

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

June 5, 1995

W. THOMAS KELLAHIN*

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

JASON KELLAHIN (RETIRED 1991);

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

HAND DELIVERED

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

RECEIVED

JUN 5 1995

Oil Conservation Division

Re: Royal Well No. 1
Application of Marathon Oil Company
for an Unorthodox Oil Well Location,
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Marathon Oil Company, please find enclosed our application for an unorthodox oil well location which we request be set for hearing on the next available Examiner's docket now scheduled to be heard in Hobbs, New Mexico on June 29, 1995. Also enclosed is our proposed advertisement of this case for the NMOCD 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, June 23, 1995, with a copy delivered to the undersigned.

Very truly yours,

W. Thomas Kellahin

cc: *Marathon Oil Company*
Attn: Dow Campbell

Proposed notification/advertisement for OCD docket

Case 11316 : Application of Marathon Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill an oil well at an unorthodox oil well location 2310 feet from the South line and 1310 feet from the East line (Unit I) of Section 33, Township 17 South, Range 35 East, NMPM. Said well is to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the NE/4SE/4 of said Section 33 for all 40-acre spaced oil production including but not limited to the Blinbry formation and the East Vacuum Drinkard Pool.

Said unit is located approximately 14 miles west of Humble City, New Mexico.

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

IN THE MATTER OF THE APPLICATION OF
MARATHON OIL COMPANY FOR APPROVAL
OF AN UNORTHODOX OIL WELL LOCATION,
LEA COUNTY, NEW MEXICO

CASE: 113/6

APPLICATION

Comes now MARATHON OIL COMPANY, by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill an oil well at an unorthodox oil well location 2310 feet from the South line and 1310 feet from the East line (Unit I) of Section 33, Township 17 South, Range 35 East, NMPM. Said well is to be dedicated to a standard 40-acre oil spacing and proration unit consisting of the NE/4SE/4 of said Section 33 for all 40-acre spaced oil production including but not limited to the Blinberry formation and the East Vacuum Drinkard Pool.

In support thereof, Applicant states:

1. Applicant, Marathon Oil Company ("Marathon"), is the operator of both the NE/4SE/4 and the NW/4SE/4 of Section 33, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico.

2. Marathon proposes to drill the subject well at an unorthodox location 2310 feet FSL and 1310 feet FEL (Unit I) of section 33 and to dedicate the NE/4SE/4 to said well.

3. The subject well is within one mile of the current boundary of the East Vacuum Drinkard Pool and therefore is subject to Division's statewide Rules and Regulations which provide that an oil well shall be located not closer than 330 feet to the outerboundary of a 40-acre spacing unit consisting of a single governmental quarter-quarter section.

4. A 3-D seismic survey indicates that the optimum location in the NE/4SE/4 of Section 33 is at an unorthodox location 10 feet from the common boundary with the NW/4SE/4 of Section 33.

5. Marathon seeks approval of that unorthodox well location so that it can drill its proposed well to test for oil production from the Blinebry formation and/or Drinkard formation.

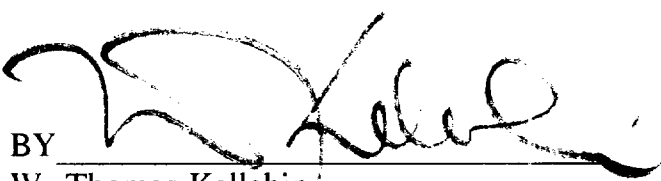
6. The well only encroaches towards a spacing unit (NW/4SE/4) which has the same ownership as the subject 40-acre spacing unit.

7. 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 Drinkard formation and/or Blinebry formation and will otherwise prevent waste and protect correlative rights.

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

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

BY


W. Thomas Kellahin
KELLAHIN and KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
Attorneys for Applicant

NMOCD Application
Marathon Oil Company
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EXHIBIT "A"

Shell Oil Company
P. O. Box 576
Houston, Texas 77001
Attn: D. B. Champlin