

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil & Gas Division
811 S. 1st Street
Artesia, NM 88210-2834
N.M. APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

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.

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)

945-682-1626 ARTESIA

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

SEE ATTACHMENTS

Lease Serial No.
SEE ATTACHMENTS

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
#21, 22, and 24

9. API Well No.

10. Field and Pool, or Exploratory Area
INDIAN BASIN UPPER PENN
ASSOCIATED GAS POOL

11. County or Parish, State

EDDY NM

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

TYPE OF SUBMISSION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

TYPE OF ACTION

☐ 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 COMMINGLING

OFF LSE. STORAGE &
MEASUREMENT

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 the liquid hydrocarbons produced from the wells shown on the attached form. Also, as required by 43 CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, Marathon is requesting approval of off-lease measurement, storage & sales of gas, and surface commingling of gas production from the wells shown on the attached form. Turbine meters are to be used as the alternate method of metering liquid hydrocarbons. The allocation of production will continue using the method approved in the original commingling permit.

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

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

Ginny Larke

Title

Engineer Technician

Date 9/5/00

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

(ORIG. SGD) GARY GOURLEY

Title

POLEUM ENGINEER

Date

SEP 14 2000

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.

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, 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.

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>
21	M	20	21-S	24-E	Upper Penn	LC-064391-B
22	E	33	21-S	24-E	Upper Penn	NM07260
24-Surface	B	28	21-S	24-E	Upper Penn	NM06293
24-Bottom Hole	J	21	21-S	24-E	Upper Penn	NM-67260-F

Marathon would like to commingle the production from these wells with the production of the following wells, which is commingled at the East Indian Basin Central Facility, (Order R-11186)

<u>WELL NO.</u>	<u>BOPD</u>	<u>API °</u>	<u>MCFD</u>
1	87	48.2	6227
8	50	35.7	862
9	73	40.7	2075
10	266	46.3	5676
11	180	42.2	2303
12	103	40.6	1903
17	267	41.3	4419
18	385	44.7	3628
19	3	46.3	5763
20	60	46.1	2707
Gas Com 14	9	41.2	7244
Gas Com 13	10	44.8	6821
Gas Com 3	4	61.6	3014
IB "32" State 1-Y	2	41.2	5732
IB "32" State #2	3	56.0	10616
IB "32" State #3	93	38.6	301
IB "32" State #4	0	N/A	2855

Liquid hydrocarbon production is measured using turbine meters, per prior approval. These meters are 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. Schematic diagrams of each satellite facility are also attached which clearly identify all equipment that will be utilized. The

Storage and Measurement facility is located at UL "P", Sec. 19, T-21-S, R-24-E, Eddy County, New Mexico. There are satellite facilities located in Sections 20, 28 and 33, T-21-S, R-24-E, Eddy County, NM. The BLM has been notified of these facilities in prior applications.

The gas, liquid hydrocarbons and water from the wells will be gathered at these satellite facilities. The facilities consist of a 3-phase test separator and a 3-phase production separator. A production manifold allows for individual well testing in the test separator while production from the remaining wells flows to the production separator.

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

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 the continued operation of the above referenced Federal Leases.

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:

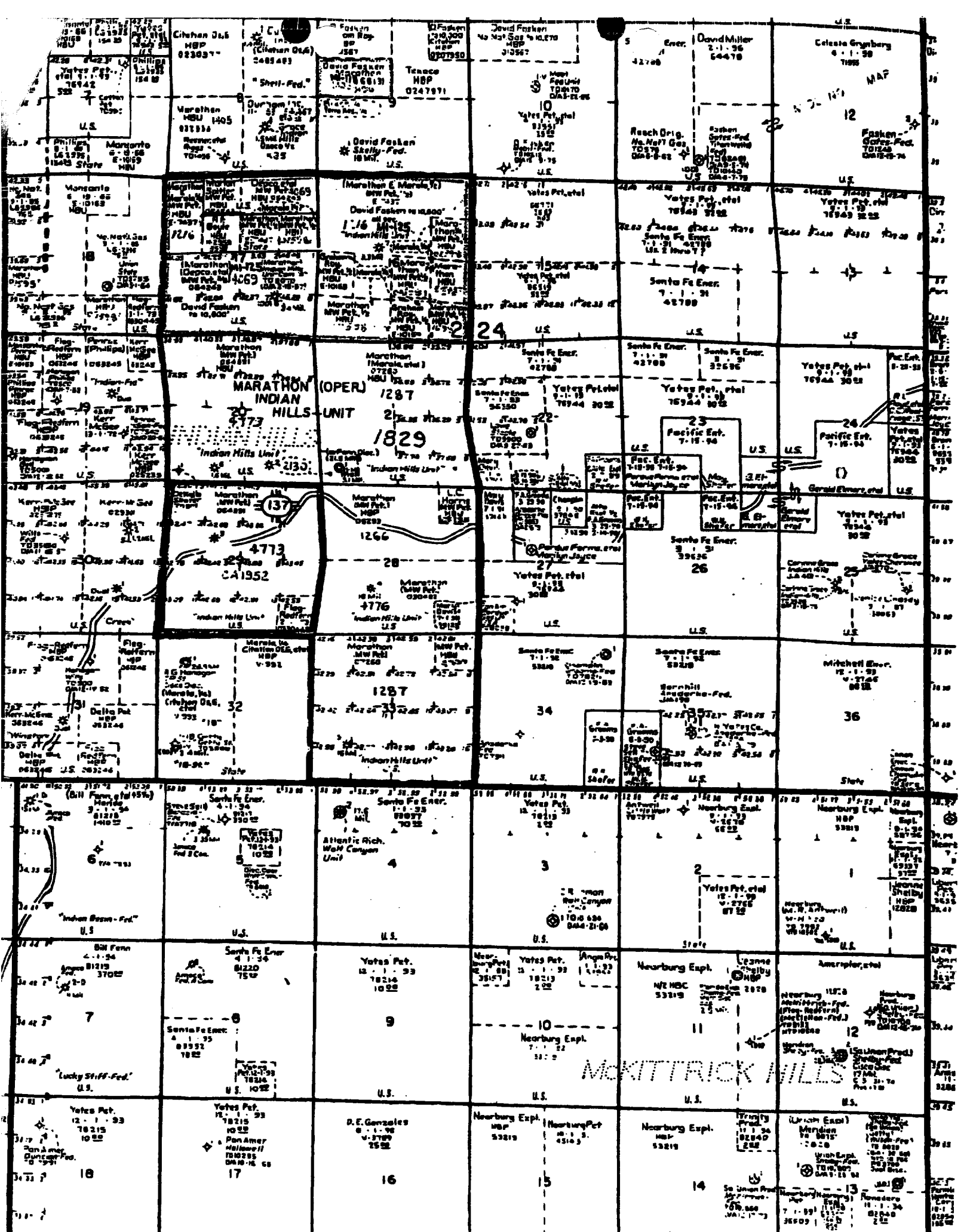
A handwritten signature in black ink that reads "Ginny Larke". The signature is written in a cursive, flowing style.

Name: Ginny Larke

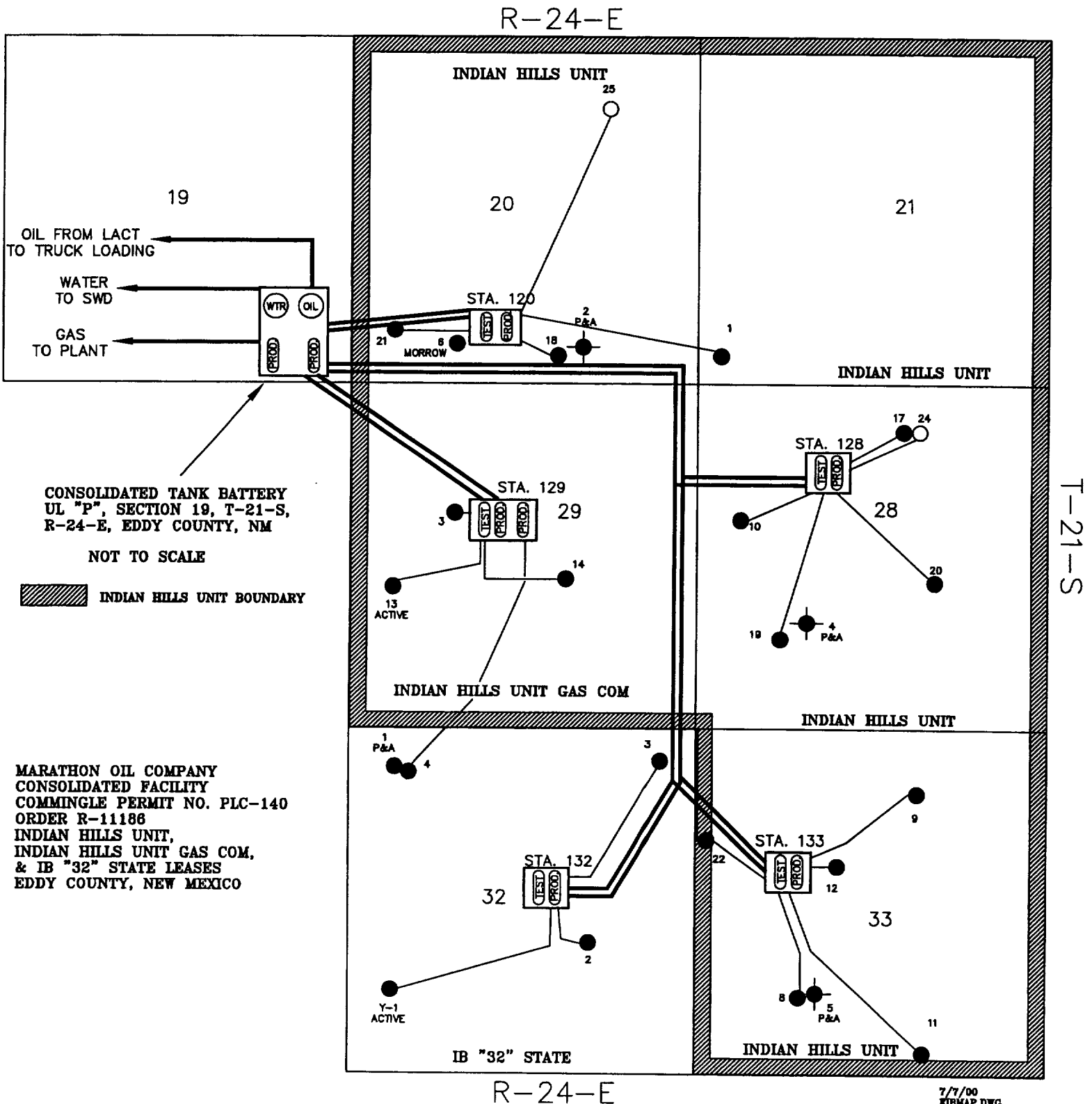
Title: Engineer Technician

September 5, 2000

Attachments

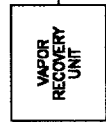
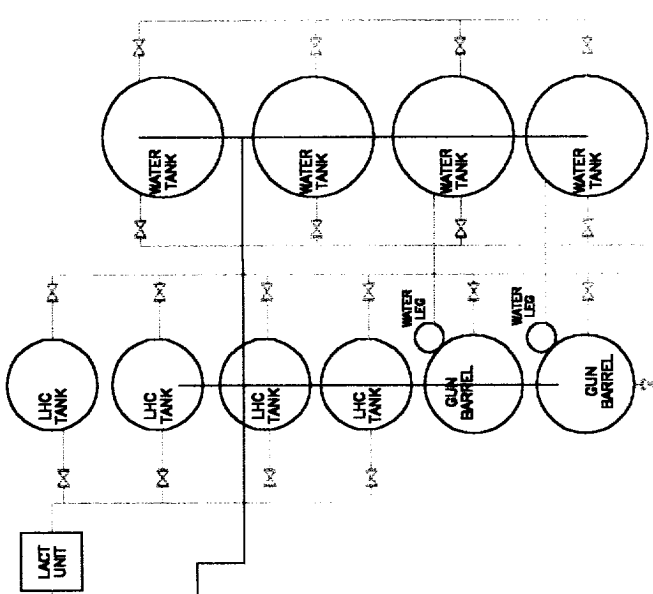
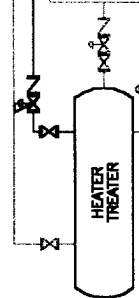
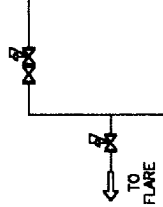
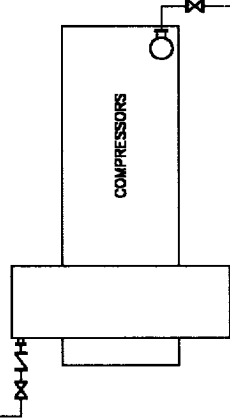
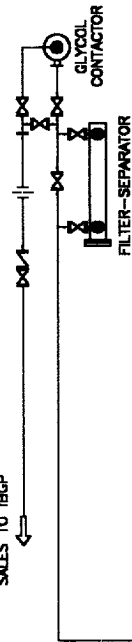


MARATHON OIL COMPANY CONSOLIDATED FACILITY GATHERING SYSTEMS



TO TRUCK LOADING RACK

SALES TO IEGP



GLYCOL REGEN SKID

COMPRESSORS

SUCTION SCRUBBER

HEATER TREATER

SEC. 28, 29, 32
3-PHASE PRODUCTION SEPARATOR

SEC. 20, 21, 32, 33
3-PHASE PRODUCTION SEPARATOR

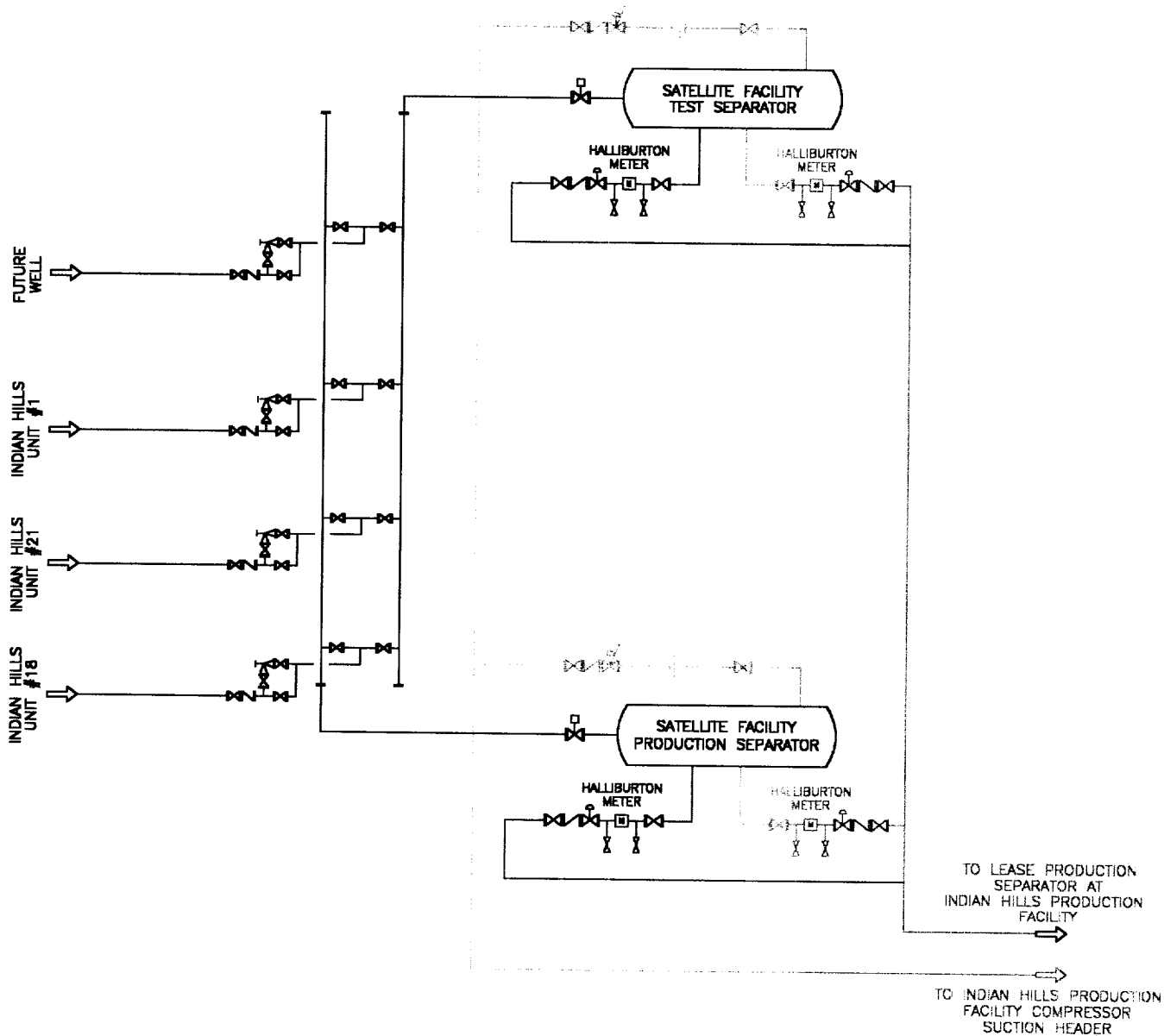
TRANSFER PUMP

SWD PUMP

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

INDIAN HILLS UNIT CENTRAL
PRODUCTION FACILITY
UL "P", SECTION 19,
T-21-S, R-24-E, EDDY CO., NM

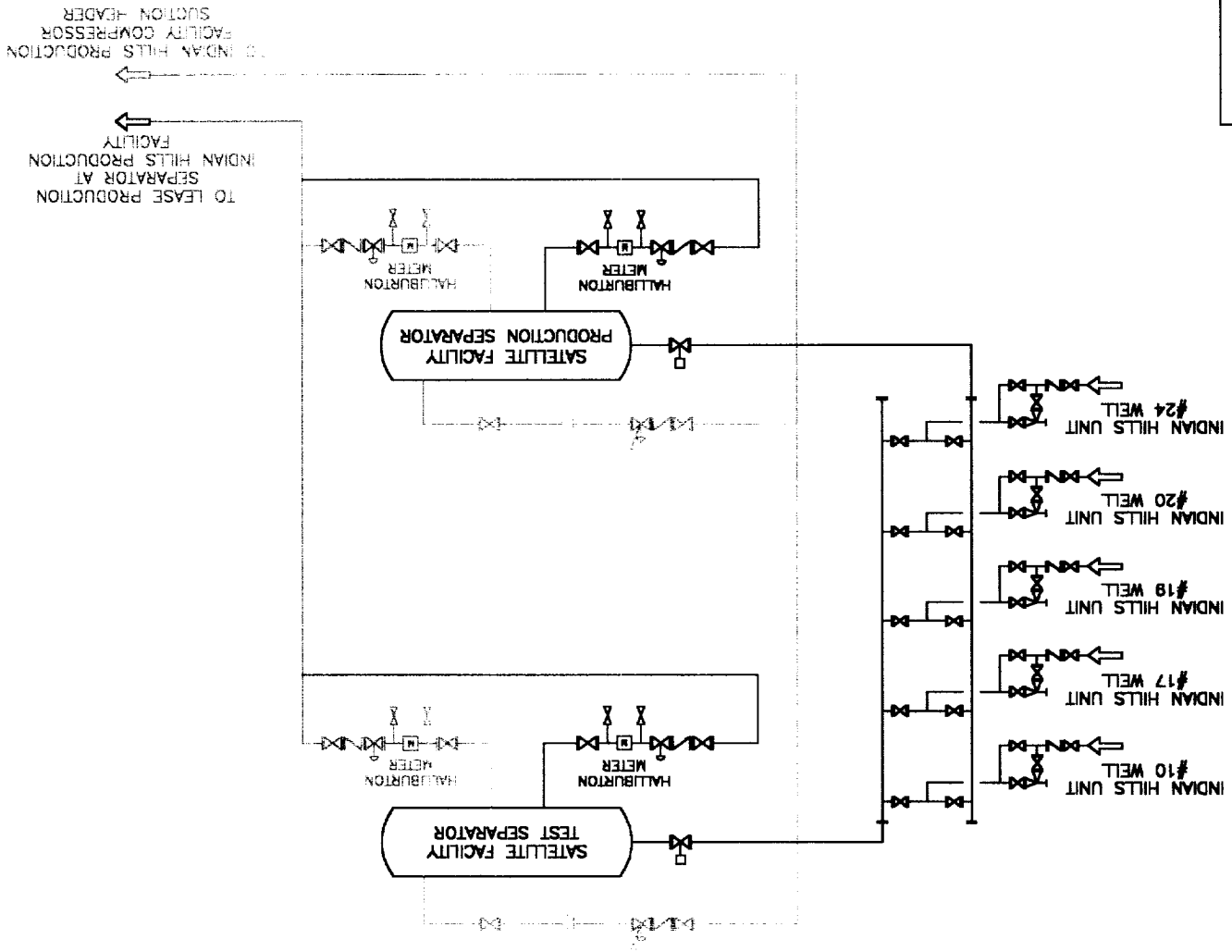




LEGEND	
---	LHC-GAS-WATER PIPING
---	GAS PIPING
---	LHC PIPING
---	WATER PIPING
---	LHC-WATER PIPING

SECTION 20 SATELLITE
SEPARATION FACILITY
STATION 120

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





INDIAN HILLS UNIT
SECTION 33 SATELLITE
SEPARATION FACILITY

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

TO LEASE PRODUCTION
SEPARATOR AT
INDIAN HILLS CENTRAL
PRODUCTION FACILITY

TO INDIAN HILLS CENTRAL
FACILITY COMPRESSOR
SUCTION HEADER

