

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

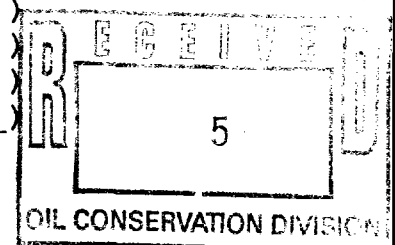
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY)
 THE OIL CONSERVATION DIVISION FOR THE)
 PURPOSE OF CONSIDERING:)

CASE NO. 11,088

APPLICATION OF MARATHON OIL COMPANY TO)
 REOPEN CASE 11,088 AND TO AMEND ORDER)
 NO. R-10,198, INDIAN BASIN-UPPER)
 PENNSYLVANIAN GAS POOL, EDDY COUNTY,)
 NEW MEXICO)

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGSEXAMINER HEARING

BEFORE: MICHAEL E. STOGNER, Hearing Examiner

July 11th, 1996

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, MICHAEL E. STOGNER, Hearing Examiner, on Thursday, July 11th, 1996, at the New Mexico Energy, Minerals and Natural Resources Department, Porter Hall, 2040 South Pacheco, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

* * *

STEVEN T. BRENNER, CCR
 (505) 989-9317

I N D E X

July 11th, 1996
Examiner Hearing
CASE NO. 11,088

PAGE

REPORTER'S CERTIFICATE

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A P P E A R A N C E S

FOR THE APPLICANT:

KELLAHIN & KELLAHIN
117 N. Guadalupe
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
By: W. THOMAS KELLAHIN

* * *

1 WHEREUPON, the following proceedings were had at

2 11:04 a.m.:

3 EXAMINER STOGNER: At this time I'm going to call
4 Case Number 11,088, which is reopened. This is the
5 Application of Marathon Oil Company to reopen said case and
6 to amend Order Number R-10,198 for matters concerning the
7 Indian Basin-Upper Pennsylvanian Gas Pool.

8 At this time I will call for any appearances.

9 MR. KELLAHIN: Mr. Examiner, I'm Tom Kellahin of
10 the Santa Fe law firm of Kellahin and Kellahin, appearing
11 on behalf of the Applicant.

12 EXAMINER STOGNER: Is there any other
13 appearances?

14 Just for the record, do you want to make a
15 statement Mr. Kellahin?

16 MR. KELLAHIN: Yes, sir. It would, I think, be
17 helpful.

18 I'm going to hand you a set of documents that
19 we're taking out of the original presentation of this case
20 when it was heard by you back in September 15th of 1994.
21 I'm going to provide you with the transcript, a set of the
22 exhibits and the Order that was issued.

23 Mr. Examiner, this location was approved based
24 upon a stipulation. The well involved is the Indian Basin
25 "C" Number 2 well, and it is located down in the southwest-

1 southwest corner of Section 28. The offsetting operator at
2 that time in Section 35 was MW Petroleum, Apache. Section
3 35 is now controlled by Marathon. They acquired the Apache
4 interest.

5 As part of the stipulation in the prior case for
6 approval of this Application, you'll find Exhibit 7, which
7 I set aside for you.

8 Exhibit 7 represents a letter agreement between
9 Marathon and Apache, which was the representation by
10 Marathon to Apache that the Indian Basin "C" 2 well at the
11 unorthodox location would be a replacement well for the "C"
12 1 well, up in the northwest quarter, which is at a standard
13 location.

14 After acquiring the Apache interest in 35 and
15 upon subsequent study, Marathon would like an opportunity
16 to attempt to produce both wells concurrently. The Order
17 doesn't specifically preclude it, but certainly the
18 testimony and the documents at the prior hearing were made
19 on that representation.

20 So in an abundance of caution, we would like you
21 to re-open this case and modify the Order so that we have
22 specific order approval to produce Wells "C" 1 and "C" 2
23 concurrently, honoring the same penalty factor, the idea
24 being that while "C" 1 has been temporarily abandoned,
25 Marathon wants to put some high submersible pumping

1 equipment in that well and see if there's a chance to
2 obtain some gas production.

3 Mr. Folse is here, if you'd like some testimony
4 on the status of the wells.

5 But I will represent to you that his testimony
6 will be that the Indian Basin "C" 2 well currently produces
7 about a half a million a day and that it is in fact their
8 company's desire to try to recover additional gas
9 production out of the "C" 1 well if you'll grant us that
10 opportunity.

11 And that's our request, sir.

12 EXAMINER STOGNER: Order Number R-10,198
13 stipulates a penalty of -- or an acreage factor -- I'm
14 sorry, let me back up -- assigns the subject 640-acre unit
15 an acreage factor of .65, which would essentially be a
16 penalty of 35 percent on production.

17 MR. KELLAHIN: Yes, sir.

18 EXAMINER STOGNER: Is it my understanding that
19 this order would just be amended to include simultaneous
20 dedication but leave this .65 acre factor assignment to
21 that proration unit?

22 MR. KELLAHIN: Yes, sir, that's our request as of
23 today.

24 EXAMINER STOGNER: I'll take administrative
25 notice of the previous case, of course, since it's being

1 reopened, but I'll also take administrative notice of the
2 well files on that original well, Well Number 1 and Well
3 Number 2.

4 I don't think it will be necessary to present
5 anything at this time. I think the record will probably be
6 sufficient in this matter.

7 As far as the offsets, Apache Corporation was
8 notified?

9 MR. KELLAHIN: Yes, sir, we went ahead and
10 notified them, but we recognize that they were no longer an
11 interest owner.

12 EXAMINER STOGNER: And who was the other party in
13 the original case that objected, or was subject to this
14 case?

15 MR. KELLAHIN: I thought it was just Apache, but
16 let me --

17 EXAMINER STOGNER: That's what I was --

18 MR. KELLAHIN: Let me take a --

19 EXAMINER STOGNER: Me too, but --

20 MR. KELLAHIN: It was just Apache. And they're
21 known by two names. It's MW Petroleum/Apache.

22 EXAMINER STOGNER: Well, that's what's throwing
23 me.

24 MR. KELLAHIN: I apologize for not knowing the
25 relationship, but I've always called them Apache. And then

1 MW Petroleum is, for purposes of this, the same individual.

2 The engineer at the time for Apache was Ms. Ceci
3 Leonard. She's testified in those cases before, and she's
4 the one that approved the stipulated penalty.

5 EXAMINER STOGNER: Okay. So when you refer to
6 the notification in -- Well, where is the notification in
7 this matter at this time?

8 MR. KELLAHIN: I have misspoken. The original
9 notification was to Apache.

10 We did not notify anyone else for the current
11 amendments because all that ownership now is held by
12 Marathon.

13 EXAMINER STOGNER: Did Marathon take over
14 operations in that Section 35? Is there operations
15 currently there, that you know, Mr. Kellahin?

16 MR. KELLAHIN: Perhaps it will help you if I get
17 an affidavit from Marathon with regards to that subject.

18 The map I have shows a plugged and abandoned well
19 in the northwest of 35, but it still shows an active gas
20 well in the southwest quarter of 35.

21 (Off the record)

22 MR. KELLAHIN: Mr. Examiner, Mr. Folse has
23 advised me that in Section 35, which is the former Apache
24 properties, that the well in the northwest quarter of 35 is
25 now a producing Morrow gas well and that in 35 the Indian

1 Basin-Upper Penn gas well is the one that's shown in the
2 southwest of the southwest of 35.

3 So it is under active production by Marathon
4 operation for those two wells.

5 EXAMINER STOGNER: I'll take administrative
6 notice of the well files on those two wells in Section 35.

7 With that, if there's nothing further in reopened
8 Case 11,088, then this matter will be taken under
9 advisement.

10 (Thereupon, these proceedings were concluded at
11 11:15 a.m.)

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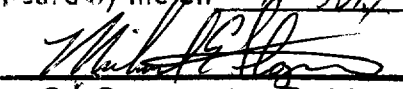
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I do hereby certify that the foregoing is
a complete record of the proceedings in
the Examiner hearing of Case No. 11088 (reopened)
heard by me on 14 July 1996.
, Examiner
Oil Conservation Division

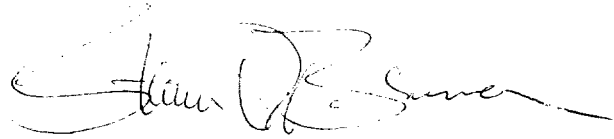
CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL July 17th, 1996.



STEVEN T. BRENNER
 CCR No. 7

My commission expires: October 14, 1998