

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

APPLICATION FOR
DOWNHOLE COMMINGLING

EXISTING WELLBORE
X Yes ___ No

Marathon Oil Company P.O. Box 552 Midland, Tx 79702

Yates Federal Com 1 Sec 8, T-20S, R-29E, l Eddy

LEASE WELL NO. SECTION, TOWNSHIP, RANGE, UNIT COUNTY
SPACING UNIT LEASE TYPES: (CHECK 1 OR MORE)

OGRID NO. 014021 PROPERTY CODE 6490 API NO. 30-015-20926 Federal X, State , (and/or) Fee

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zones	Intermediate Zones	Lower Zone
1. Pool Name & Pool Code	Strawn <u>73100</u>			<u>73320</u> Morrow
2. Top & Bottom of Pay Section (Perforations)	10,456 - 10,514'			11,329 - 11,476'
3. Type of production (Oil or Gas)	Gas			Gas
4. Method of Production (Flowing or Artificial Lift)	Plunger Lift (Proposed)			Plunger Lift (Proposed)
5. Bottomhole Pressure Oil Zones-Artificial Lift (Est Current)	a. (Current) 198			a. (Current) 223
	b. (Original) ___			b. (Original) ___
6. Oil Gravity (API) or Gas BTU Content	N/A			38 API
7. Producing or Shut-in?	Shut-In			Producing
Production Marginal? (yes or no)	Yes			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: 3/31/00 Rates: 0/60/0			Date: N/A Rates: N/A
* If producing, give date and o/g/w rates of recent test (within 60 days)	Date: N/A Rates: N/A			Date: 08/31/02 Rates: 1/419/0
8. Fixed Percentage Allocation Formula % for each zone	Oil: 0.00% Gas: 12.53%			Oil: 100.00% Gas: 87.47%

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? X 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 X No (no longer necessary)

11. Will crossflow occur? X 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? X Yes ___ No (If No, attach explanation)

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

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

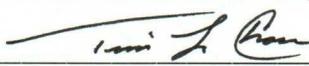
14. If this well is on, or communitized with, state or federal lands, either the Commissioner of Public Lands or the United States Bureau of Land Management has been notified in writing of this application. X Yes ___ No

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. CHASE

TITLE Advanced Engineer Technician
TELEPHONE NO. (915) 687-8408

DATE 01/07/03

REQUEST FOR EXCEPTION TO RULE 303-A
Yates Federal Com No. 1, Burton Flat East Field

A: Operator

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

B: Lease Name and Well Number

Yates Federal Com No. 1
860' FSL & 1980' FWL, Unit Letter 'N', Section 8, Township 20-S, Range 5-W
Burton Flat East Field, Eddy County, New Mexico
Strawn & Morrow

C: Plats and Offset Operators

Plat attached.

D: C-116's

Attached.

E: Production Decline Curves

Attached

F: Estimated Current Bottomhole Pressures (PSI)

Strawn = 198, Morrow = 223

G: Product Characteristics

Chromatographic gas analysis reports on this well 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>
Strawn	0	60	0	Last Production (3/31/00)
Morrow	1	419	0	Last Test (8/31/02)
Total	1	479	0	

<u>Allocated %</u>	<u>Oil %</u>	<u>Gas %</u>	<u>Water %</u>
Strawn	0.00	12.53	0.00
Morrow	100.00	87.47	0.00
Total	100.00	100.00	0.00

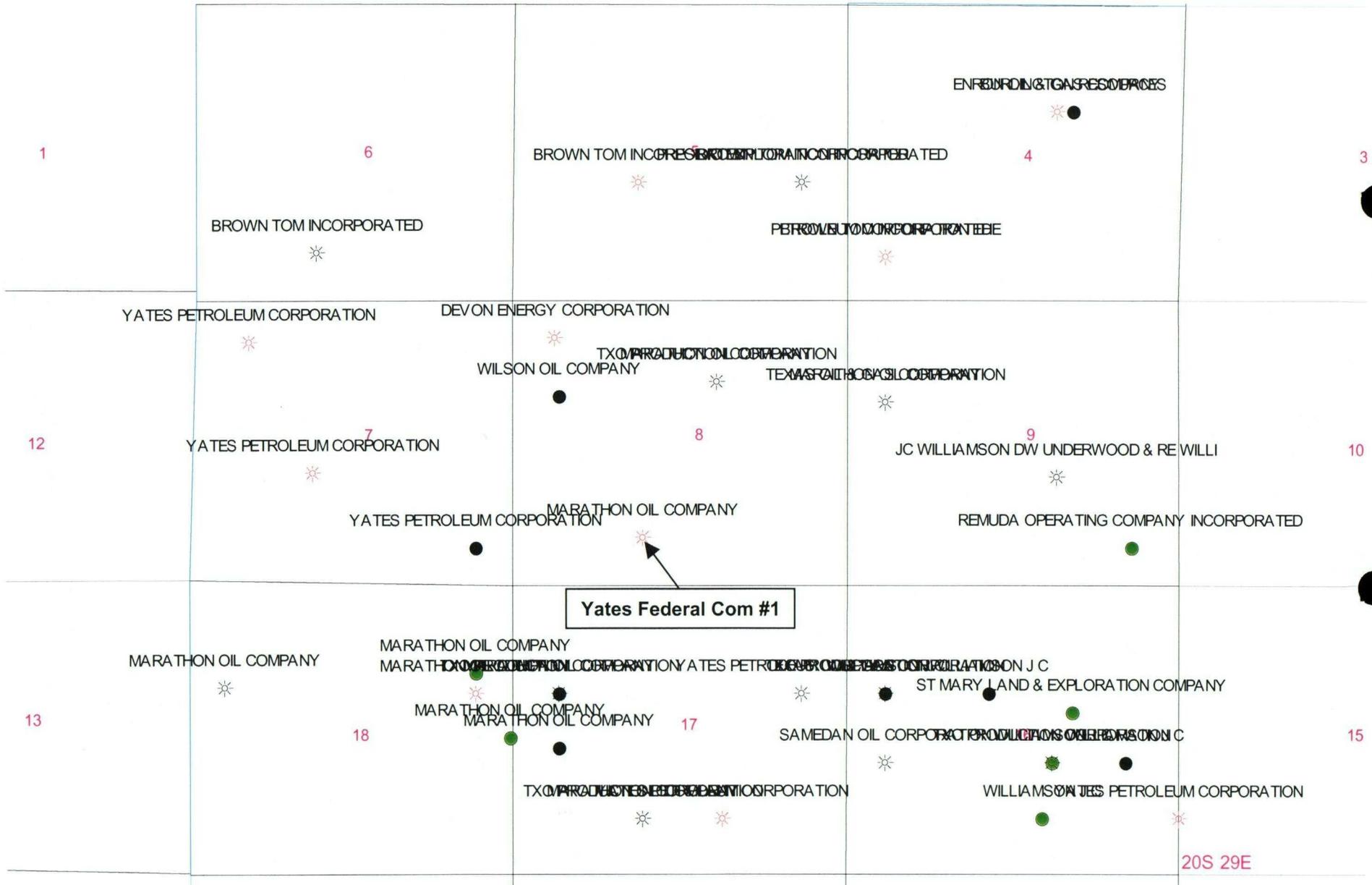
J: Ownership

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

K: Offset Operator Notification

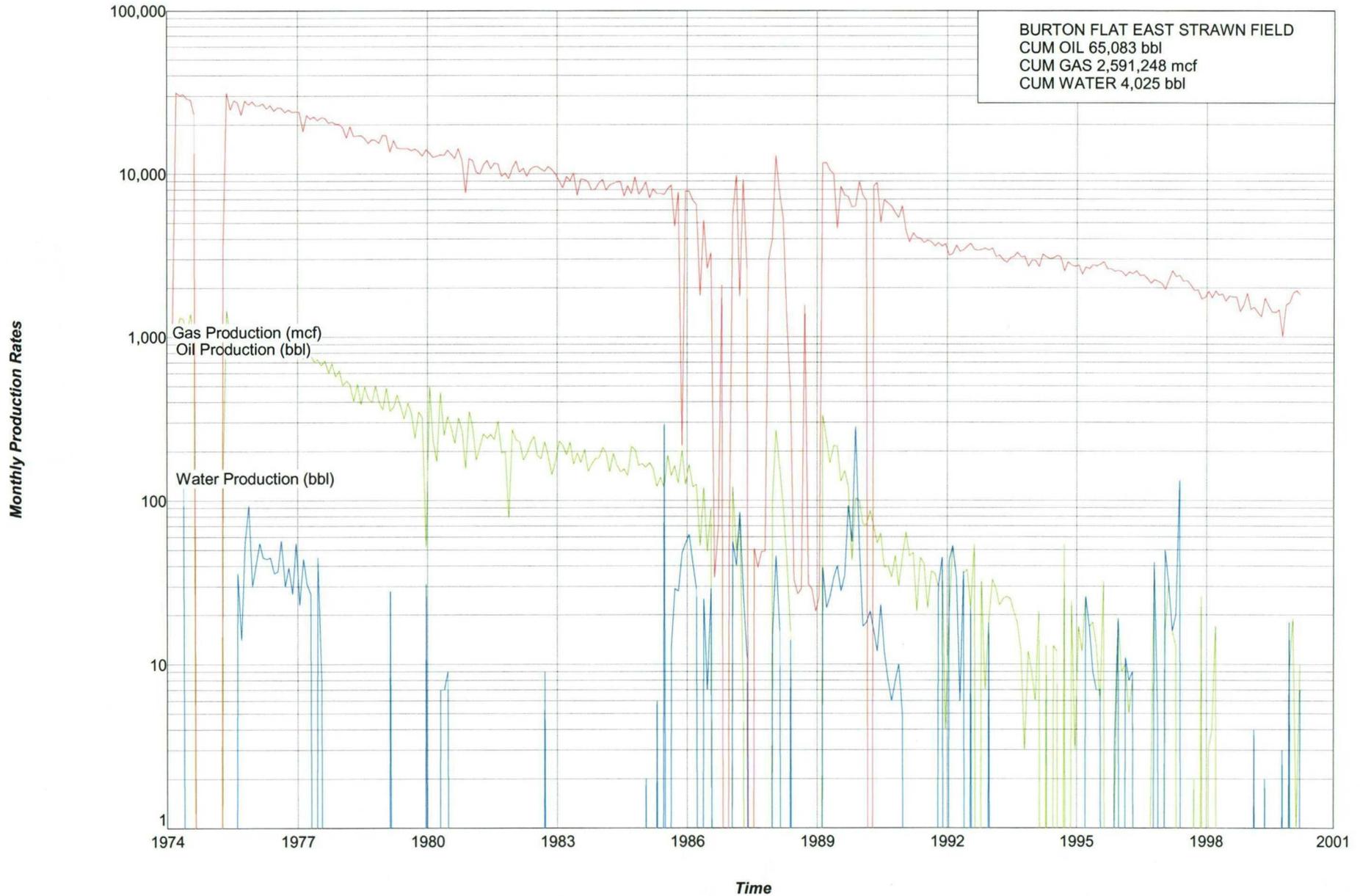
Offset operators no longer need to be notified

Township 20-South, Range 29-East, Eddy County



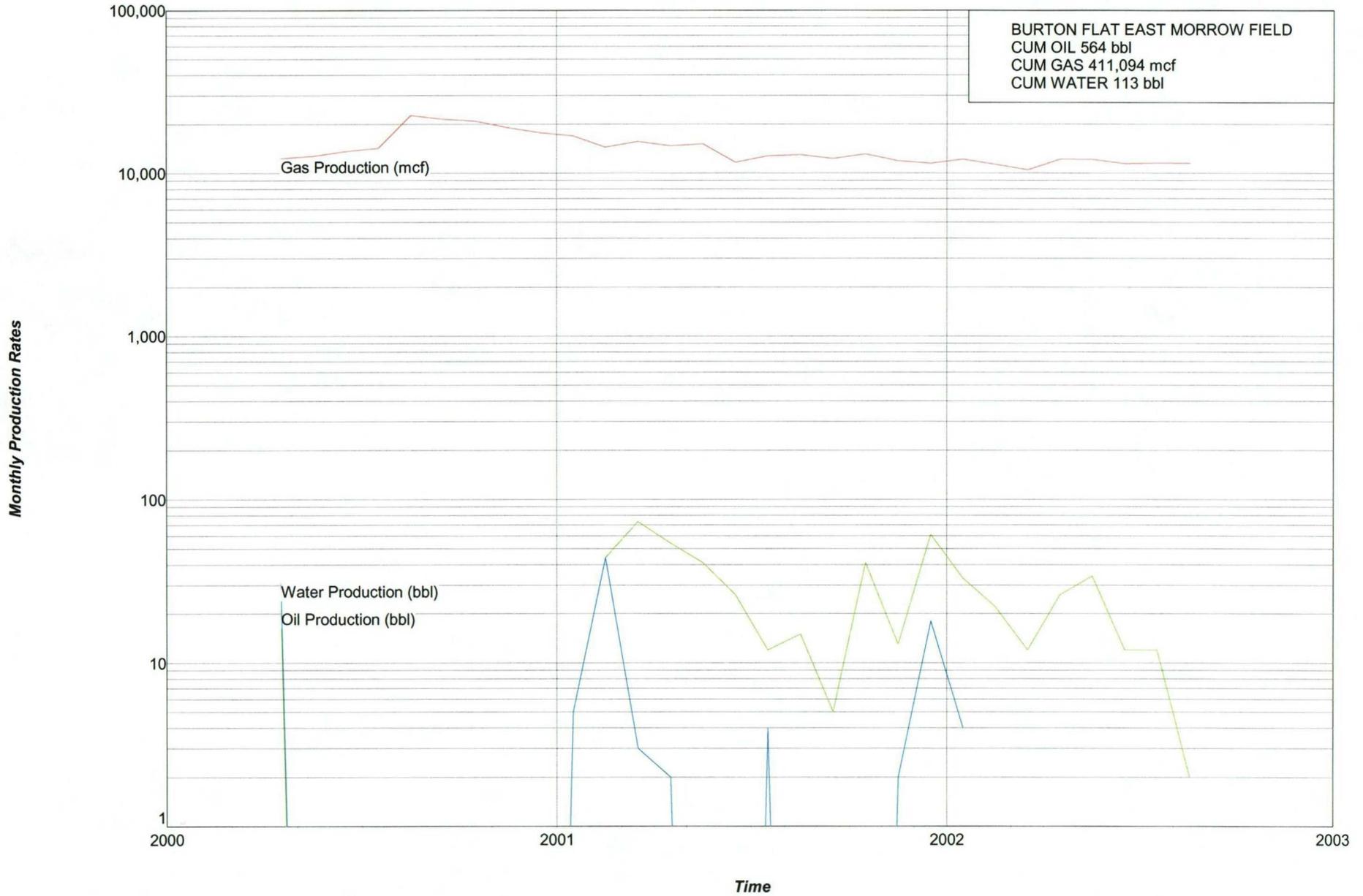
Lease Name: YATES FEDERAL COM
County, State: EDDY, NM
Operator: MARATHON OIL COMPANY
Field: BURTON FLAT EAST
Reservoir: STRAWN
Location: 8 20S 29E

MARATHON OIL COMPANY YATES FEDERAL COM 1



Lease Name: YATES FEDERAL COM
County, State: EDDY, NM
Operator: MARATHON OIL COMPANY
Field: BURTON FLAT EAST
Reservoir: MORROW
Location: 8 20S 29E

MARATHON OIL COMPANY YATES FEDERAL COM 1



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-116
Revised March 17, 1999

Submit 2 copies
To Appropriate
District Office

GAS - OIL RATIO TEST

Operator Marathon Oil Company				Pool Strawn				County Eddy								
Address 125 W. Missouri, Midland, Tx 79702						TYPE OF TEST - (X)		Scheduled <input type="checkbox"/>		Completion <input type="checkbox"/>		Special <input type="checkbox"/>				
LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	STATUS	CHOKE SIZE	TBG. PRESS	DAILY ALLOW-ABLE	LENGTH OF TEST HOURS	PROD. DURING TEST				GAS - OIL RATIO CU.FT/BBL.
		U	S	T	R							WATER BBL.	GRAV. OIL	OIL BBL.	GAS M.C.F.	
Yates Federal Com	1	N	8	20S	29E	03/31/00	F	1"	160	---	24	0	38	0	60	---

Instructions:

During gas-oil ratio test, each well shall be produced at a rate not exceeding the top unit allowable for the pool in which well is located by more than 25 percent. Operator is encouraged to take advantage of this 25 percent tolerance in order that well can be assigned increased allowables when authorized by the Division.

Gas volumes must be reported in MCF measured at a pressure base of 15.025 psia and a temperature of 60° F. Specific gravity base will be 0.60.

Report casing pressure in lieu of tubing pressure for any well producing through casing.

(See Rule 301, Rule 1116 & appropriate pool rules.)

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



Signature

Tim L. Chase, Advanced Engineer Technician
Printed Name and Title

March 20, 2002
Date

915/687-8408
Telephone No.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-116
Revised June 05, 2002

Submit 2 copies
To Appropriate
District Office

GAS - OIL RATIO TEST

Operator Marathon Oil Company		Pool Morrow						County Eddy								
Address 125 West Missouri, Midland, Tx 79702				TYPE OF TEST - (X)		Scheduled <input checked="" type="checkbox"/> X		Completion <input type="checkbox"/>		Special <input type="checkbox"/>						
LEASE NAME	WELL NO.	LOCATION				DATE OF TEST	STATUS	CHOKE SIZE	TBG. PRESS.	DAILY ALLOWABLE	LENGTH OF TEST HOURS	PROD. DURING TEST				GAS - OIL RATIO CU.FT/BBL.
		U	S	T	R							WATER BBL.	GRAV. OIL	OIL BBL.	GAS M.C.F.	
Yates Federal Com	1	N	8	20S	29E	08/31/02	F	48/64"	171	---	24	0	38	1	419	---

Instructions:

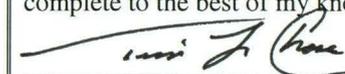
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(See Rule 301, Rule 1116 & appropriate pool rules.)

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



Signature

Tim L. Chase Advanced Engineer Technician
Printed Name and Title

08/31/02
Date

915/687-8408
Telephone No.

MEXICO OIL CONSERVATION COMMISSION
 WELL LOCATION AND ACREAGE DEDICATION PLAT

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

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

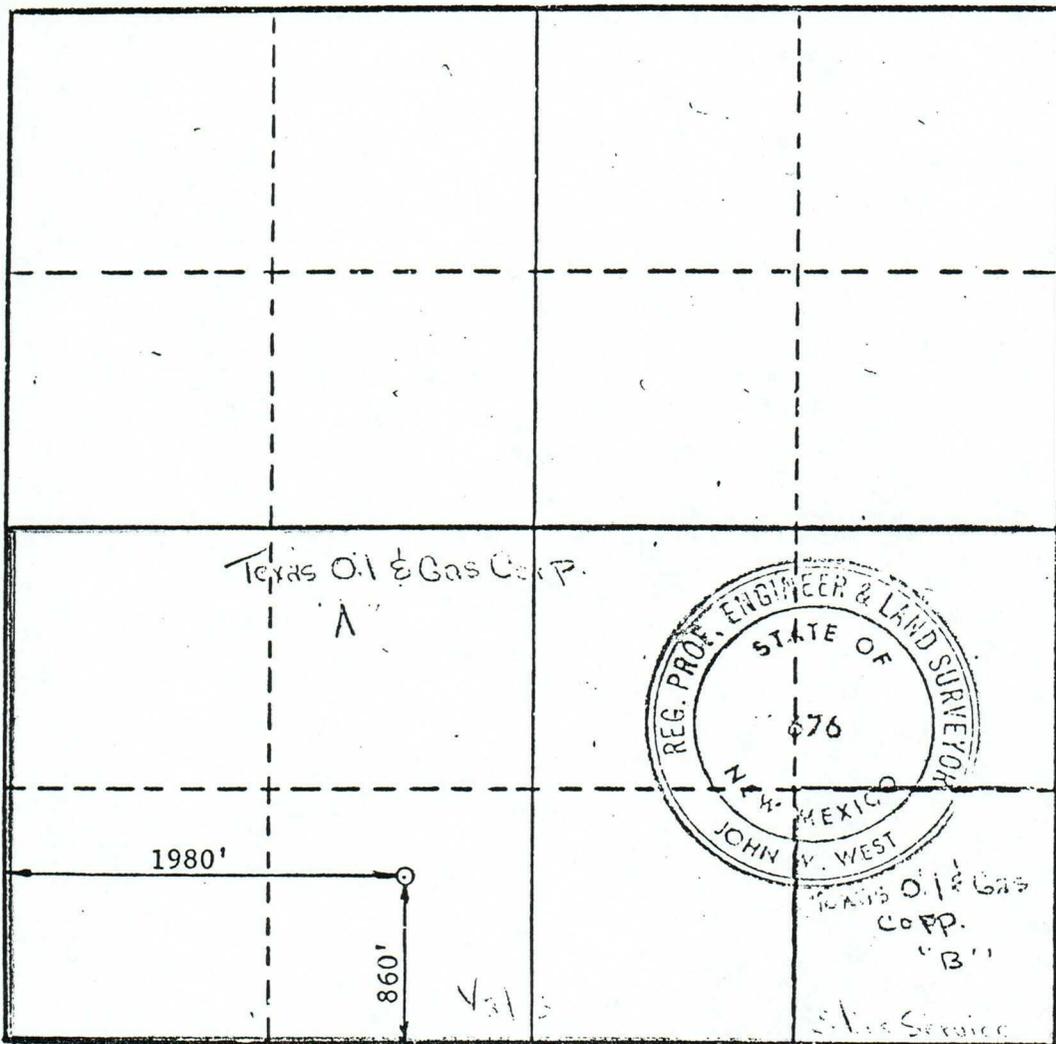
Operator TEXAS OIL & GAS CORP.		Lease YATES FEDERAL		Well No. 1
Unit Letter N	Section 8	Township 20 SOUTH	Range 29 EAST	County EDDY
Actual Footage Location of Well: 860 feet from the SOUTH line and 1980 feet from the WEST line				
Ground Level Elev. 3270	Producing Formation Strawn	Pool Burton Flat	Dedicated Acreage: 320 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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 unitization

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

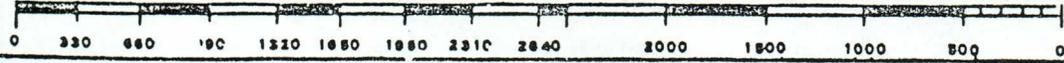
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name John W. West
 Position REGISTERED PROFESSIONAL ENGINEER
 Company TEXAS OIL & GAS CORP.
 Date 7-20-73

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

Date Surveyed JULY 26, 1973
 Registered Professional Engineer and/or Land Surveyor

John W. West
 Certificate No. 676



OIL CONSERVATION DIVISION

2040 South Pacheco

Santa Fe, NM 87505

Submit to Appropriate District Office

District I
PO Box 1980, Hobbs, NM 88241-1980

District II
1 S. 1st Street, Artesia, NM 88210-2834

District III
1000 Rio Brazos Rd., Aztec, NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

RECEIVED
2000 MAR -31 A 11:55
AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

BUREAU OF LAND MGMT.
ADDRESS RESOURCE AREA

EAST BURTON FLAT (MORROW)

¹ API Number 30-015-20926		² Pool Code	³ Well Name
⁴ Property Code	⁵ Property Name YATES FEDERAL COM		⁶ Well Number 1
⁷ OGRID No. 14021	⁸ Operator Name Marathon Oil Company		⁹ Elevation 3239' KB

¹⁰ Surface Location

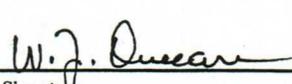
UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County
N	8	20-S	29-E		860	SOUTH	1980	WEST	EDDY

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South Line	Feet from the	East/West line	County

¹² Dedicated Acres 320 ^{5/12}	¹³ Joint or Infill NO	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON--STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>		
	Signature  R. J. LONGMIRE Printed Name DRILLING SUPERINTENDENT Title 2/25/00 Date		
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i>		
	Date of Survey Signature and Seal of Professional Surveyer: Certificate Number		