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November 17, 1994

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

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HAND DELIVERED

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: Application of Marathon Oil Company
to Amend the Special Rules and Regulations
for the Lea-Devonian Pool [Order R-1826-A],
Lea County, New Mexico

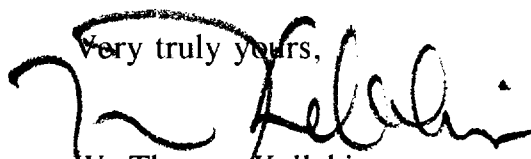
10/16
Case 11163

Dear Mr. Stogner:

On behalf of Marathon Oil Company, please find enclosed our application to amend the Special Rules and Regulations for the Lea-Devonian Pool currently set forth in Division Order R-1826-A which we request be set for hearing on the next available Examiner's docket now scheduled for December 15, 1994. Also enclosed is our proposed advertisement of this case for the NMOCDO docket.

By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Pursuant to the Division's Memorandum 2-90, all parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, December 9, 1994, with a copy delivered to the undersigned.

Very truly yours,


W. Thomas Kellahin

cc: *Marathon Oil Company*
Attn: Dow Campbell

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Proposed notification/advertisement for OCD docket

Case _____: Application of Marathon Oil Company to amend the Special Rules and Regulations for the Lea-Devonian Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks to amend Division Order R-1826-A to provide for standard oil well location not closer than 330 feet to the outer boundary nor closer than 330 feet to any interior boundary of a 160-acre oil spacing and proration unit with no more than one well per 40-acre tract. The Pool currently includes all or portions of Sections 11, 12, 13, Township 20 South, Range 34 East, NMPM. The approximate center of said Pool is located approximately 3 miles south of a point along U.S Highway 62/180 approximately 12 miles northeast of the intersection of Highway 62/180 and State Highway 176, New Mexico.

11/163

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

IN THE MATTER OF THE APPLICATION OF
MARATHON OIL COMPANY TO AMEND THE
SPECIAL RULES AND REGULATIONS FOR
THE LEA-DEVONIAN POOL,
LEA COUNTY, NEW MEXICO

11/16
MTV 1

CASE: 11163

APPLICATION

Comes now MARATHON OIL COMPANY, by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division to amend Division Order R-1826-A to provide for standard oil well location not closer than 330 feet to the outer boundary nor closer than 330 feet to any interior boundary of a 160-acre oil spacing and proration unit with no more than one well per 40-acre tract.

In support thereof, Applicant states:

1. Applicant, Marathon Oil Company ("Marathon"), is the operator of the Lea Unit which includes all wells currently producing in the Lea-Devonian Pool. [See Exhibit "A"]

2. The current Pool boundaries for the Lea-Devonian Pool are as follows:

TOWNSHIP 20 SOUTH, RANGE 34 EAST

Section 11: E/2

Section 12: W.2 & SE/4

Section 13: All

3. On December 21, 1961, the Oil Conservation Commission adopted certain Special Rules and Regulations for the Lea-Devonian Pool as set forth in Order R-1826-A which include:

"RULE 3. The initial well in any 160-acre unit in said pool shall be located within 150 feet of the center of either the NW/4 or SE/4 of the quarter section on which the well is located."

4. Rule 3 has become obsolete and is unnecessarily restricting the opportunity to locate additional "in-fill" wells within a 160-acre oil spacing unit at locations necessary in order to effectively and efficiently recovery the reserves under those spacing units in the Pool.

5. Geologic and engineering evaluations have concluded that modification of the current well location rules for the Pool will afford an opportunity to recover additional oil from the pool without the necessity of obtaining special exceptions from the Division for locations which are currently "unorthodox."

6. The current well spacing rules for the Pool are an unnecessarily restrictive and seeking exceptions constitutes a regulatory burden on both the industry and the Division.

7. A 3-D seismic survey indicates that the optimum location in the Pool for "in-fill" wells are at locations which would currently be considered to be either an unorthodox "footage" or an "off-pattern" location.

8. Marathon seeks the adoption of an amendment to Rule 3 as follows:

"RULE 3. Each well completed or recompleted on any 160-acre spacing unit shall be located not closer than 330 feet to the outer boundary nor closer than 330 feet to any interior boundary of said spacing unit with no more than one well per 40-acre tract within said spacing unit.

9. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in this portion of the Devonian formation and will otherwise prevent waste and protect correlative rights.

10. In accordance with Division Rule 1207, notification is being sent to those parties listed on Exhibit "B".

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

MARATHON OIL COMPANY

Dow Campbell, Esq.


KELLAHIN and KELLAHIN

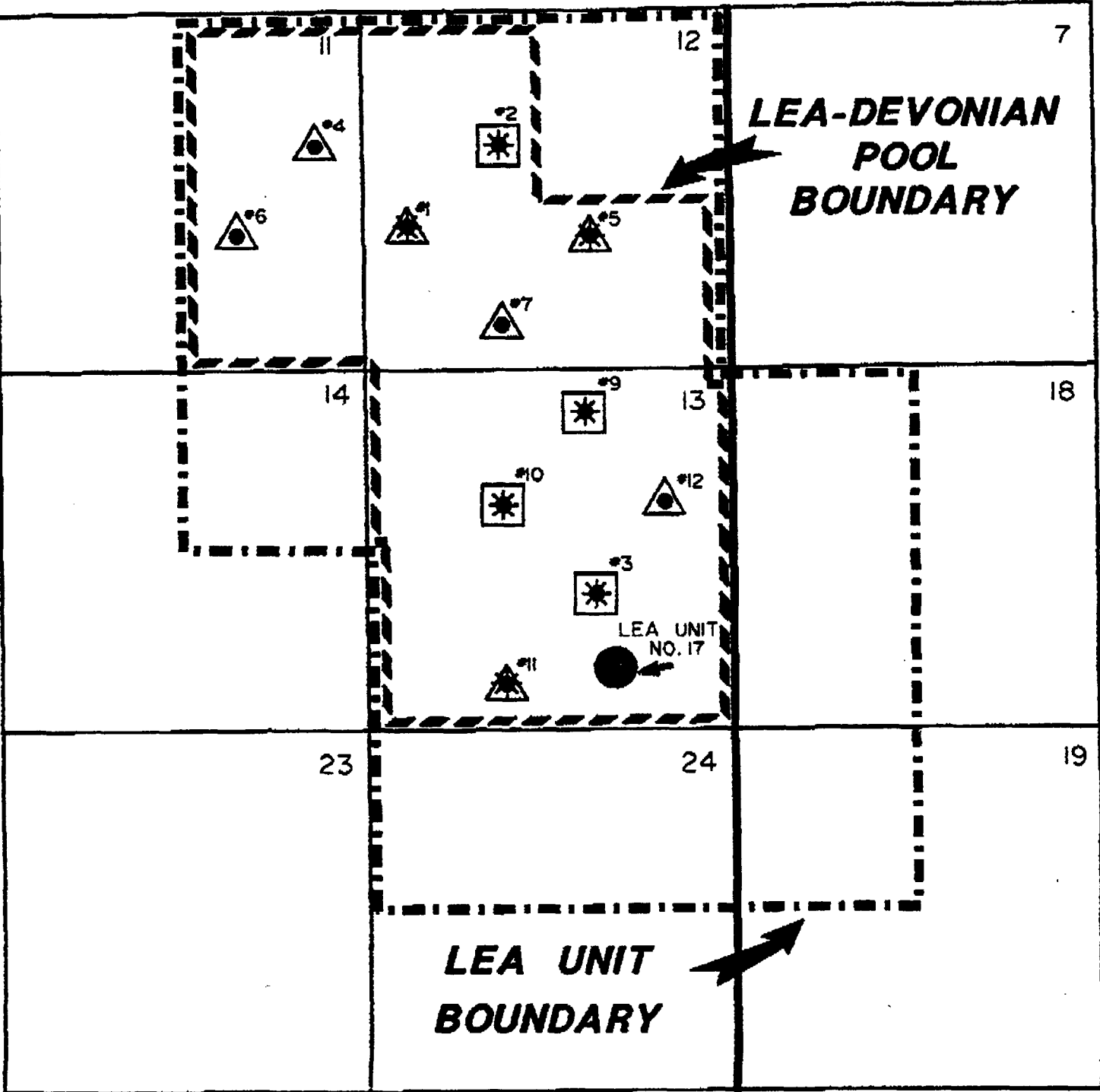
BY _____

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Attorneys for Applicant

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MARATHON OIL COMPANY
MID-CONTINENT REGION

LEA UNIT
LEA COUNTY, NEW MEXICO

- PROPOSED LOCATION
- ACTIVE DEVONIAN PRODUCER
- HISTORIC DEVONIAN PRODUCER

**LEA-DEVONIAN
POOL**

EXHIBIT "A"

EXHIBIT " B "

Devon Energy Corporation
1500 Mid-America Tower
20 North Broadway
Oklahoma City, OK 73102-8260
Attn: Steve Blair

Pennzoil Petroleum Company
P. O. Box 2967
Houston, TX 77252-2967
Attn: Wayne Wisniewski

Unocal Energy Resources
Division Unocal Corporation
1004 North Big Spring, Suite 300
Midland, TX 79702
Attn: Scott Gutberlet

Hamon Operating Company
8411 Preston Rd., Suite 800
Lock Box 33
Dallas, TX 75225
Attn: Steve Flynn

Ross Family Trust
P. O. Box 86
Midland, TX 79702