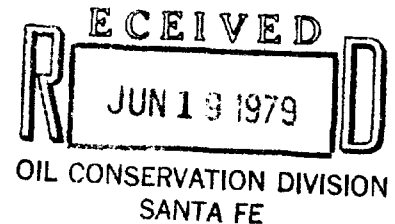




P.O. Box 2409
Hobbs, New Mexico 88240
Telephone 505/393-7106

June 18, 1979

New Mexico Oil Conservation Commission
P.O. Box 2088
Santa Fe, NM 87501



ATTENTION: Mr. Joe D. Ramey, Secretary-Director

Re: On Lease Commingling, Marathon Oil Company
C. J. Saunders Lease, Drinkard Field
Lea County, New Mexico

Gentlemen:

Marathon Oil Company respectfully requests administrative approval of an exception to Rule 303-A of the New Mexico Oil Conservation Commission Rules and Regulations to permit the on-lease, surface commingling of liquid hydrocarbons produced from the Blinebry and Drinkard formations on the C. J. Saunders Lease. This lease is described as the North half of the Northwest quarter of Section 1, Township 22-South, Range 36-East.

Attached hereto is a plat showing the wells on the subject lease, the offset wells, and the pools that each well on the subject lease are completed in. Also attached is a diagrammatic sketch of the proposed commingling facility showing it to be of an acceptable design in accordance with the Commission's "Manual for the Installation and Operation of Commingling Facilities."

Currently, Well No. 3 utilizes a single pumping unit installation producing from the Drinkard formation. Upon approval to surface commingle, we will isolate the Drinkard and perforate and stimulate the Blinebry. The Blinebry will then be tested separately. It is anticipated that the Blinebry will require artificial lift and that a pumping unit will be utilized to accomplish this.

All wells operated by Marathon on the subject lease are marginal producers. Shown below are the average daily liquid hydrocarbon production from each zone of each well.

Pool	Well No.	Top Allowable (BOPD)	Daily Average Liquid Hydrocarbon Production (B/O)
Eumont Gas	1	Gas allowable	0
Grayburg Oil	2	80	20
Drinkard Oil	3	142	32
Blinebry Oil	3	107	35*

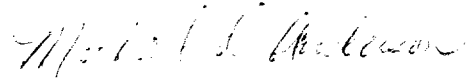
* estimated initial average daily oil production.

It is not anticipated that the mixing of the liquid hydrocarbon will effect the income from this lease.

The ownership of the wells operated by Marathon on the subject lease along with the royalty ownership are common throughout.

To allocate production to the proper well and pool, Marathon proposes to monitor each completion producing potential by periodic well tests.

Very truly yours,



Michael D. Anderson
Production Engineer

MDA:1bp



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 1157
Hobbs, New Mexico 88240

June 13, 1979

Marathon Oil Company
P. O. Box 2409
Hobbs, New Mexico 88240

Gentlemen:

Your letter of June 12, 1979, requests approval to surface commingle oil production from the Blinbry and Drinkard formations on the C. J. Saunders lease in sec. 1, T. 22 S., R. 36 E., Lea County, New Mexico, lease Las Cruces 046295.

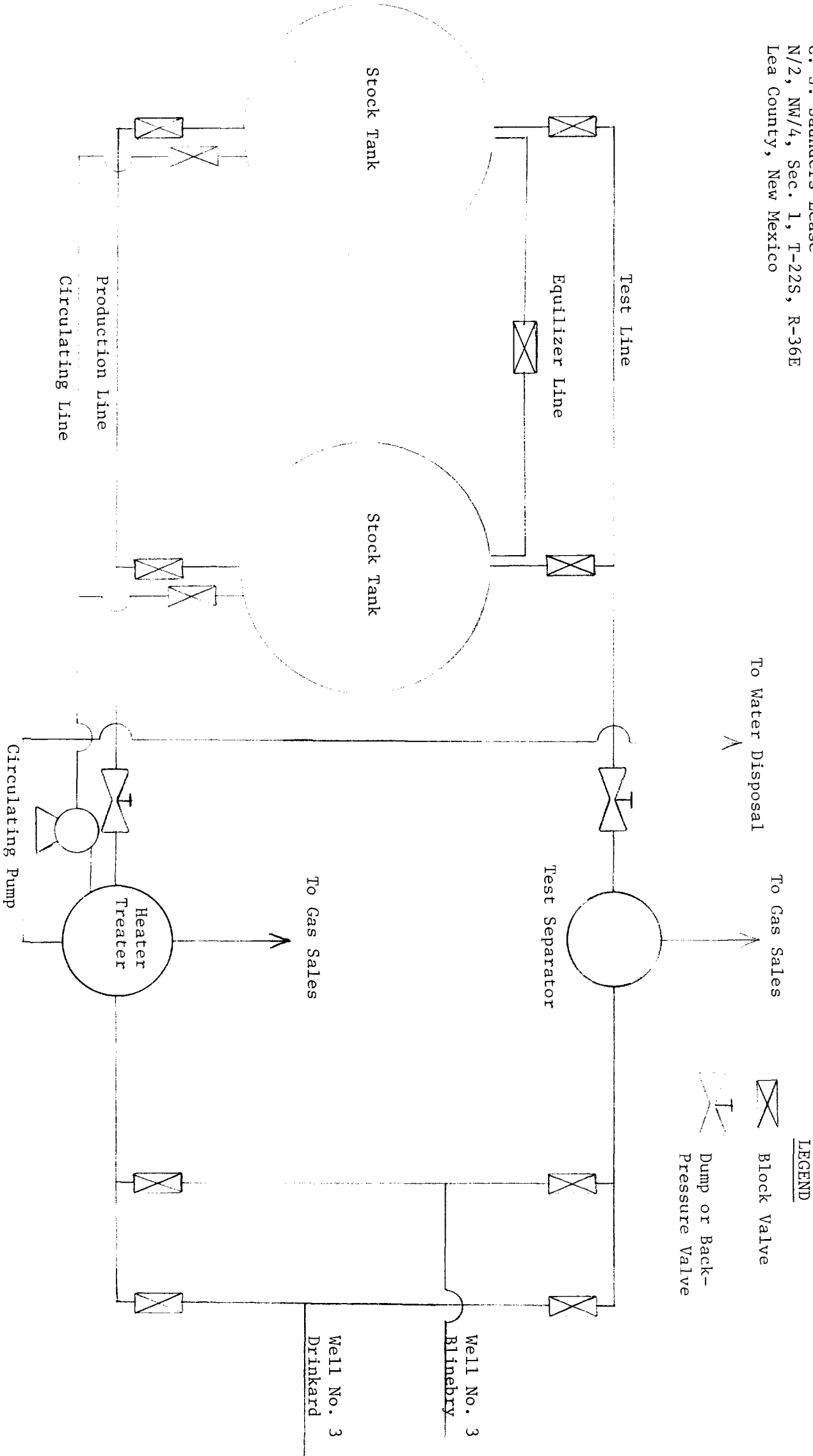
This office has no objection to the above proposed commingling.

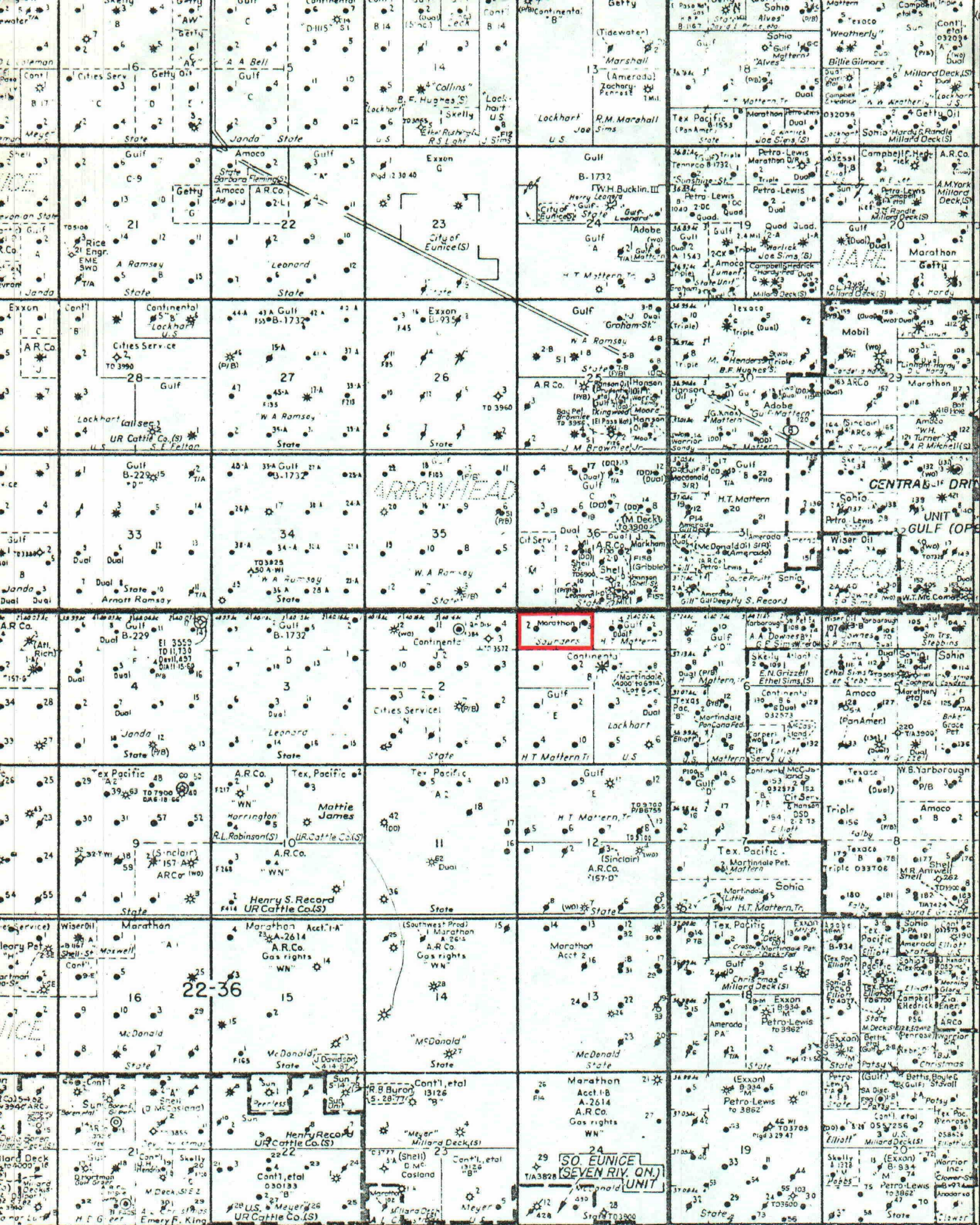
Sincerely yours,

James F. Sims
James F. Sims
District Engineer



MARATHON OIL COMPANY
Schematic Diagram of Proposed
Blinebry-Drinkard Commingled Tank Battery
C. J. Saunders Lease
N/2, NW/4, Sec. 1, T-22S, R-36E
Lea County, New Mexico





MARATHON OIL COMPANY

Plat of Subject Lease and
Offset Walls with Subject
Lease Wells Producing Zones
C. J. Saunders Lease
N/2, NW/4, Sec. 1, T-22S, R-36E
Lea County, New Mexico

WELL NO. PRODUCING ZONE

- 1 Eumont Gas
- 2 Grayburg Oil
- 3 Blinbry Oil*
- Drinkard Oil

* To be completed upon
approval to commingle