



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88202

IN REPLY REFER TO:
3160(06300)

AUG 10 2000

Re: North Indian Basin Well No. 32

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

Gentleman:

It has come to our attention that you are reporting production from the subject well to the North Indian Basin Upper Penn Participating Area. The well is located in sec. 15, T21S, R23E, Eddy County, New Mexico. The spacing for the well is 640 acres, which includes lands within the North Basin Unit, the N1/2 and lands outside the unit, the S1/2 of section 15.

Section 15 is communitized for the Upper Penn Formation. under CA SW-280 and all production from wells completed in the Upper Penn Formations in section 15 are to be reported to the Communitization Agreement. You are hereby requested to report the production from the North Indian Basin well No. 32 to Communitization Agreement SW-280.

If you have any questions please call Armando Lopez at (505) 627-0248.

Sincerely,

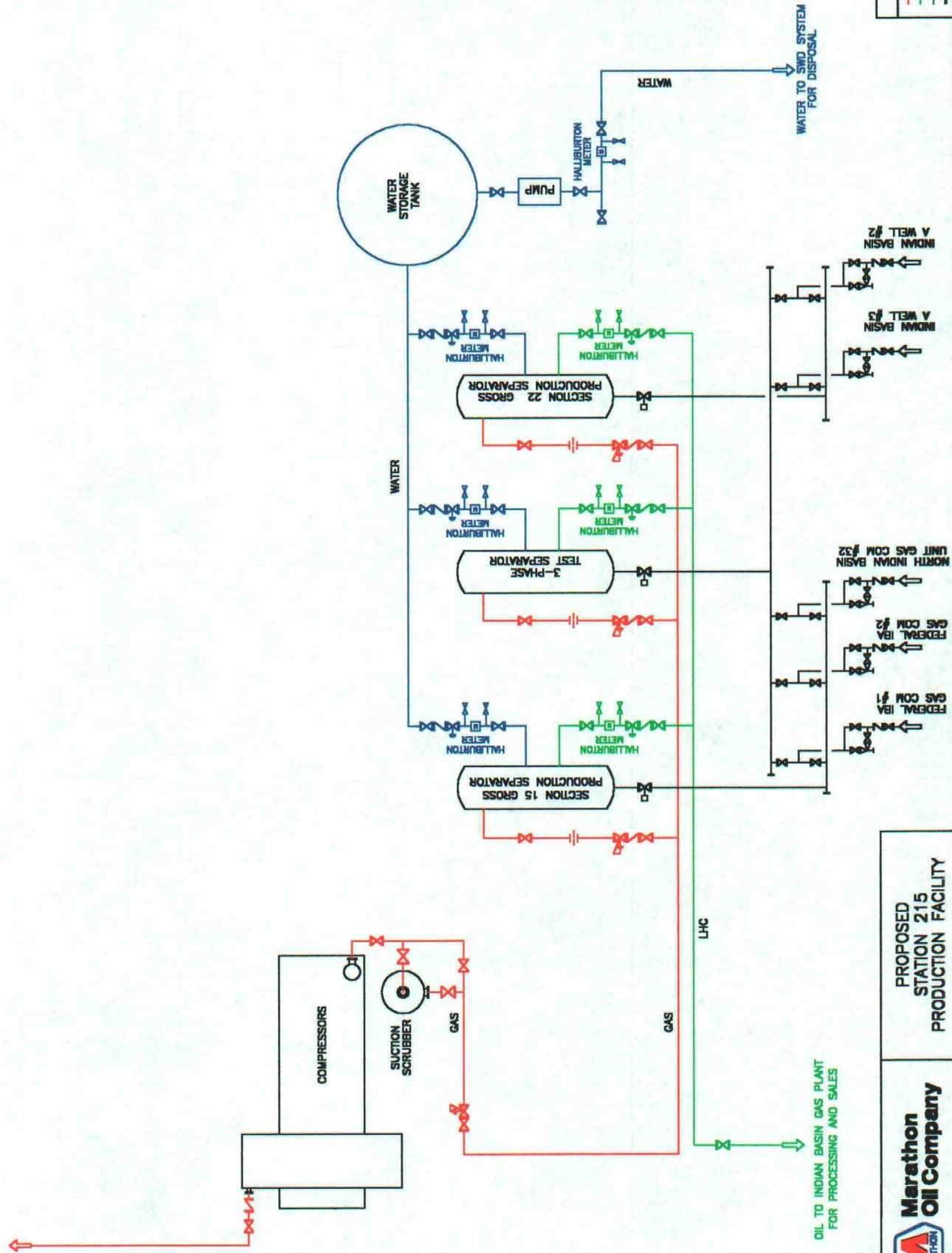
Larry D. Bray
Assistant Field Manager,
Lands & Minerals Division

RECEIVED

AUG 11 2000

MARATHON OIL COMPANY
MCR LAND DEPARTMENT

GAS TO INDIAN BASIN GAS PLANT
FOR PROCESSING AND SALES



PROPOSED
STATION 215
PRODUCTION FACILITY

LEGEND
GAS PIPING
LHC PIPING
WATER PIPING
LHC-WATER PIPING

SOUTH DAGGER DRAW UPPER
PENN ASSOCIATED GAS POOL

INDIAN BASIN UPPER PENN GAS POOL

COM Agreement
SW-280

STATION 215
UL "K", SECTION 15,
T-21-S, R-23-E
EDDY COUNTY, NM

Marathon Oil Co. North Indian Basin Unit Gas Com Lease

15

STATION
215

COM Agreement
SW-280

Marathon Oil Co. Federal "IBA" Gas Com Lease

Marathon Oil Co. North Indian Basin Unit Lease

T-21-S

--- POOL BOUNDARY LINE

— NORTH INDIAN BASIN UNIT BOUNDARY

ATTACHMENT TO APPLICATION
FOR SURFACE COMMINGLE,
OFF LEASE MEASUREMENT,
STORAGE, AND SALES, AND
ALTERNATIVE MEASUREMENT
METHOD

Marathon Oil Co. Indian Basin "A" Lease

Oryx Bright Federal Lease

R-23-E

DAGGER DRAY SC

NO. INDIAN BASIN UNIT
MARATHON (OPER.

WEST
INDIAN BASIN UT.
ORYX (OPER.)

Sw 280

MIDLAND MAP
25



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

August 15, 2000

Working and Royalty Interest Owners
(Mailing List Attached)

Re: Amendment of Off-Lease Storage, Measurement, Sales and Commingling Agreement

Leases Affected: North Indian Basin Unit Gas Com (SW-280)
Federal IBA Gas Com (SW-280)
Indian Basin "A", #2 & #3 wells only (NM 05612A)
Sections 15 and 22 of T-21-S, R-23-E, Eddy County, New Mexico

Gentlemen:

Marathon Oil Company is proposing to amend the Off-Lease Storage, Measurement, Sales and Commingling Agreement that covers the above named leases. Marathon proposes to amend the agreement so that all production from the wells in Section 15 are measured by one 3-phase production separator, the 2 wells from Section 22 are measured by another 3-phase production separator and the production allocated back to each well using well tests. A copy of the complete application is attached and explains the proposed operation in detail. Our records indicate that you are an interest owner in one of the subject leases and, as such, pursuant to NMOCD rules and regulations, are required to provide your consent to this amendment before we may proceed.

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 black ink, appearing to read 'K. Tatarzyn'.

Kenneth W. Tatarzyn
Indian Basin Asset Team Manager

Approved this _____ day of _____, 2000.

Signature: _____

Printed Name: _____

Title: _____

Company Name: _____

Mary Jane Clingman
4416 McFarlin Blvd
Dallas, TX 75205-1631

Southwest Royalties, Inc.
P. O. Box 970613
Dallas, TX 75397-0613

Sabine Royalty Trust
Bank of America NA Escrow Agent
LBX 840887
Dallas, TX 75284-0887

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

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

Thelma G. Thompson
P. O. Box 1576
Uvalde, TX 78802-1576

Hugh E. Hanagan
P. O. Box 1737
Roswell, NM 88202-1737

Wallace and Vergine Gates Family Trst
Wallace and Vergine Gates Trustees
310 W. Mescalero, Apt. 3
Roswell, NM 88201-5830

Helen Gates Maxwell
218 Aldersgate Circle, Givens Ests.
Asheville, NC 28803-2044

Virginia Gates Irish
7450 Olivetos Ave., Apt. 154
La Jolla, CA 92037-4902

Sara S. Jones
1203 Vernon Rd.
Ardmore, OK 73401-3653

C. John McIntyre
732 Cloyd Road
Palos Verdes Estates, CA 90274-1833

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

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

Vol L. Boswell, Trustee Tag Trust B
of Ann Kennedy Winslow, Decd
2825 E. Skelly Dr., Ste 825
Tulsa, OK 74105-6250

Westway Petro
500 N. Akard St., Ste. 200
Dallas, TX 75201-6615

T. C & June B. Stromberg Revtr
T. C & June B. Stromberg Trustees
P. O. Box 2208
Ardmore, OK 73402-2208

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

Mary Adele Stromberg Perry
123 Beachview Way
Runaway Bay, TX 76426-9740

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

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

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

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

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

Robert L. Bergman and
Jacqueline R. Bergman Revocable Tr
2515 Gaye Drive
Roswell, NM 88201-3424

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

Michael Francis McCoy
P. O. Box 104
Golden Meadow, LA 70357-0104

Laura Ann McCoy Lindsey
512 Nootka Rd.
Dexter, NM 88230-9613

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

Mildred Mae Parker Olson Estate
Jimmie L. Olson Domiciliary Foreign
Personal Representative
2702 56th Street
Lubbock, TX 79413-4916

Gates Properties, LTD
P. O. Box 81119
Midland, TX 79708-1119

Nortex Corporation
1514 Louisiana, Suite 3100
Houston, TX 77002-7353

Pioneer Natural Resources USA, Inc.
P. O. Box 840835
Dallas, TX 75284-0835

Devon Energy Production Company LP
P. O. Box 843559
Dallas, TX 75284-3559



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

August 15, 2000

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 Well 32, and Federal IBA Gas Com Well 1 and 2, Section 15, T-21-S, R-23-E, and Off Lease Storage, Measurement, and Sales and Alternative Measurement Method of Hydrocarbon Production for Indian Basin "A" Wells 2 and 3, Section 22, T-21-S, R-23-E
Federal Lease Nos.: NM 05612A, NM 0384628, NM 5608, and Com Agreement SW-280

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 wells listed above. It is requested that surface commingling of North Indian Basin Unit Well #32 and the Federal IBA Gas Com Well #1, which produce from the Indian Basin Upper Penn Gas Pool, and Federal IBA Gas Com Well #2, which produces from the South Dagger Draw Upper Penn Associated Pool, be approved. This will involve Federal Lease Nos. NM 05612A, NM 0384628, NM 5608, and Com Agreement SW-280. 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 "K", Section 15, T-21-S, R-23-E, Eddy County, New Mexico. This facility, after modification, will consist of two 3-phase gross production separators and a 3-phase test separator for gathering and metering the production from these five wells. One production separator will measure the two Indian Basin "A" wells, the other will measure the Federal IBA Gas Com #1 & #2 and the North Indian Basin Gas Com #32 wells. The gas will be metered and compressed 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 metered again and sold through a LACT unit. The water production will be sent to a storage tank on the satellite facility

location and then injected into various water disposal wells per prior approvals. All production will be allocated to wells based on monthly well tests and using the lease allocation formula shown in the attachments.

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 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, a copy of the sundry notice that was sent to the BLM with all its attachments, 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) 687-8432. Thank you for your consideration of this request.

Sincerely,

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

Ginny Larke
Engineer Technician
Indian Basin Asset Team

Attachments