

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.

N.M. Oil & Gas Division
811 S. 1st St.
Artesia, NM 87003-0283

FORM APPROVED
Budget Bureau No. 1004-0135
Expires November 30 2000

Lease Serial No.

LC-064391-B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

INDIAN HILLS UNIT

NM NM 70964X

8. Well Name and No.

INDIAN HILLS UNIT #18

9. API Well No.

30-015-30564

10. Field and Pool, or Exploratory Area

INDIAN BASIN UPPER PENN
ASSOCIATED

11. County or Parish, State

EDDY NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Marathon Oil Company

3a. Address

P.O. Box 552 Midland, TX 79702

3b. Phone No. (include area code)

915-682-1626

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

UL "O", 409' FSL & 2324' FEL
SECTION 20, T-21-S, R-24-E

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other OFF LEASE

STORAGE & MEASUR.

& COMMINGLE

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

As required by 43 CFR 3162.7-2 and Onshore Oil and Gas Order No. 4, Marathon Oil Company is requesting approval of off-lease measurement, storage & sales, alternate measurement method, and surface commingling of liquid hydrocarbons for this well. Also, as required by 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of off-lease measurement, storage & sales of gas. Turbine meters are proposed to be used for the alternate method of metering liquid hydrocarbons.

The form, maps and schematics attached show the leases and wells affected by this request, the equipment that will be used, and give a more detailed explanation of this operation.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Ginny Larke

Title

Engineer Technician

Date

3/12/99

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

(ORIG. SGD.) ALEXIS C. SWOBODA

Title

PETROLEUM ENGINEER

Date

MAR 24 1999

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

APPLICATION FOR SURFACE COMMINGLING
OFF-LEASE MEASUREMENT, STORAGE AND ALTERNATE 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, Off-Lease Storage, Measurement and Sales, and Alternate Measurement of hydrocarbon production from the following formation(s) and well(s) on:

Lease Name: **Indian Hills Unit**

<u>Well No.</u>	<u>UL</u>	<u>Sec</u>	<u>TWP</u>	<u>RNG</u>	<u>Formation</u>	<u>Fed. Lease #</u>	<u>COM</u>
18	O	20	21-S	24-E	Upper Penn	LC064391B	N/A

Marathon would like to commingle the production from this well with the production of the following wells, which is commingled at the East Indian Basin Central Facility, (PLC-140)

<u>WELL NO.</u>	<u>BOPD</u>	<u>API °</u>	<u>MCFD</u>
1	0	N/A	4214
6	0	40.7	0
8	225	35.7	2997
9	0	40.7	1604
12	0	40.6	0
Gas Com 13	0	44.8	744
Gas Com 3	0	61.6	4518
IB "32" State 1-Y	0	N/A	1211
IB "32" State #2	0	56.0	5793
IB "32" State #3	119	38.6	331

Liquid hydrocarbon production will be measured using turbine meters, per prior approval. These meters will be proved on a regular schedule. 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 attached which clearly identifies all equipment that will be utilized.

The Storage and Measuring facility will be located at UL "P", Sec. 19, T-21-S, R-24-E, Eddy County, New Mexico. There will be a satellite facility located at UL "N", Section 20, T-21-S, R-24-E, Eddy County, NM.

The BLM has been notified of this facility in prior applications and will be notified of any change in facility location. The gas, liquid hydrocarbons and water from the wells in Sections 20 and 21 will be gathered at this satellite facility. The facility will consist of a 3-phase test separator and a 3-phase production separator. A production manifold will allow for individual well testing in the test separator while production from the remaining wells flows to the production separator.

The gas from the separators will be metered at this satellite facility before being delivered to the compressors at the Storage and Measurement facility in Section 19. After compression, the gas will be

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processed through a dehydrator, metered and delivered to the Indian Basin Gas Plant for further processing. The gas and NGLs will then be metered and sold at the tail-gate of the plant.

The liquid hydrocarbons and water, after being metered through the separators at the satellite facility, will be recombined and then flow to a 3-phase separator at the Storage and Measurement facility in Section 19, via liquid pipeline. After separation, the liquid hydrocarbon production will be processed and stored in tanks at the Storage and Measurement facility. Processing may include the use of heat treating or other liquid hydrocarbon processing equipment. The liquid hydrocarbons will then be metered through a LACT unit, per prior approval, and sold at the truck loading rack. The water production, after being processed through the 3-phase separator at the Storage and Measurement facility, will be sent to the gun barrel for further separation. It will then be stored in tanks at the Storage and Measurement facility prior to being metered and pumped to the SWD system.

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

Indian Hills Unit Production=
$$\frac{(\text{Sum of LHC Readings from Indian Hills Unit wells})}{(\text{Sum of All LHC Readings})} \times \text{Gross Consolidated Facility Production}$$

Indian Hills Unit Gas Com Prod.=
$$\frac{(\text{Sum of LHC Readings from Gas Com wells})}{(\text{Sum of All LHC Readings})} \times \text{Gross Consolidated Facility Production}$$

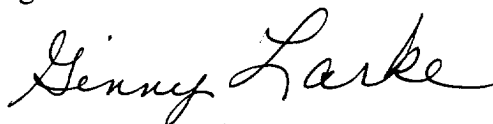
IB "32" State Wells Production=
$$\frac{(\text{Sum of LHC Readings from IB "32" State wells})}{(\text{Sum of All LHC Readings})} \times \text{Gross Consolidated Facility Production}$$

The same formulas will be used to allocate gas and water production, per prior approval (PLC-140).

The working interest owners were notified of the original commingling proposal. The proposed commingling of production is in the interest of conservation and will not result in reduced royalty or improper measurement of production. The proposed commingling is necessary for continued operation of the above referenced Federal Lease.

We understand that the requested approval will not constitute the granting of any right-of-way or construction rights not granted by lease instrument and we will submit, within 30 days, an application for right-of-way to the BLM's Realty Section in your office, if we have not already done so. Additional wells will require additional commingling approvals.

Signature:



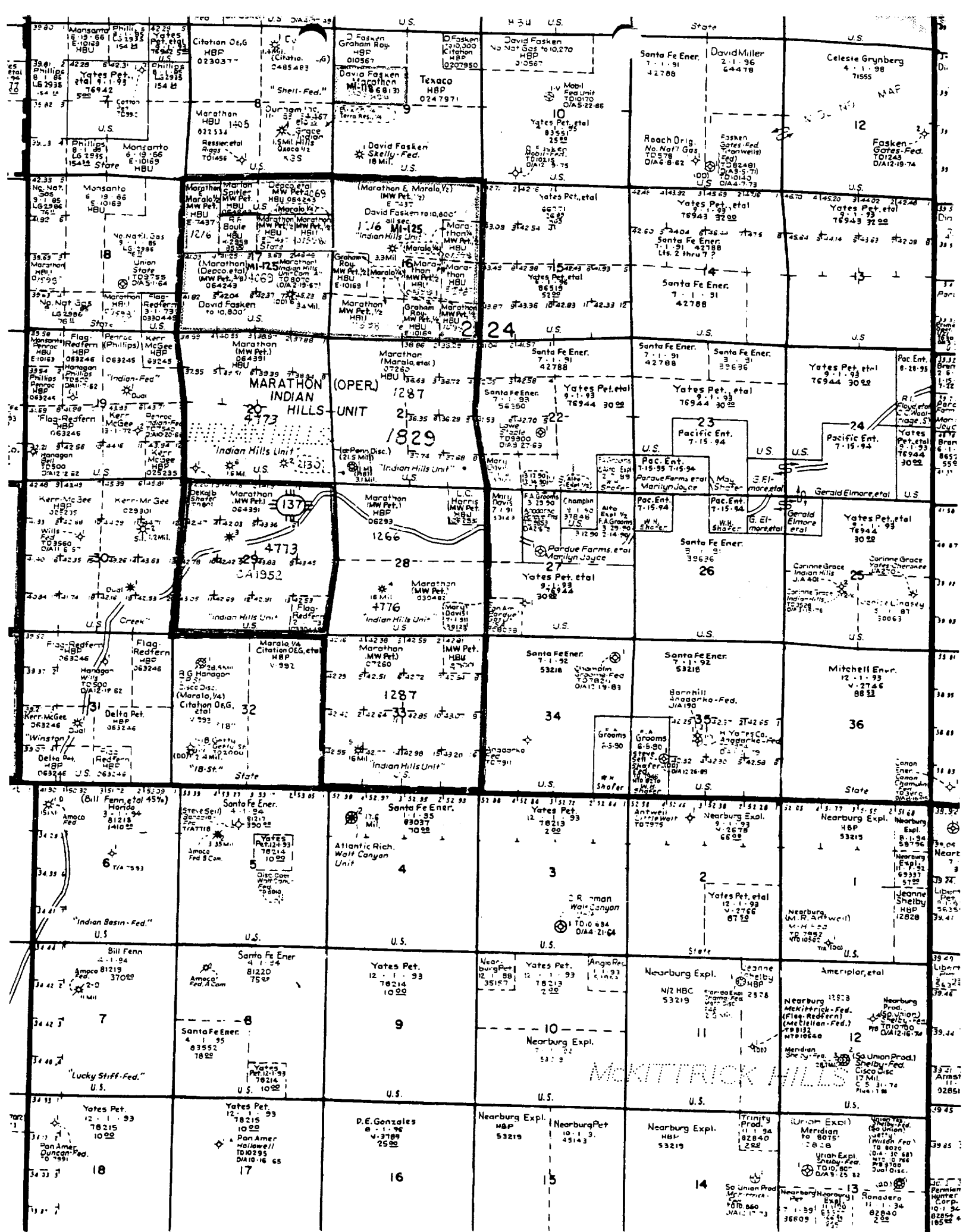
Name: Ginny Larke

Title: Engineer Technician

March 12, 1999

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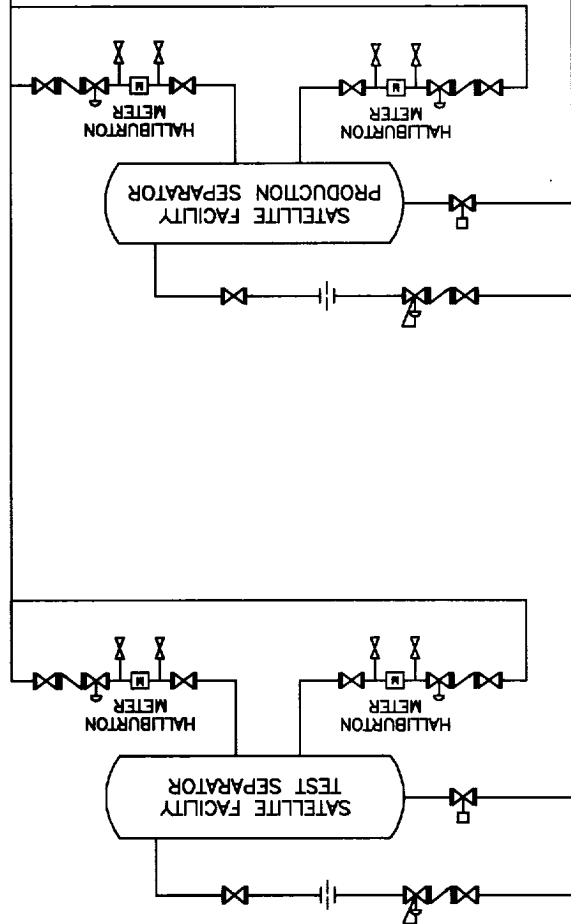
Attachments



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TO LEASE PRODUCTION
SEPARATOR AT
INDIAN HILLS CENTRAL
PRODUCTION FACILITY

TO COMPRESSOR SUCTION
HEADER AT INDIAN HILLS
CENTRAL PROD. FACILITY



INDIAN HILLS UNIT
SATELLITE SEPARATION
FACILITY IN SECTION 20,
T-21-S, R-24-E

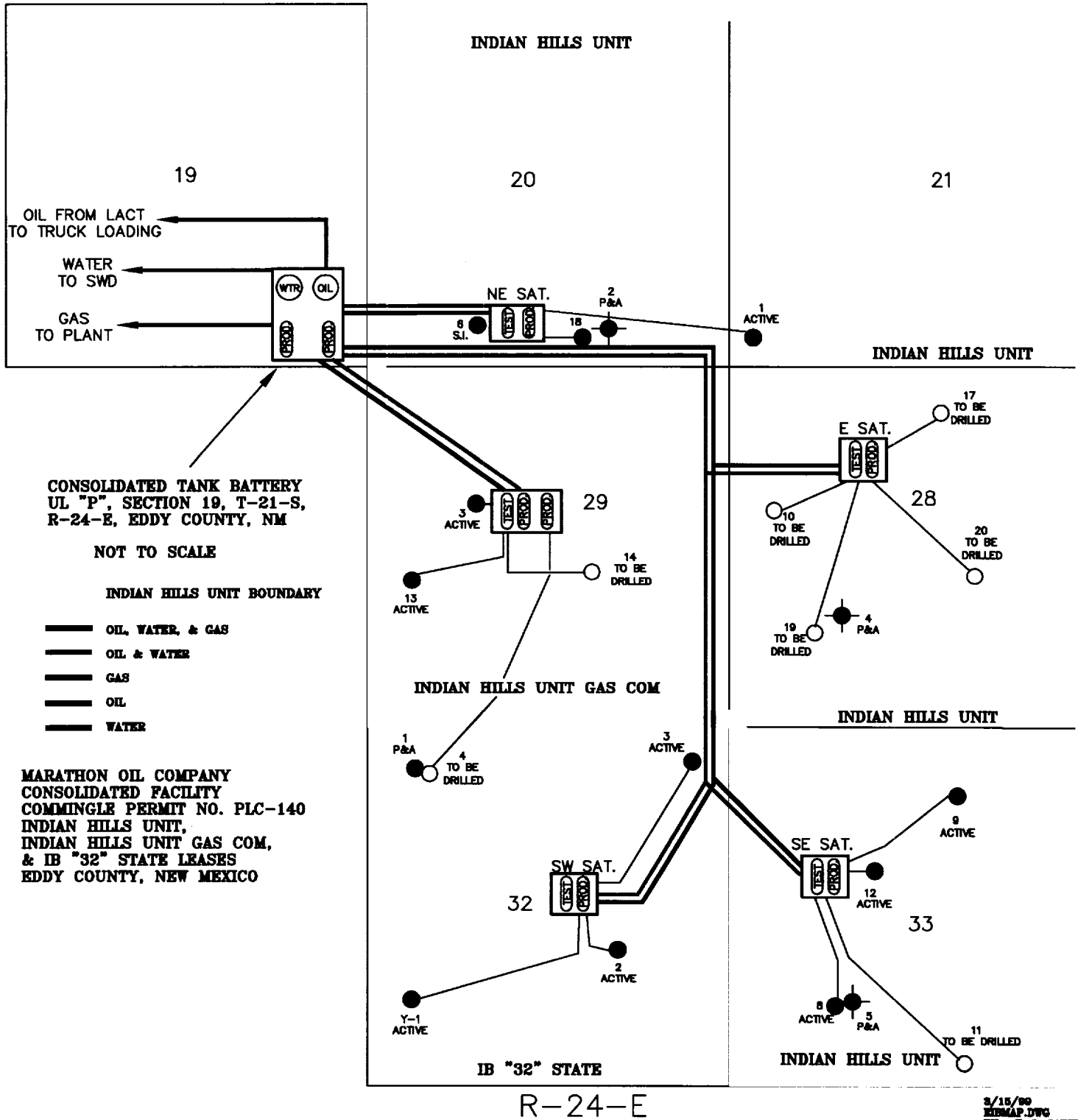


LEGEND	
—	GAS PIPING
—	LHC PIPING
—	WATER PIPING
—	LHC-WATER PIPING

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ROSWELL, NM

MARATHON OIL COMPANY
CONSOLIDATED FACILITY
COMMINGLE PERMIT NO. PLC-140
GATHERING SYSTEMS

R-24-E



T-21-S

3/15/90
KIMAP.DWG
BY: V. L. LARKE