

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. 11088  
ORDER NO. R-10198

APPLICATION OF MARATHON OIL COMPANY FOR AN UNORTHODOX GAS  
WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 15, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of September, 1994 the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Marathon Oil Company ("Marathon"), seeks approval of an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool to be drilled 990 feet from the South line and 660 feet from the West line (Unit M) of Section 26, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. All of said Section 26, being a standard 640-acre gas spacing and proration unit for the Indian Basin Upper-Pennsylvanian Gas Pool, is to be dedicated to said well.

(3) The proposed well and spacing unit being within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool is subject to the General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Indian Basin-Upper Pennsylvanian Gas Pool, as promulgated by Division Order No. R-8170, as amended, which provides for gas production allocation, 640-acre standard gas spacing and proration units, requires that wells be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary.

*Exhibits 1 through 8  
Complete Set*

(4) According to the testimony presented by the applicant this well is to be a replacement well for its Indian Basin "C" Well No. 1 (API No. 30-015-10332), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 26. This well was drilled to and completed in the Indian Basin-Upper Pennsylvanian Gas Pool in 1963. In May 1994 Marathon shut this well in due to increased water production that made the well no longer a commercially producing gas well.

(5) Evidence was presented to show that the increased water production in said well is the result of the southwesterly migration of this reservoir's gas/water contact and the subsequent water encroachment into the wellbore.

(6) By drilling a replacement well at the desired location the applicant intends to capture the remaining gas reserves underlying the subject acreage before the gas/water contact engulfs the section.

(7) The closest offsetting operator other than themselves is Apache Corporation which controls the 640-acre unit to the south in Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, and as per a signed agreement between both parties dated September 13, 1994, see applicant's Exhibit No. 7 in this case, which should be incorporated by reference into this order, a 35% production penalty for the subject spacing and proration unit is to be incorporated into this order.

(8) The aforesaid production limitation factor should be applied against the well's monthly allowable as set by the Division for the subject pool; this can be accomplished by assigning said 640-acre spacing and proration unit designated to the proposed well an acreage factor of 0.65.

(9) Approval of this application subject to the above provisions and limitations will afford the applicant the opportunity to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise serve to prevent waste and protect correlative rights.

**IT IS THEREFORE ORDERED THAT:**

(1) The application of Marathon Oil Company for an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool is hereby approved for a well to be drilled 990 feet from the South line and 660 feet from the West line (Unit M) of Section 26, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) All of said Section 26, being a standard 640-acre gas spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool, shall be dedicated to said well.

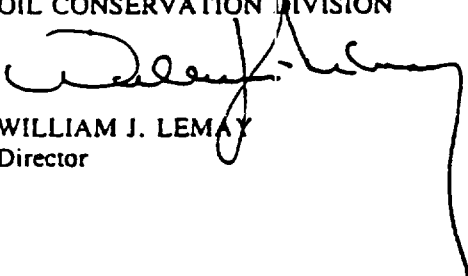
IT IS FURTHER ORDERED HOWEVER THAT:

(3) For allowable purposes, the subject 640-acre unit shall be assigned an acreage factor of 0.65, which shall be applied against the monthly allowable as set by the Division in the Indian Basin-Upper Pennsylvanian Gas Pool

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

S E A L

32°35'00"N

440.000

32°35'00"N

560.000

32°30'00"N

520.000

32°21'00"N

32°21'00"N

104°39'00"W

104°30'00"W

104°25'25"W

BEFORE THE OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO

CASE NO. 11088  
EXHIBIT NO. 1

SUBMITTED BY MARATHON OIL COMPANY  
MARCH 3, 1994

MARATHON  
OIL COMPANY

# INDIAN BASIN

## INDIAN BASIN "C" NO. 2

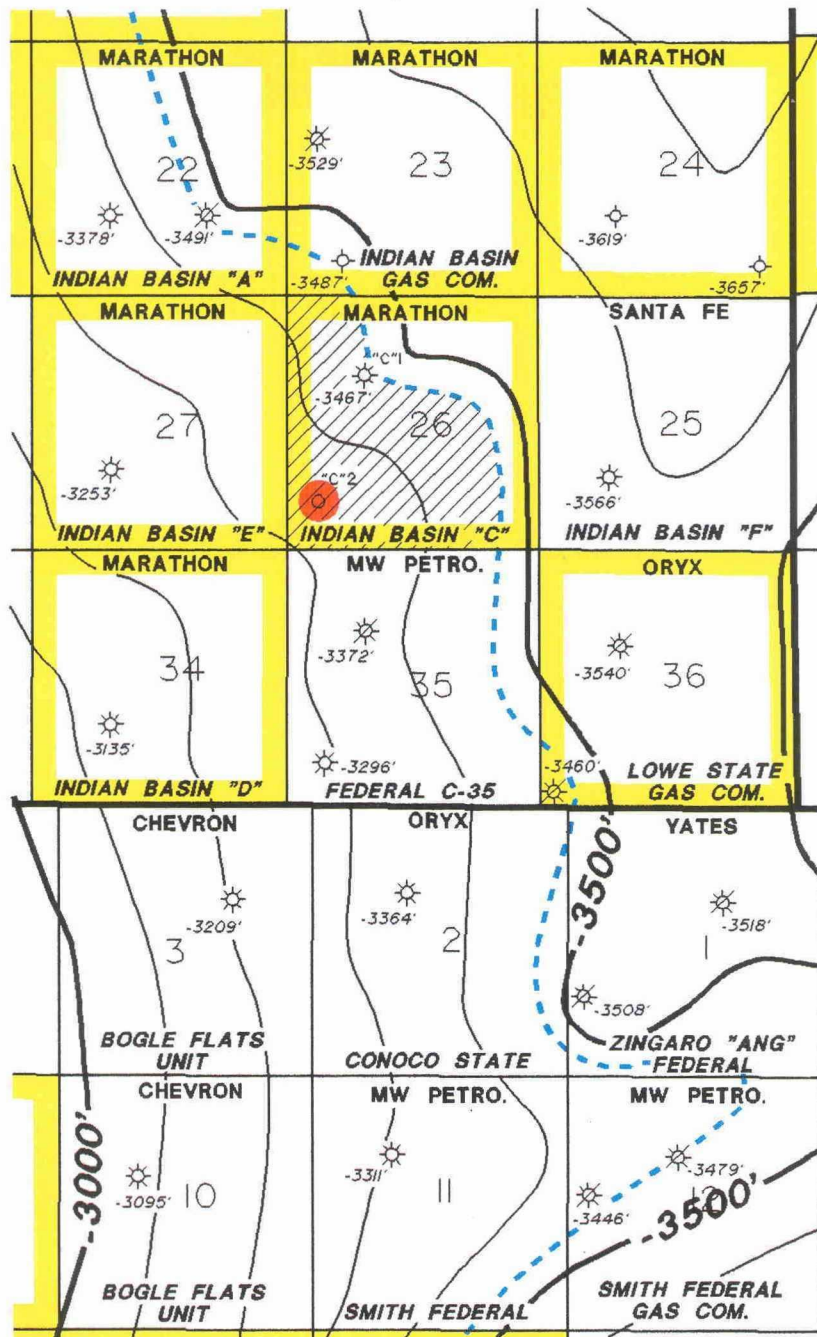
### LOCATION MAP

DATE: 10-1-94	DATE: 10-1-94
AUTHOR: GREGORY	REVIEW:
DATE: 10-1-94	PROJECT: INDIAN BASIN "C" NO. 2
FILE: 10-1-94	FILE: 10-1-94

R 23 E

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21  
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T  
22  
S



ESTIMATED 415  
PRODUCTIVE ACRES

----- APPROXIMATE GWC

BEFORE THE OIL CONSERVATION DIVISION  
SANTA FE, NEW MEXICO

CASE NO. 11088

EXHIBIT NO. 2

SUBMITTED BY MARATHON OIL COMPANY  
SEPTEMBER 15, 1994

MARATHON  
OIL COMPANY

MID-CONTINENT  
REGION

## INDIAN BASIN FIELD AREA

EDDY COUNTY, NEW MEXICO

**T/CISCO CARBONATE  
STRUCTURE MAP**

(MEMBER IN THE UPPER PENN)  
C.I. 100'

ORIGINAL SCALE: 1" = 1000'

DATE: 9/94

AUTHOR: K. MILLER, E. CARLSON

REVISED:

DRAFTED BY:

PROJECT:

FILE LOC.: IBF994.AFE

LARGE FORMAT  
EXHIBIT HAS  
BEEN REMOVED  
AND IS LOCATED  
IN THE NEXT FILE

Is your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"><li>• Complete items 1 and/or 2 for additional services.</li><li>• Complete items 3, and 4a &amp; b.</li><li>• Print your name and address on the reverse of this form so that we can return this form to you.</li><li>• Attach <b>Marathon/Indian</b></li><li>• Write <b>August 23, 1994</b></li><li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li></ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to:  Mr. Thomas C. Lowry, Esq. Marathon Oil Company PO Box 552 Midland, Texas 79702		4a. Article Number <b>321 036 820</b>	
5. Signature (Addressee)		4b. Service Type <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent) <i>Jim Tanker</i>		7. Date of Delivery <b>AUG 25 1994</b>	
		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991 ★U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.



### Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

Sent to

Mr. Thomas C. Lowry, Esq.  
Marathon Oil Company  
PO Box 552  
Midland, Texas 79702

PS Form 3800, June 1991

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

Postmark or Date  
**Marathon/Indian**  
**August 23, 1994**

Is your RETURN ADDRESS completed on the reverse side?

<b>SENDER:</b> <ul style="list-style-type: none"><li>• Complete items 1 and/or 2 for additional services.</li><li>• Complete items 3, and 4a &amp; b.</li><li>• Print your name and address on the reverse of this form so that we can return this form to you.</li><li>• Attach <b>Marathon/Indian</b></li><li>• Write <b>August 23, 1994</b></li><li>• The Return Receipt will show to whom the article was delivered and the date delivered.</li></ul>		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to:  Ceci Leonard Apache Corporation 2000 Post Oak Blvd. Suite 100 Houston, Texas 77056-4400		4a. Article Number <b>321 036 819</b>	
5. Signature (Addressee)		4b. Service Type <input checked="" type="checkbox"/> Registered <input type="checkbox"/> Insured <input type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent) <i>C. Perez</i>		7. Date of Delivery <b>8/25/94</b>	
		8. Addressee's Address (Only if requested and fee is paid)	

PS Form 3811, December 1991 ★U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.



P 321 036 819

### Receipt for Certified Mail

No Insurance Coverage Provided  
Do not use for International Mail  
(See Reverse)

Sent to

Ceci Leonard  
Apache Corporation  
2000 Post Oak Blvd.  
Suite 100  
Houston, Texas 77056-4400

PS Form 3800, June 1991

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$

Postmark or Date  
**Marathon/Indian**  
**August 23, 1994**

09/13/94

SEQID: 59

H2O-Bbl/D  
GAS-Mcf/D  
OIL-Bbl/D

1 INDIAN BASIN C  
UPPER PENN  
MARATHON OIL COMPANY  
26F-21S-23E 226U

OIL-Bbl/D ---  
Ref= 06/94  
Cum= 178.707  
GAS-Mcf/D \*\*\*  
Ref= 06/94  
Cum= 31918  
H2O-Bbl/D \*\*\*  
Ref= 06/94  
Cum= 123.618

1000  
10000

100  
1000

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100

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DATE

80 81 82 83 84 85 86 87 88 89 90 91 92 93 94

Before the Oil Conservation Division  
Santa Fe, New Mexico

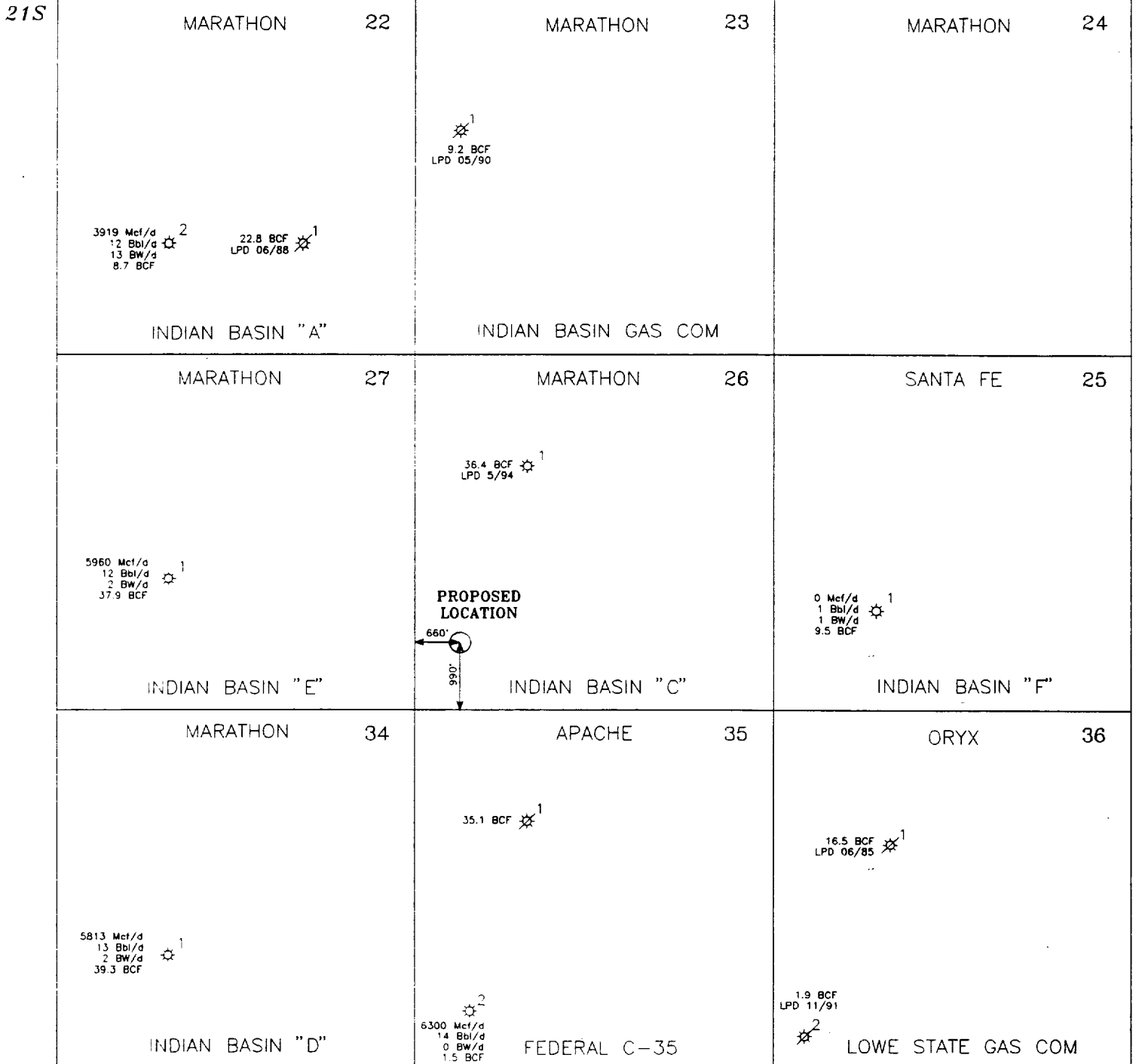
Case No. 11084

Exhibit No. 4

Submitted by Marathon Oil Company  
September 15, 1994



23E



UPPER PENN PRODUCTION SUMMARY

Before the Oil Conservation Division  
Santa Fe, New Mexico

Case No. 11088

Exhibit No. 5

Submitted by Marathon Oil Company

September 15, 1994

MARATHON OIL COMPANY

INDIAN BASIN - UPPER PENN  
Eddy County, New Mexico

PRODUCTION MAP

# **RESULTS FROM UP-DIP REPLACEMENT WELLS INDIAN BASIN - UPPER PENN FIELD**

<b>LEASE NAME</b> <b>OPERATOR</b> <b>LOCATION of Replacement Well</b> <b>SEC-TWN-RGE</b>  <b>REPLACEMENT Well Cum, BCF</b> <b>REPLACEMENT Well Life, Mos</b>  <b>REPLACEMENT Well Initial Rate, Mcf/D</b> <b>REPLACEMENT Well Current Rate, Mcf/D</b>	<b>Federal C-35</b> <b>MW PETROLEUM</b> <b>800' FSL &amp; 800' FWL</b> <b>35 - 21S - 23E</b>  <b>1.2+</b> <b>8+</b>  <b>7,000</b> <b>5,500</b>	<b>LOWE STATE</b> <b>Oryx</b> <b>330' FSL &amp; 330' FWL</b> <b>36 - 21S - 23E</b>  <b>1.89</b> <b>24</b>  <b>4,000</b> <b>Shut-in</b>	<b>Smith Federal</b> <b>M.O.K.</b> <b>1650' FSL &amp; 330' FWL</b> <b>1 - 22S - 23E</b>  <b>3.60</b> <b>42</b>  <b>3,000</b> <b>Shut-in</b>
<b>LEASE NAME</b> <b>OPERATOR</b> <b>LOCATION of Replacement Well</b> <b>SEC-TWN-RGE</b>  <b>REPLACEMENT Well Cum, BCF</b> <b>REPLACEMENT Well Life, Mos</b>  <b>REPLACEMENT Well Initial Rate, Mcf/D</b> <b>REPLACEMENT Well Current Rate, Mcf/D</b>	<b>Smith Federal</b> <b>MW PETROLEUM</b> <b>2049' FNL &amp; 480' FWL</b> <b>12 - 22S - 23E</b>  <b>0.23</b> <b>4</b>  <b>2,500</b> <b>Shut-in</b>	<b>H. O. C. Federal</b> <b>MW PETROLEUM</b> <b>330' FNL &amp; 330' FWL</b> <b>13 - 22S - 23E</b>  <b>0.27</b> <b>8</b>  <b>1,800</b> <b>Shut-in</b>	

Before the Oil Conservation Division  
Santa Fe, New Mexico

Case No. 11088

Exhibit No. 6

Submitted by Marathon Oil Company

September 15, 1994

**Mid-Continent Region  
Production United States****Marathon  
Oil Company****P.O. Box 662  
Midland, TX 79702-0662  
Telephone 915/682-1626****September 13, 1994****Before the Oil Conservation Division  
Santa Fe, New Mexico****Case No. 11088****Exhibit No. 2****Submitted by Marathon Oil Company  
September 15, 1994****NW Petroleum Corporation  
C/O Apache Oil Corporation  
2000 Post Oak Blvd  
Suite 100  
Houston, TX 77056****Attn: Cecil Leonard****RE: Request for Waiver of Objection  
Indian Basin "C" No. 2  
Indian Basin (Upper Penn) Gas Pool  
Eddy County, New Mexico**

Marathon Oil Company is requesting your waiver of objection to Marathon's application to drill a gas well at an unorthodox location in Section 26 of Township 21-S, Range 23-E, Eddy County, New Mexico.

This application has been set for hearing on September 15, 1994, at the offices of the New Mexico Oil Conservation Division in Santa Fe, New Mexico.

The proposed well will be a replacement gas producer for the Indian Basin "C" No. 1, located in Unit F of said section. This well is no longer capable of producing in commercial quantities due to water production at this location. The proposed replacement well will be located in Unit "F" to the southwest of the original well at a location 990' PSL and 660' FWL of Section 26.

Marathon Oil Company is also requesting that the NMOCD approve an acreage factor of 0.65 for gas allowable purposes.

Numerous unorthodox location permit applications have been approved by the NMOCD in Indian Basin Field over the years. Marathon Oil Company believes that the drilling of this well is necessary to protect the correlative rights of it and its royalty owners. The acreage factor of 0.65 will protect the correlative rights of the offsetting interests.

SL3104.sk

A subsidiary of USX Corporation

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

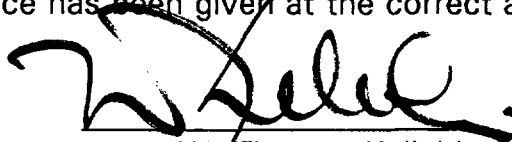
IN THE MATTER OF THE HEARING CALLED  
BY THE OIL CONSERVATION DIVISION  
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11088

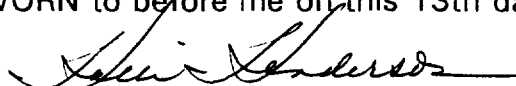
Application of Marathon Oil  
Company for an Unorthodox Well  
Location, Eddy County, New Mexico.

CERTIFICATE OF MAILING  
AND  
COMPLIANCE WITH ORDER R-8054

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Marathon Oil Company, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 23rd day of August 1994 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for September 15, 1994, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.

  
W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 13th day of  
September, 1994.

  
Notary Public

My Commission Expires: June 15th, 1998



MW Petroleum Corporation  
Request for Waiver of Objection  
Indian Basin "C" No. 2  
Page No. 2

If you have no objections to Marathon Oil Company's drilling and producing this unorthodox location, please sign and return one copy of this letter in the enclosed envelope. Should you have any questions regarding this matter, please call Rod Steward at (915) 687-8279.

Sincerely yours,

*Rodney L. Steward*

R. L. Steward, P.E.  
Marathon Oil Company

MW Petroleum / Apache Corporation  
Name of Company

*Keith Searls Leonard* 9/14/94  
Representative's Signature and Date