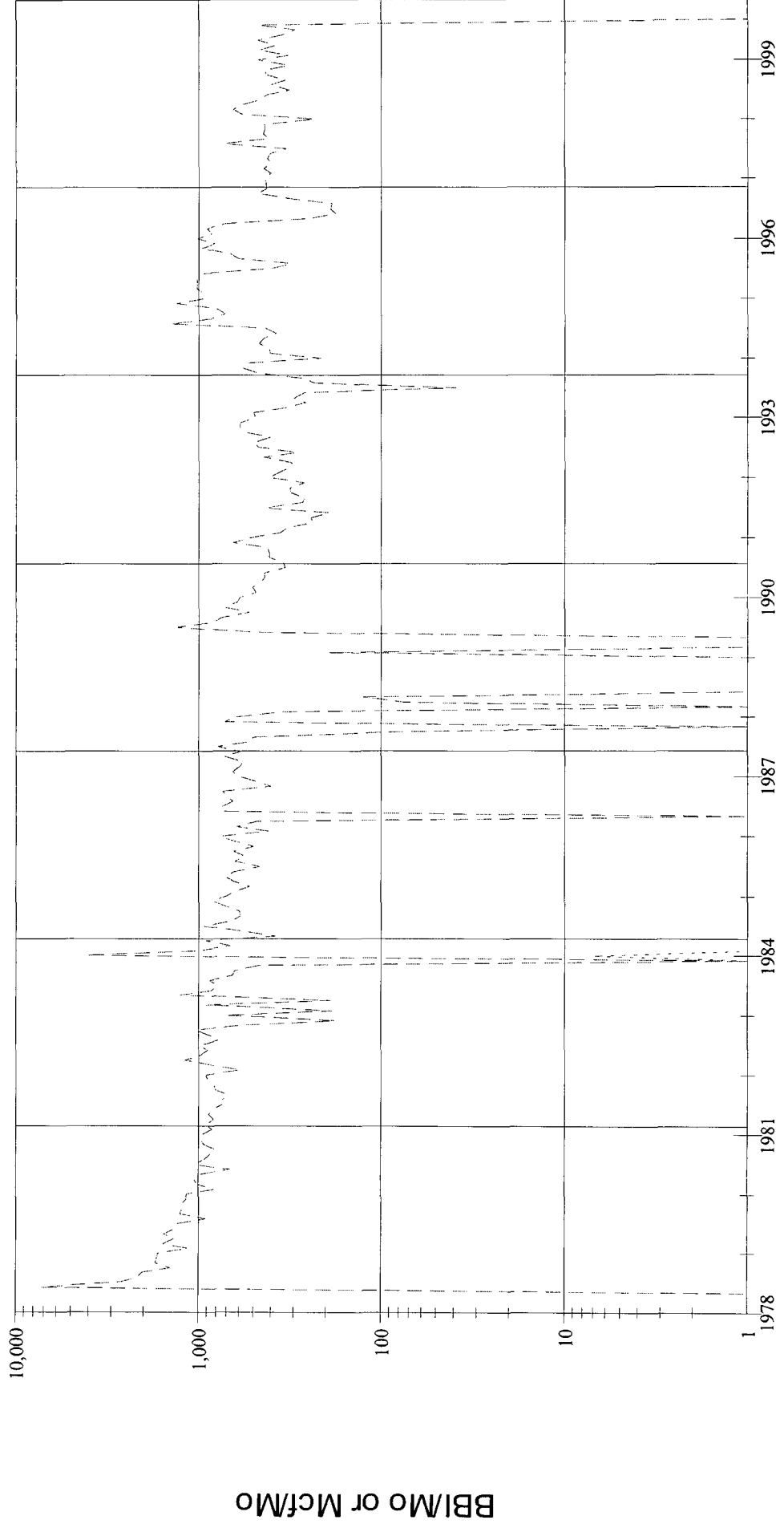
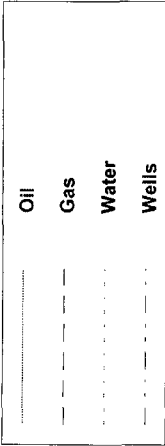
Field: FULCHER KUTZ PICTURED CLIFFS  
 Lease: OHIO 'C' GOVERNMENT Well #5  
 Operator: MARATHON OIL COMPANY  
 Production Rate vs Time  
 For the Period 01/1978 to 12/1999 | API: 30045227050000



Reported Oil Production = 0 Bbls  
 Reported Gas Production = 817,091 Mcf  
 Reported Water Production = 1,004 Bbls

Time

Field: KUTZ FRUITLAND SAND  
 Lease: OHIO 'C' GOVERNMENT Well #5  
 Operator: MARATHON OIL COMPANY  
 Production Rate vs Time  
 For the Period 01/1978 to 12/1999 | API: 30045227050000



Reported Oil Production = 0 Bbls  
 Reported Gas Production = 168,222 Mcf  
 Reported Water Production = 7 Bbls

Time

NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section.

Operator <b>Marathon Oil Company</b>		Lease <b>Ohio "C" Government</b>		Well No. <b>5</b>
Unit Letter <b>H</b>	Section <b>26</b>	Township <b>28 North</b>	Range <b>11 West</b>	County <b>San Juan</b>

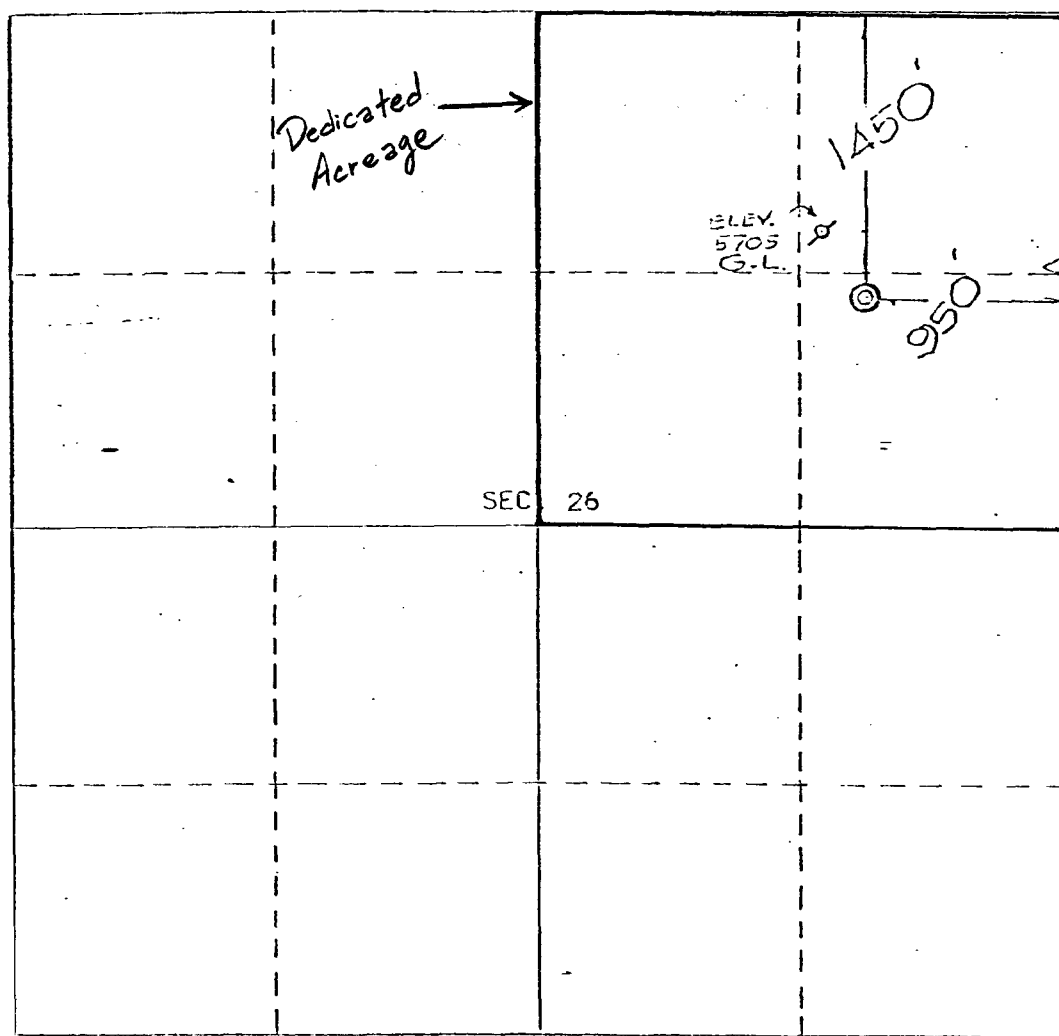
Actual Footage Location of Well:				
<b>1450</b>	feet from the	<b>North</b>	line and	<b>950</b>
				feet from the
				<b>East</b>
Ground Level Elev. <b>5685</b>	Producing Formation <b>Fulcher Kutz - Pictured Cliffs Sand</b>		Pool <b>Fulcher Kutz - Pictured Cliffs</b>	Dedicated Acreage: <b>160</b> Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation **NA**

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

*James L. Campbell*  
Name

James L. Campbell

Position

District Operations Manager

Company

Marathon Oil Company

Date

August 22, 1977

I hereby certify that the well location on this plat was plotted from field notes of ~~James L. Campbell~~ made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

**REGISTERED LAND SURVEYOR**

Date Surveyed

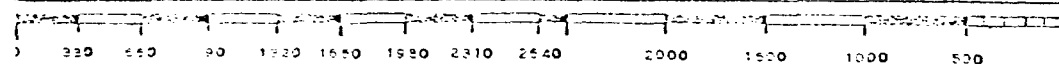
August 4, 1977

Registered Professional Engineer and/or Land Surveyor

*E.V. Echohawk*

Certificate No. 3602

E.V. Echohawk LS



NEW MEXICO OIL CONSERVATION COMMISSION  
WELL LOCATION AND ACREAGE DEDICATION AT

Form C-102  
Supersedes C-128  
Effective 1-1-65

All distances must be from the outer boundaries of the Section

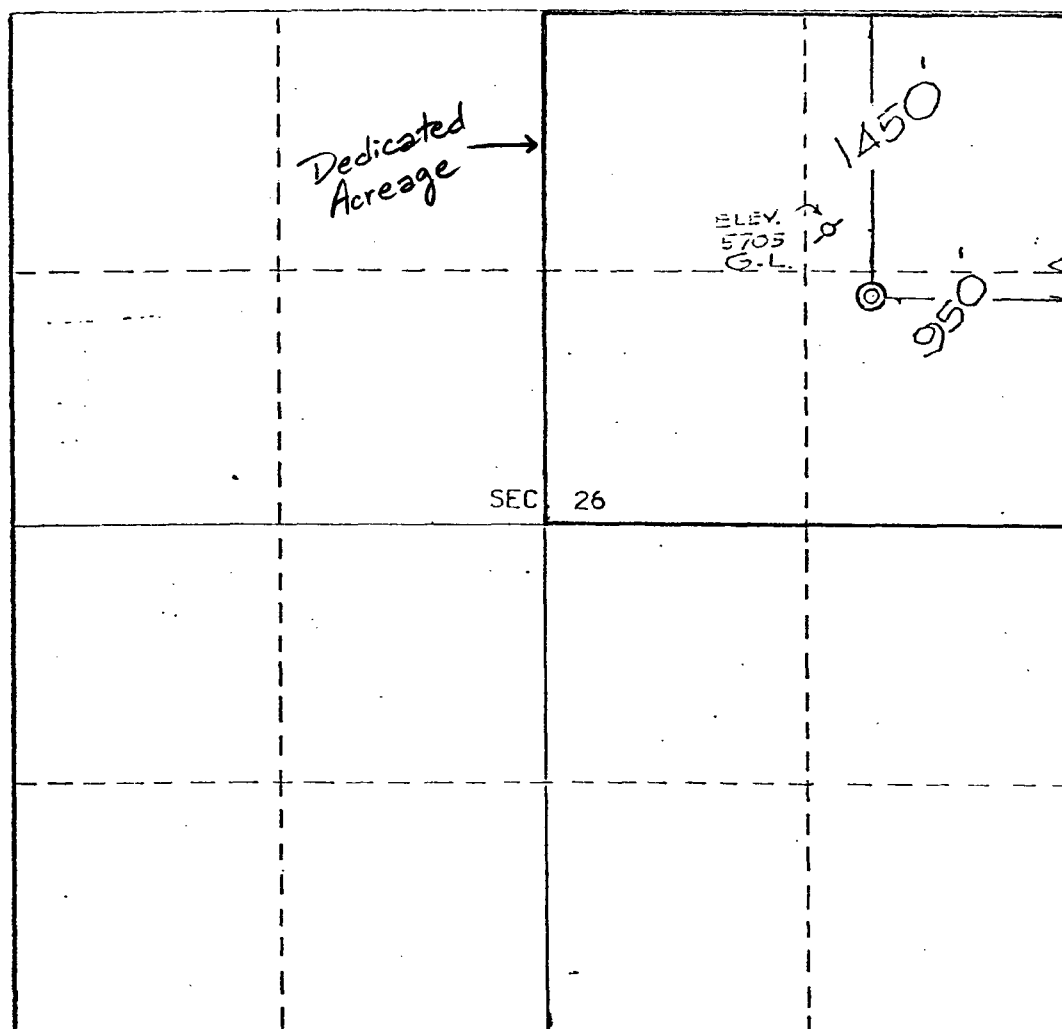
Operator <b>Marathon Oil Company</b>		Lease <b>Ohio "C" Government</b>		Well No. <b>5</b>
Unit Letter <b>H</b>	Section <b>26</b>	Township <b>28 North</b>	Range <b>11 West</b>	County <b>San Juan</b>
Actual Footage Location of Well:				
<b>1450</b>	feet from the	<b>North</b>	line and	<b>950</b>
				feet from the
				<b>East</b>
Ground Level Elev. <b>5685</b>	Producing Formation <b>Kutz</b>		Pool <b>Kutz Fruitland</b>	Dedicated Acreage: <b>160</b> Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation NA

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

*James L. Campbell*  
Name

James L. Campbell

Position

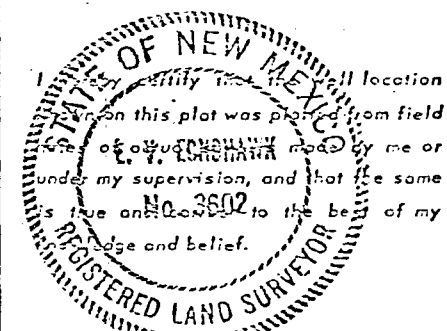
District Operations Manager

Company

Marathon Oil Company

Date

August 22, 1977



Date Surveyed

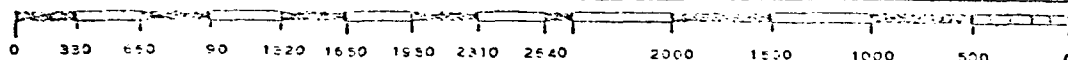
August 4, 1977

Registered Professional Engineer and/or Land Surveyor

*E. V. Echohawk*

Certificate No. 3602

E.V.Echohawk LS



## EXHIBIT "B" - CASE NO. 11353, ORDER NO. R-10470-A

## DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

State of New Mexico

Energy, Minerals and Natural Resources Department

FORM C-107-A

New 3-12-96

## DISTRICT II

911 S. 1st, Artesia, NM 86210

## OIL CONSERVATION DIVISION

2040 S. Pacheco, Santa Fe, NM 87505-6429

## APPROVAL PROCESS:

☐ Administrative ☐ Hearing

## DISTRICT III

1000 Rio Brazos, Aztec, NM 87410

## EXISTING WELLBORE

☒ Yes ☐ No

## APPLICATION FOR DOWNHOLE COMMINGLING

Marathon Oil Company		P.O. Box 552	Midland, Tx 79702
OPERATOR	ADDRESS		
Ohio 'C' Government	5	Sec 26, T-28N, R-11W, UL "H"	San Juan
LEASE	WELL NO.	SECTION, TOWNSHIP, RANGE, UNIT LETTER	COUNTY

 OGRID NO. 151618 PROPERTY CODE 6448 API NO. 30-045-22705 Federal ☒ State ☐ (and/or) Fee ☐

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Lower Zone
1. Pool Name & Pool Code	Kutz Fruitland Sand	N/A	Fulcher Kutz Pictured Cliffs
2. Top & Bottom of Pay Section (Perforations)	1424-1434'	N/A	1650-1668'
3. Type of production (Oil or Gas)	Gas	N/A	Gas
4. Method of Production (Flowing or Artificial Lift)	Artificial Lift	N/A	Artificial Lift
5. Bottomhole Pressure Oil Zones-Artificial Lift (Est Current)	a. (Current) 300 b. (Original) <u>    </u>	a. (Current) <u>N/A</u> b. (Original) <u>N/A</u>	a. (Current) 325 b. (Original) <u>    </u>
6. Oil Gravity (API) or Gas BTU Content	37 API	N/A	38 API
7. Producing or Shut-in?	Producing	N/A	Producing
Production Marginal? (yes or no)	Yes	N/A	Yes
* If Shut-in, give date and o/g/w rates of last production <small>Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.</small>	Date: N/A Rates: N/A	Date: N/A Rates: N/A	Date: N/A Rates: N/A
* If producing, give date and o/g/w rates of recent test (within 60 days)	Date: 12/15/99 Rates: 0/15/0	Date: N/A Rates: N/A	Date: 12/15/99 Rates: 0/12/0
8. Fixed Percentage Allocation Formula - % for each zone	Oil: 0.00% Gas: 44.44% <u>44</u>	Date: N/A Rates: N/A	Oil: 0.00% Gas: 55.56% <u>56</u>

9. If allocation formula is based upon something other than current or past production, or is based upon some other method, submit attachments with supporting data and/or explaining method and providing rate projections or other required data.

 10. Are all working, overriding, and royalty interests identical in all commingled zones? ☒ Yes ☐ No

 If not, have all working, overriding, and royalty interests been notified by certified mail? ☐ Yes ☐ No

 Have all offset operators been given written notice of the proposed downhole commingling? ☐ Yes ☒ No (no longer necessary)

 11. Will crossflow occur? ☒ Yes ☐ No If yes, are fluids compatible, will the formations not be damaged, will any cross-flowed production be recovered, and will the allocation formula be reliable? ☒ Yes ☐ No (If No, attach explanation)

 12. Are all produced fluids from all commingled zones compatible with each other? ☒ Yes ☐ No

 13. Will the value of production be decreased by commingling? ☐ Yes ☒ No (If Yes, attach explanation)

 14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. ☒ Yes ☐ No

 15. NMOCD Reference Cases For Rule 303(C) Exceptions: ORDER NO(S).                     

## 16. 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 all offset operators. (no longer necessary)
- \* Notification list of all working, overriding, and royalty interests for uncommon interest cases.
- \* Any additional statements, data, or documents required to support commingling.

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

SIGNATURE

TYPE OR PRINT NAME TIM L. CHASETITLE Advanced Engineer TechnicianTELEPHONE NO. ( 915 ) 687-8268DATE 02/01/00