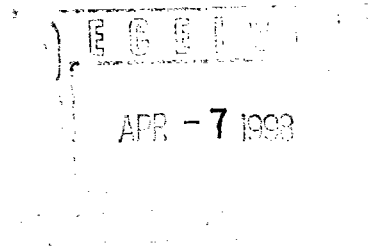




P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

March 31, 1998



New Mexico Oil Conservation Division
Attn: Ben Stone
2080 South Pacheco
Santa Fe, New Mexico 87505

RE: Surface Commingling, Off Lease Measurement and Storage, and Alternative Measurement of hydrocarbon production for North Indian Basin Unit Wells #1, #4, #5, #8, #9 and #31

Dear Mr. Stone:

Marathon Oil Company, as operator of the aforementioned lease, respectfully requests administrative approval for the surface commingling, off lease measurement and storage, and alternative measurement of hydrocarbon production from the North Indian Basin Unit Wells listed above. It is requested that surface commingling of North Indian Basin Unit Wells #1, 4, 5, 8, & 9, which produce from the Indian Basin Upper Penn Gas Pool, and North Indian Basin Unit Well #31, which will be drilled in the South Dagger Draw Upper Penn Associated Pool, be approved. This will involve Federal Lease Nos. NM05608, NM 1832, NM 51107, and NM 05551, Unit Designation Number 891008508-O, and State Lease No. E-10170. The wells have common ownership including working interest owners, royalty interest owners, and overriding royalty interest owners. Marathon has made notification to all parties owning an interest in these leases, including the liquid hydrocarbon purchaser, of the intent to commingle this production. Attached, as part of this application, is a copy of the letter submitted, by certified mail, to each interest owner and the purchaser, and a copy of the sundry notice that was sent to the Bureau of Land Management along with all its attachments.

Marathon proposes to modify an existing satellite facility where the production from these wells will be gathered. This satellite facility is located at UL "M", Section 10, T-21-S, R-23-E, Eddy County, New Mexico. This facility, after modification, will consist of a 3-phase gross production separator and a 3-phase test separator for gathering and metering the production from these six wells. The gas will be metered, compressed, processed through a dehydrator, metered again, and then transported to the Indian Basin Gas Plant (UL "G", Section 23, T-21-S, R-23-E, Eddy County, NM) for further processing. After processing, the gas and NGLs will be metered and sold at the tail-gate of the plant. Liquid hydrocarbon and water production will be measured using turbine meters as the Alternative Measurement Method. These meters will

be proved on a regular schedule. The liquid hydrocarbon production will then be sent, via pipeline, to the Storage and Measurement Facility located at the Indian Basin Gas Plant where it will be processed and sold through a LACT unit. The water production will be sent to a storage tank on the satellite facility and then injected into various water disposal wells. All production will be allocated to wells based on monthly well tests and using previously approved methods of lease allocation.

The attached drawings illustrate the proposed separation equipment and the proposed flow of production from the wellhead to the satellite facility. There is also a map of the area attached.

If you require any additional information concerning this application, please call Ginny Larke at (915) 687-8449. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "A. B. Schoffmann", followed by a long horizontal line extending to the right.

A. B. Schoffmann
Indian Basin Asset Team Manager

ABS/vll/wperfect\st210ocd.wpd

Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.

Use "APPLICATION FOR PERMIT - " for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Marathon Oil Company

3. Address and Telephone No.

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

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

SECTIONS 9, 10, AND 16
T-21-S, R-23-E

5. Lease Designation and Serial No.

SEE ATTACHMENT

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

SEE ATTACHMENT

8. Well Name and No.

SEE ATTACHMENT

9. API Well No.

SEE ATTACHMENT

10. Field and Pool, or exploratory Area

INDIAN BASIN UP, PENN & S.
DAGGER DRAW UP, PENN ASSOC.

11. County or Parish, State

EDDY NM

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

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other MEASUREMENT, COMMINGLE
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion in Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

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 commingling of liquid hydrocarbons.

As required by CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of off-lease measurement, commingling, and sales of gas.

Production from the Indian Basin Upper Penn Gas Pool and the South Dagger Draw Upper Penn Associated Pool will be gathered into a common separator at the satellite facility. Both liquid hydrocarbons and gas will be transported, by separate pipelines, to the Marathon Oil Company Indian Basin Gas Plant, (SW/NE, UL "G", Section 23, T-21-S, R-23-E, Eddy County, NM), for further processing and sales.

Turbine meters will be used for the Alternate Method of metering for liquid hydrocarbons per prior approvals.

A FORM IS ATTACHED SHOWING THE LEASES AND WELLS ADDRESSED BY THIS REQUEST AS WELL AS A MORE DETAILED DESCRIPTION OF THE FLOW AND ALLOCATION OF PRODUCTION.

14. I hereby certify that the foregoing is true and correct

Signed

Gunny Lark

Title Engineer Technician

Date 3-31-98

(This space for Federal or State office use)

Approved by

David R. Glass

Title

PETROLEUM ENGINEER

Date

APR 02 1998

Conditions of approval, if any:

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.

* See Instruction on Reverse Side

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APR 06 1998

INDIAN BASIN ASSET TEAM
MID-CONTINENT REGION

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, Off Lease Storage & Measurement and Alternative Measurement Method of hydrocarbon production from the following formations and wells on the Federal and State Leases listed below:

NORTH INDIAN BASIN UNIT; 891008508-O

Indian Basin Upper Penn Gas Pool and South Dagger Draw Upper Penn Associated Pool

<u>Well</u>					<u>Lease</u>	<u>API NO.</u>	<u>Com</u>
<u>No.</u>	<u>UL</u>	<u>Section</u>	<u>TWP</u>	<u>Range</u>	<u>Number</u>	<u>30-015</u>	<u>No.</u>
1	M	10	21-S	23-E	NM05608	10065	NA
4	J	16	21-S	23-E	NM 1832	10558	NA
5	K	9	21-S	23-E	NM51107	10559	NA
8	N	9	21-S	23-E	NM05551	26324	NA
9	K	16	21-S	23-E	E-10170	27917	NA
31	P	10	21-S	23-E	NM05608	30111	NA

Production from the referenced wells is as follows:

<u>WELL NAME & NO.</u>	<u>BCPD</u>	<u>API GRAVITY</u>	<u>MCFD</u>
North Indian Basin Unit #1	12	60.3	3,578
North Indian Basin Unit #4	1	60	1,268
North Indian Basin Unit #5	1	60.3	3,897
North Indian Basin Unit #8	12	60	3,432
North Indian Basin Unit #9	6	42	2,100
North Indian Basin Unit #31	Not Drilled		

The proposed operation is described in detail on the attached diagrams. A map is enclosed showing the 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 are attached which clearly identify all equipment that will be utilized.

The Storage and Measurement facility is located at the Indian Basin Gas Plant, Unit Letter "G", Section 23, T-21-S, R-23-E, Eddy County, New Mexico. A satellite separation and measurement facility is located at UL "M", Sec. 10, T-21-S, R-23-E. The BLM will be notified of any change in facility location.

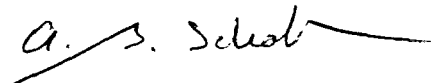
Gas will be measured at the satellite facility using allocation meters. It will then be compressed and transported to the Indian Basin Gas Plant by pipeline. After processing, the gas and NGLs will be metered at the tail-gate of the plant and sold. Liquid hydrocarbon production and water will be measured using turbine meters per prior approvals. These meters will be proved on a regular schedule. Liquid hydrocarbon production will be measured at the satellite facility. It will be sent to the Indian Basin Gas Plant and then sold through a LACT unit. The water will be sent to a storage tank on the Satellite facility and then injected into various water disposal wells per Sundry Notices filed in compliance with Onshore Order No. 7. All production will be allocated to wells based on monthly well tests and using previously approved methods of lease allocation.

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 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 require additional commingling approvals.

Signature

A handwritten signature in black ink, appearing to read "A. B. Schoffmann", with a long horizontal flourish extending to the right.

Name: A. B. Schoffmann

Title: Indian Basin Asset Team Manager

Date: March 31, 1998



Marathon
Oil Company

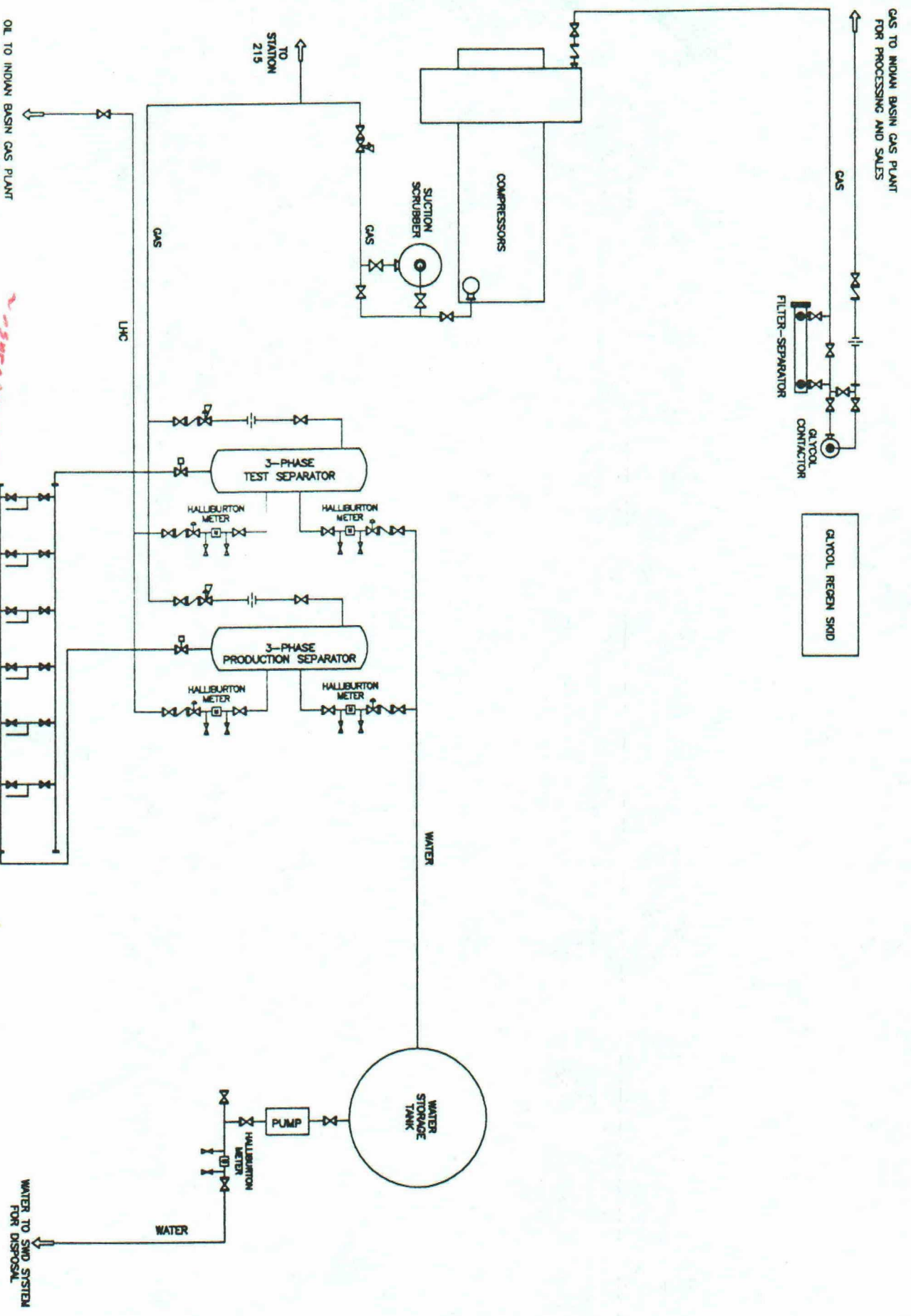
PROPOSED STATION 210
PRODUCTION FACILITY

OIL TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES

Indian Basin

Basin

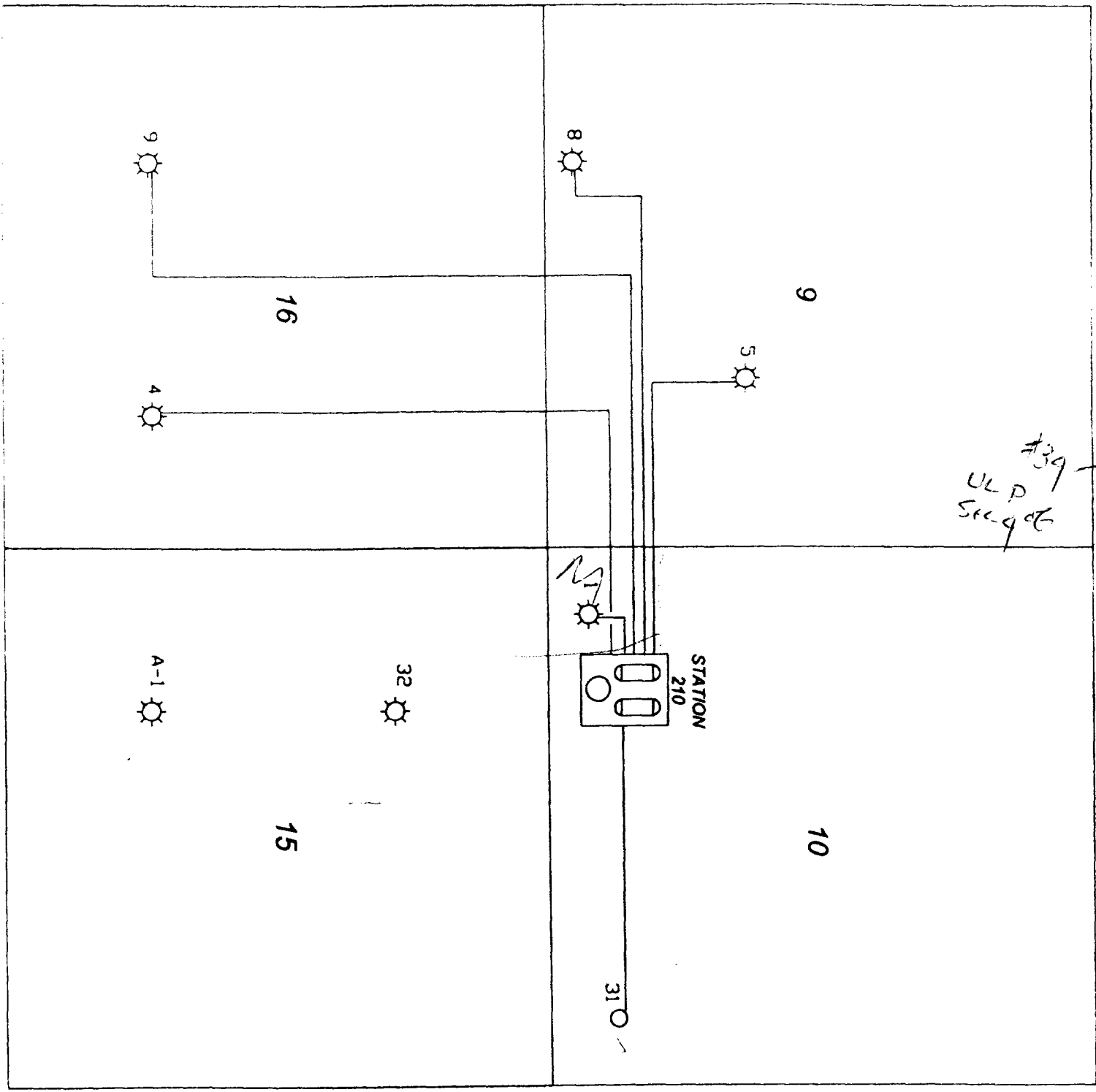
NIBU WELL #1
NIBU WELL #4
NIBU WELL #5
NIBU WELL #8
NIBU WELL #9
NIBU WELL #31

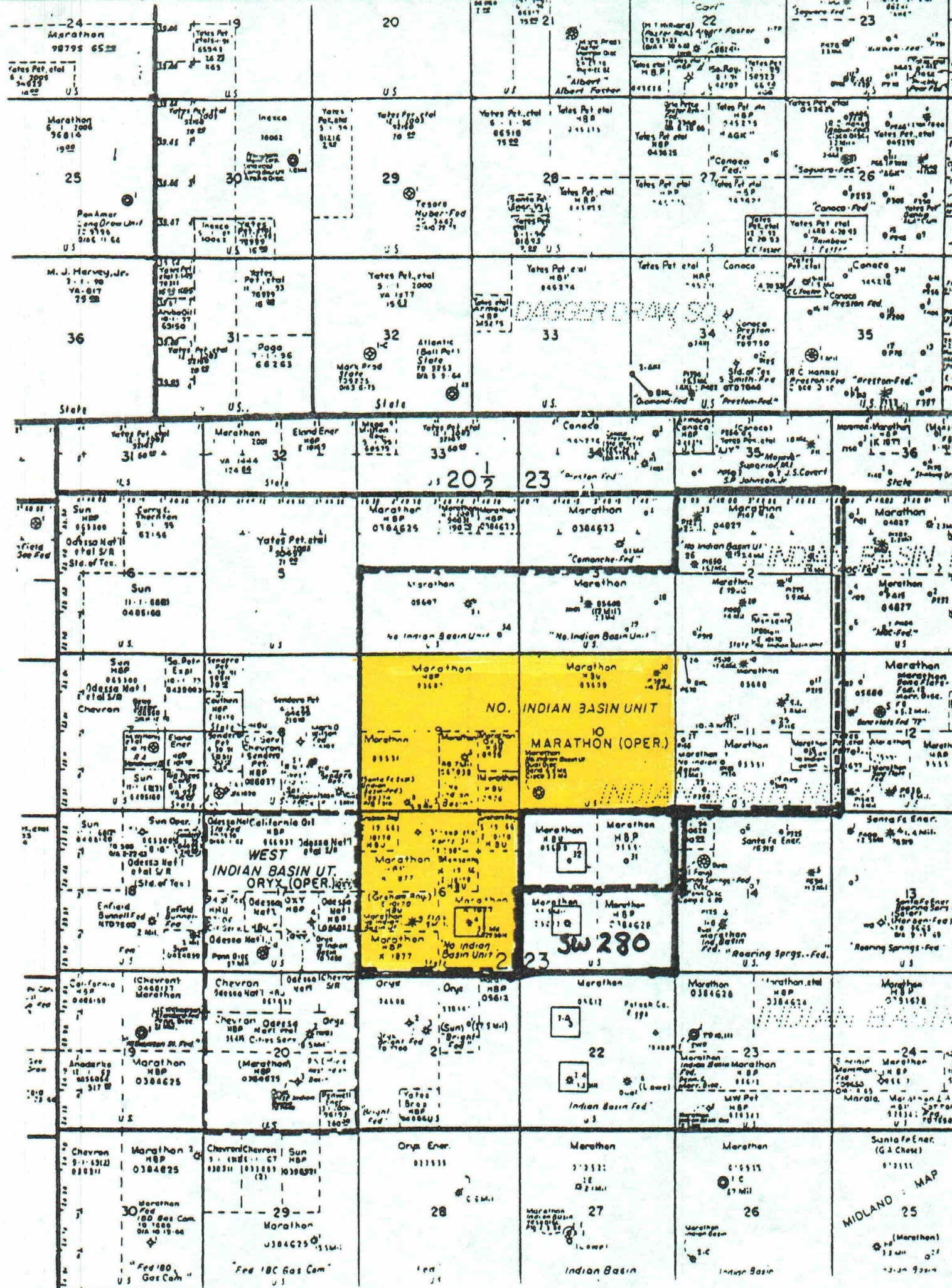


STATION 210
 UL "M", SECTION 10,
 T-21-S, R-23-E
 EDDY COUNTY, NM

6 5 4 3 2 1
 7 8 9

TACHMENT TO APPLICATION
 R SURFACE COMMINGLE, OFF
 ASE MEASUREMENT, STORAGE,
 D SALES, AND ALTERNATIVE
 ASUREMENT METHOD FOR
 RTH INDIAN BASIN UNIT
 ELLS #1, 4, 5, 8, 9, & 31







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

March 31, 1998

State of New Mexico
Commissioner of Public Lands
P. O. Box 1148
Santa Fe, New Mexico 87504-1148

Re: Off Lease Storage, Measurement, and Sales, Surface Commingling, and Alternative Measurement Method of Hydrocarbon Production for North Indian Basin Unit Wells 1, 4, 5, 8, 9, and 31, Sections 9, 10, and 16, T-21-S, R-23-E
Federal Lease Nos.: NM 05608, NM 1832, NM 51107, and NM 05551 and
State Lease No.: E-10170, Unit Designation Number 891008508-O

Gentlemen:

Marathon Oil Company, as operator of the aforementioned lease, respectfully requests administrative approval for the surface commingling, off lease measurement and storage, and alternative measurement of hydrocarbon production from North Indian Basin Unit Wells listed above. It is requested that surface commingling of North Indian Basin Unit Wells #1, 4, 5, 8, & 9, which produce from the Indian Basin Upper Penn Gas Pool, and North Indian Basin Unit Well #31, which will be drilled in the South Dagger Draw Upper Penn Associated Pool, be approved. This will involve Federal Lease Nos. NM05608, NM 1832, NM 51107, and NM 05551, Unit Designation Number 891008508-O, and State Lease No. E-10170. The wells have common ownership including working interest owners, royalty interest owners, and overriding royalty interest owners.

Marathon proposes to modify an existing satellite facility where the production from these wells will be gathered. This satellite facility is located at UL "M", Section 10, T-21-S, R-23-E, Eddy County, New Mexico. This facility, after modification, will consist of a 3-phase gross production separator and a 3-phase test separator for gathering and metering the production from these six wells. The gas will be metered, compressed, processed through a dehydrator, metered again, and then transported to the Indian Basin Gas Plant (UL "G", Section 23, T-21-S, R-23-E, Eddy County, NM) for further processing. After processing, the gas and NGLs will be metered and sold at the tail-gate of the plant. Liquid hydrocarbon and water production will be measured using turbine meters as the Alternative Measurement Method. These meters will be proved on a regular schedule. The liquid hydrocarbon production will then be sent, via pipeline, to the Storage and Measurement Facility located at the Indian Basin Gas Plant where it will be processed and sold through a LACT unit. The water production will be sent to a storage tank on the satellite facility and then injected into various water disposal wells. All

production will be allocated to wells based on monthly well tests and using previously approved methods of lease allocation.

The attached drawings illustrate the proposed separation equipment and the proposed flow of production from the wellhead to the satellite facility. There is also a map of the area attached.

Marathon has made notification to all parties owning an interest in these leases, including the liquid hydrocarbon purchaser, of the intent to commingle this production. Attached, as part of this application, is a copy of the letter submitted, by certified mail, to each interest owner and the purchaser, a copy of the sundry notice that was sent to the BLM, and a check in the amount of \$30.00 for the application fee.

If you require any additional information concerning this application, please call Ginny Larke at (915) 687-8449. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "A. B. Schoffmann", with a long horizontal flourish extending to the right.

A. B. Schoffmann
Indian Basin Asset Team Manager

ABS:\vll\wperfect\st210ocd.wpd

Attachments



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

March 31, 1998

Navajo Refining and Marketing
Attn: Gwenetta Morgan
P. O. Box 159
Artesia, New Mexico 88211

(Certified Return Receipt Requested)

Re: Off Lease Storage, Measurement, and Sales and Commingling
Marathon Lease: North Indian Basin Unit Wells 1, 4, 5, 8, 9, and 31
Including Sections 9, 10, and 16, Township 21 South, Range 23 East
Federal Lease Nos.: NM 05608, NM 1832, NM 51107, and NM 05551 and
State Lease No.: E-10170, Unit Designation Number 891008508-O

Gentlemen:

Marathon Oil Company is proposing commingling and off lease metering, storage and sales of production from the North Indian Basin Unit wells shown above. Production will be gathered and measured at a satellite facility, then the gas and liquid hydrocarbons will be transported to the Indian Basin Gas Plant. The liquid hydrocarbons will be sold through the LACT unit located at the plant. Our records indicate that you are the purchaser of liquid hydrocarbons from this LACT unit. Pursuant to Rule 309-B & C, as set forth by the New Mexico Oil Conservation Division, Marathon Oil Company respectfully requests your company's approval to commingle the production from these wells.

Please indicate your approval by signing in the space below and returning one copy of this letter to this office in the enclosed envelope. The second copy is for your files. Your prompt attention to this matter will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read 'A. B. Schoffman', with a long horizontal line extending to the right.

A. B. Schoffman
Indian Basin Asset Team Manager

ABS/vll/wperfect/statn210\210wiltr.wpd

Approved this ____ day of _____, 1998

Attachments

Printed Name: _____

Title: _____

CompanyName: _____



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

March 31, 1998

Working and Royalty Interest Owners
(Mailing list attached)

(Certified Return Receipt Requested)

Re: Off Lease Storage, Measurement, and Sales and Commingling
Marathon Lease: North Indian Basin Unit Wells 1, 4, 5, 8, 9, and 31
Including Sections 9, 10, and 16, Township 21 South, Range 23 East
Federal Lease Nos.: NM 05608, NM 1832, NM 51107, and NM 05551 and
State Lease No.: E-10170, Unit Designation Number 891008508-O

Gentlemen:

Marathon Oil Company is proposing commingling and off lease metering, storage and sales of production from the North Indian Basin Unit wells shown above. All production will be allocated using regular well tests. Our records indicate that you are an interest owner in one of the subject wells and, as such, pursuant to NMOC rules and regulations, are required to provide your consent to the proposed commingling of production from these wells. Marathon believes that the commingling of production will result in economies of scale that will lower operating costs and benefit all interest owners.

Please indicate your approval by signing in the space below and returning one copy of this letter to this office in the enclosed envelope. The second copy is for your files. Your prompt attention to this matter will be greatly appreciated.

Sincerely,

A handwritten signature in cursive script, appearing to read 'A. B. Schoffman'.

A. B. Schoffman
Indian Basin Asset Team Manager

ABS/vll/wperfect/statn210210wiltr.wpd

Approved this ____ day of _____, 1998

Attachments

Printed Name: _____
Title: _____
Company Name: _____

Sabine Royalty Trust
P. O. Box 830650
Dallas, Texas 75283-0650

The Hill Foundation
Wells Fargo Bank Colorado NA
Trust Natural Resources
P. O. Box 5825
Denver, Colorado 80217-5825

First Century Oil, Inc.
P. O. Box 1518
Roswell, New Mexico 88202-1518

Hugh E. Hanagan
P. O. Box 329
Roswell, New Mexico 88202-0329

Wallace and Vergine Gates Family Trust
Wallace and Vergine Gates, Trustees
310 W. Mescalero, Apartment 3
Roswell, New Mexico 88201-5830

Robert B. Gates and Nada S. Gates Trust
4943 Rustic Trail
Midland, Texas 79707-1420

Helen Gates Maxwell
218 Aldersgate Circle, Givens Estates
Asheville, North Carolina 28803-2044

Virginia Gates Irish
7450 Olivetos Avenue, Apartment 154
La Jolla, California 92037-4902

Sara S. Jones
1203 Vernon Road
Ardmore, Oklahoma 73401-3653

C. John McIntyre
732 Cloyden Road
Palos Verdes Estates, California 90274

Ann H. Stromberg
274 San Luis Place
Claremont, California 91711-1746

Sarann Company
P. O. Box 2208
Ardmore, Oklahoma 73402-2208

Westway Petro
500 N. Akard Street, Lock Box 70
Dallas, Texas 75201-3320

T. C. & June B. Stromberg Revocable Trust
T. C. & June B. Stromberg, Trustees
P. O. Box 2208
Ardmore, Oklahoma 73402-2208

Jon Stromberg
7300 NW Expressway, Suite 133
Oklahoma City, Oklahoma 73132-1545

Mary Adele Stromberg Perry
72 Delmore
Hillsboro, Texas 76645-2357

Hanagan Properties
P. O. Box 1887
Santa Fe, New Mexico 87504-1887

Wheatley Trust Agency
First National Bank of Artesia, Agent
P. O. Drawer AA
Artesia, New Mexico 88211-7526

John W. Gates & Jean M. Gates
Revocable Trust
706 West Grand
Artesia, New Mexico 88210-1935

William H. Stromberg Trust
William H. Stromberg, Trustee
P. O. Box 1412
Ardmore, Oklahoma 73402-1412

Mary Love Stromberg Trust
Mary Love Stromberg, Trustee
P. O. Box 1412
Ardmore, Oklahoma 73402-1412

Robert L. & Jacqueline R. Bergman
Revocable Trust
2515 Gaye Drive
Roswell, New Mexico 88201-3424

Karen K. Stark Barton
2628 SW 45th Street
Oklahoma City, Oklahoma 73119-4611

Mary Lou Gibbs
4115 E. Zion
Tulsa, Oklahoma 74115-3232

Edith Bivins
515 6th Avenue, N.
Caldwell, Idaho 83605-2962

Mary Jane Stark Henderson
347 Hillside Circle
Burleson, Texas 76028-5225

David L. Stark
313 Balsam
Lake Jackson, Texas 77566-6121

Jack D. Stark
RR 1, Box 15A
Fitzhugh, Oklahoma 74843-9705

L. M. Stark
305 Frontera
Borger, Texas 79007-8076

Michael Ray Stark
10805 Highway 253
Fort Smith, Arkansas 72916-4115

W. B. Stark
Rt. 5, Box 328
Bartlesville, Oklahoma 74003-9307

Deborah Ann Stark Wortham
RR 3, Box 531
Tuttle, Oklahoma 73089-9558

Tessa Nicole Stark
Jerry D. Stark, Custodian
906 S. Keeler
Bartlesville, Oklahoma 74003-4743

William Douglass McCoy
19002 Redriver Pass
San Antonio, Texas 78259-3514

Michael Francis McCoy
7524 Kachina Loop
Santa Fe, New Mexico 87505-8425

Laura Ann McCoy Lindsey
512 Nootka Road
Dexter, New Mexico 88230-9613

Brian Patrick McCoy
1708 Meadow Crest Lane
Mansfield, Texas 76063-2941

Kerr Trust MBTO
J. G. Kerr, Jr., Trustee
P. O. Box 1554
Allen, Texas 75013-0026

Leif Olson
2208 Bedford
Midland, Texas 79701-5711

Pioneer Natural Resources USA, Inc.
P. O. Box 3178
Midland, Texas 79702-3178

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OPERATOR'S COPY

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT - " for such proposals

SUBMIT IN TRIPLICATE

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Marathon Oil Company

3. Address and Telephone No.

P.O. Box 552 Midland, TX 79702

915-682-1626

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

UL "P", 660' FSL, 660' FEL
SECTION 4, T-21-S, R-23-E

5. Lease Designation and Serial No.

NM05607

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation
NORTH INDIAN BASIN UNIT

8. Well Name and No.

NORTH INDIAN BASIN UNIT
#34

9. API Well No.

30-015-29296

10. Field and Pool, or exploratory Area

INDIAN BASIN UPPER PENN GAS
POOL

11. County or Parish, State

EDDY

NM

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

TYPE OF SUBMISSION

- ☒ Notice of Intent
☐ Subsequent Report
☐ Final Abandonment Notice

TYPE OF ACTION

- ☐ Abandonment
☐ Recompletion
☐ Plugging Back
☐ Casing Repair
☐ Altering Casing
☒ Other SURFACE COMMINGLE
☐ Change of Plans
☐ New Construction
☐ Non-Routine Fracturing
☐ Water Shut-Off
☐ Conversion to Injection
☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

As required by CFR 3162.7-3 and Onshore Oil and Gas Order No. 5, we are requesting approval of off-lease sales and commingling of gas.

Gas production from this well is measured at the wellhead, transported via pipeline to the suction line of the compressor located at UL "M", Section 10, T-21-S, R-23-E, Eddy County, NM. After compression, the gas is metered again and transported to the Indian Basin Gas Plant. After processing, the gas and NGLs will be metered at the tail-gate of the plant and sold. The production will be allocated to this well based on the meter reading and using previously approved methods of lease allocation.

Please see the attached form, map & battery diagram.

Marathon Oil Company

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

MAY 01 1998

INDIAN BASIN ASSET TEAM
MID-CONTINENT REGION

14. I hereby certify that the foregoing is true and correct

Signed

Ginny Larka

Title Engineer Technician

Date 4-3-98

(This space for Federal or State office use)

Approved by

(ORIG. SGD.) LES BABYAK

Title

PETROLEUM ENGINEER

Date

APR 28 1998

Conditions of approval, if any:

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.

* See Instruction on Reverse Side

CRA BLM FORMAT

**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, Off Lease Storage & Sales of hydrocarbon production from the following formation and well(s) on Federal Lease(s) listed below:

NORTH INDIAN BASIN UNIT WELL NO. 34; 891008580

FEDERAL LEASE NO. NM 05607

FORMATION: Indian Basin Morrow Pool

LOCATION: UL "P", SECTION 4, T-21-S, R-23-E, EDDY COUNTY, NM

<u>Well No.</u>	<u>API No.</u>	<u>BOPD</u>	<u>MCFD</u>	<u>API °</u>
34	30-015-29296	0	335	N/A

The proposed operation is described in detail on the attached diagrams. A map is enclosed showing the 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 are also attached which clearly identify all equipment that will be utilized.

The Storage and Measurement facility is located at Unit Letter "G", Section 23, T-21-S, R-23-E, Eddy County, New Mexico. The satellite facility is located at UL "M", Sec. 10, T-21-S, R-23-E. The BLM will be notified of any change in facility location. Gas is measured at the wellhead, using allocation meters. It is transported, via pipeline, to the satellite facility where it is tied into the suction line of the compressor. After compression, the gas is metered again before being transported to the Marathon Oil Company Indian Basin Gas Plant (SW/NE, Section 23, T21S, R23E) by pipeline. After processing the gas and NGLs are metered at the tail-gate of the plant and sold. There is no measurable liquid hydrocarbon or water production. All production will be allocated to the well based on the meter reading and the previously approved methods of lease allocation.

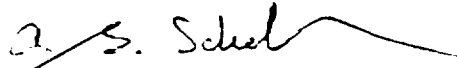
The working interest owners were notified of the original commingling proposal.

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 require additional commingling approvals.

Signature

A handwritten signature in black ink, appearing to read "A. B. Schoffmann", with a long, sweeping horizontal line extending to the right.

Name: A. B. Schoffmann

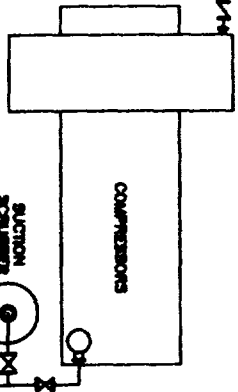
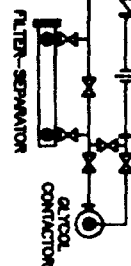
Title: Indian Basin Asset Team Manager

Date: April 3, 1998

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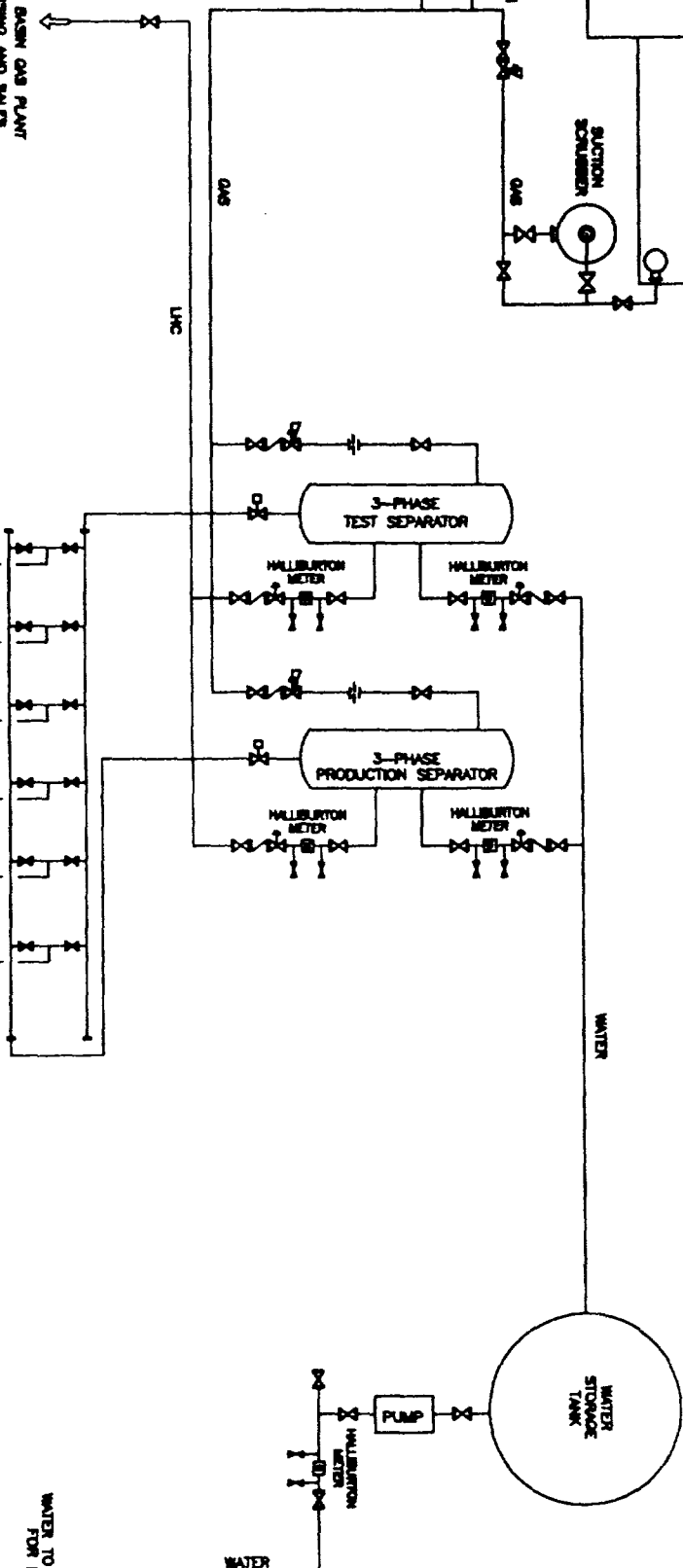
Attachments

GAS TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES

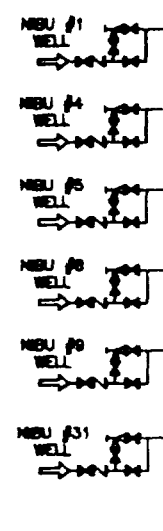


FROM
NORTH INDIAN BASIN
UNIT WELL NO. 34
TO
STATION
210

OR TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES



PROPOSED STATION 210
PRODUCTION FACILITY



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

Bureau of Land Management
Roswell District
2909 West Second Street
Roswell, New Mexico 88201
505-627-0272

Off-Lease Measurement, Storage, and Surface Commingling Conditions of Approval

Approval of surface commingling and off-lease storage and/or measurement is subject to the following conditions of approval:

1. This agency shall be notified of any change in sales method or location of the facility.
2. This agency shall be notified of any spill or discharge as required by NTL-3A.
3. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
4. This approval is subject to like approval by the New Mexico Oil Conservation Division.
5. Additional wells and/or leases require additional commingling approvals.
6. This approval does not constitute right-of-way approval for any off-lease activities. Within 30 days, an application for right-of-way approval must be submitted to the Realty Section if not already done.



PLC

4/27/98

State of New Mexico
Commissioner of Public Lands

RAY POWELL, M.S., D.V.M.
COMMISSIONER

310 OLD SANTA FE TRAIL P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

(505) 827-5760
FAX (505) 827-5766

April 8, 1998

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

APR 14 1998

OIL CONSERVATION DIVISION

Attn: Mr. A. B. Schoffmann

Re: Surface Commingling Application and Off-Lease Storage and Measurement and Alternative Measurement
Method of Hydrocarbon Production
North Indian Basin Unit Well Nos. 1, 4, 5, 8, 9, and No. 31
Sections 9, 10 and 16-21S-23E
Indian Basin Upper Penn Gas Pool and South Dagger Draw Upper Penn Associated Pools
Eddy County, New Mexico

Dear Mr. Schoffmann:

We have received your letter of March 31, 1998, wherein you requested our approval for surface commingling, off-lease measurement and storage and alternative measurement of hydrocarbon production from the above-captioned wells.

Since it appears that there will be no loss of revenue to the State of New Mexico's beneficiaries as a result of your proposed operation, your request is hereby approved. Our approval is given with the understanding that the Commissioner of Public Lands reserves the right to amend or withdraw his approval, should this operation prove to be unprofitable to the state at any time in the future. Also, our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.


Please submit a copy of the New Mexico Oil Conservation Division's and the Bureau of Management's approval.

Your \$30.00 filing fee has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

RAY POWELL, M.S., D.V.M.
COMMISSIONER OF PUBLIC LANDS

BY: 
JAMI BAILEY, Director
Oil, Gas and Minerals Division
(505) 827-5744

RP/JB/cpm

pc: Reader File

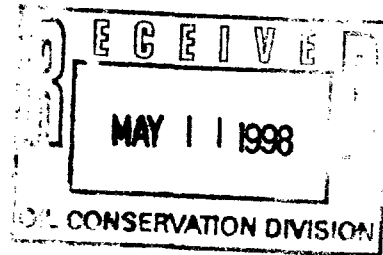
OCD--Mr. David Catanach, Mr. Ben Stone

BLM



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

May 8, 1998



New Mexico Oil Conservation Division
Attn.: Mr. Ben Stone
2040 South Pacheco Street
Santa Fe, New Mexico 87505

RE: Amendment to request for permit to surface commingle production from North Indian Basin Unit wells No. 1, 4, 5, 8, 9, and 31

Dear Mr. Stone:

Please amend the request for permit to surface commingle the above mentioned wells as follows:

Include gas production from the North Indian Basin Unit Well No. 34. Attached you will find a copy of Form 3160-5 approved by the BLM on 4/28/98. I am also sending a copy of Form 3160-5 that was attached to the original permit request. The original permit request should be in your "pending file," and the cover letter was dated 3/31/98.

This request is being made pursuant to our telephone conversation of May 8, 1998. If you need more information, or if you have any questions, please do not hesitate to call me at 915-687-8449. Thank you for your help and your prompt attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads 'Ginny Larke'.

Ginny Larke

vll/wperfect/amend210.wpd

Attachments