

APPLICATION FOR SURFACE COMMINGLING
OFF LEASE MEASUREMENT, STORAGE AND ALTERNATIVE MEASUREMENT
APPROVAL

To: Bureau of Land Management
P.O. Box 1778
Carlsbad, New Mexico
88220-1778

Marathon Oil Company is requesting approval for Surface Commingling, and Off Measurement and Sales, of hydrocarbon production from the following formations(s), and well(s) on:

Lease Name: **Bone Flat 12 Federal**

T21S, R23E EDDY CO. NM FORMATION LOWER PENN/MORROW

<u>Well No.</u>	<u>UL</u>	<u>Sec</u>	<u>Lease #</u>	<u>COM</u>	<u>API NO</u>	<u>BOPD</u>	<u>API GRAY</u>	<u>60°</u>	<u>MCFD</u>
5	F	12	NM05608	NM94494	30-015 28847	2		55	2100

The proposed operation is described in detail on the attached diagrams. Liquid hydrocarbon production is gathered on location and sold by truck sales.

A map is enclosed showing the lease numbers and location of all leases and wells that will contribute production to the commingling/common storage facility. All unitized/communitized areas and, producing zones/pools are also clearly illustrated. A schematic diagram is also illustrated which clearly identifies all equipment that will be utilized.

The Storage and Measuring facility is located at UL "G", Sec. 23, T-21-S, R-23-E, Eddy County, New Mexico. The BLM will be notified of any change in facility location.

Details of the proposed method for allocating production to contributing sources is as follows:

The gas, oil, and water are measured at the locations described on the attached facility diagram using allocation meters for gas and measured by tank gauging for liquid hydrocarbons. Marathon Oil Company's portion of the gas is transported to the Marathon Gas Plant by pipeline at the location referenced above for **Storage and Measurement**. Yates Petroleum takes their interest in kind. After processing MOC's portion of the gas it is metered at the tail-gate of the plant and sold. The produced water is injected into various water disposal wells as per Sundry Notices filed in compliance with Onshore Order No. 7.

The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper