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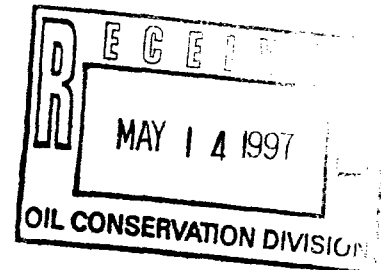
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May 14, 1997

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco
Santa Fe, New Mexico 87503



Re: ***Oil Conservation Division Case No. 11774:
Application of Marathon Oil Company for Compulsory Pooling and an
Unorthodox Gas Well Location, Eddy County, New Mexico***

Dear Mr. LeMay:

Marathon Oil Company respectfully requests that this matter which is currently set on the Division docket for the May 15, 1997 hearings be continued to the May 29, 1997 Examiner docket.

Your attention to this matter is appreciated.

Very truly yours,

A handwritten signature in cursive script, appearing to read "William F. Carr".

WILLIAM F. CARR
WFC:mlh
cc: Mr. Tom Lowry

CASE 11772: (Continued from May 1, 1997, Examiner Hearing.)

Application of Richardson Operating Company for downhole commingling and an unorthodox coal gas well location, San Juan County, New Mexico. Applicant seeks approval to downhole commingle conventional Pictured Cliffs/Fruitland Sand formations gas production (Twin Mounds Fruitland Sand-Pictured Cliffs Pool) to be dedicated to a standard 160-acre spacing unit comprising the SE/4 with coal gas production from the Basin-Fruitland Coal Gas Pool to be dedicated to a standard 320-acre gas spacing unit comprising the E/2 of Section 6, Township 29 North, Range 14 West, within the wellbore of its proposed Bushman "6" Federal Well No. 1 to be located 1041 feet from the South line and 1136 feet from the East line (Unit P) of said Section 6. Said well is considered to be located at an unorthodox "off-pattern" coal-gas well location. Said well is located 1/3 of a mile east of the intersection of County Road 6446 and Jennefer Street, Kirtland, New Mexico.

CASE 11780: **Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

CASE 11764: (Continued from May 1, 1997, Examiner Hearing.)

Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SW/4 of Section 29, Township 22 South, Range 26 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not limited to the Happy Valley-Delaware Pool and the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard location in Unit K of said Section 29. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles southwest of Carlsbad, New Mexico.

CASE 11774: (Continued from May 1, 1997, Examiner Hearing.)

Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4 SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

CASE 11781: **Application of Yates Petroleum Corporation for downhole commingling, Lea County, New Mexico.** Applicant seeks approval to downhole commingle production from the Queen, Grayburg and San Andres formations, West Reeves-Queen Gas Pool and Wildcat Grayburg and San Andres Pools, within the wellbore of its Pawnee "APW" State Well No. 1, located 660 feet from the North and East lines (Unit A) of Section 20, Township 18 South, Range 35 East. Said well is located approximately 14 miles northwest of Monument, New Mexico.

CASE 11649: (Continued from April 17, 1997, Examiner Hearing.)

Application of Nearburg Exploration Company, L.L.C. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the N/2, in all formations developed on 160-acre spacing underlying the NE/4, in all formations developed on 80-acre spacing underlying the N/2 NE/4, and in all formations developed on 40-acre spacing underlying the NW/4 NE/4 from the surface to the base of the Morrow formation, Cemetery-Morrow Gas Pool, of Section 26, Township 19 South, Range 25 East. Said units are to be dedicated to its Morris 26B Well No. 1 which will be drilled at a standard location 660 feet from the North line and 1650 feet from the East line (Unit B) of said Section 26. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 4 1/2 miles west of Lakewood, New Mexico.

DOCKET: EXAMINER HEARING - THURSDAY - MAY 15, 1997

8:15 AM - 2040 South Pacheco
Santa Fe, New Mexico

Dockets Nos 15-97 and 16-97 are tentatively set for May 29, 1997 and June 12, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

CASE 11743: (Continued from May 1, 1997, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 17, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated West Indian Flats-Strawn Gas Pool, the Undesignated Dublin Ranch-Atoka Gas Pool, and the Undesignated Dublin Ranch-Morrow Gas Pool; and the NE/4 of Section 17 to form a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to its Foal "17" Fed. Well No. 1, to be drilled at an orthodox location 1980 feet from the North line and 1980 feet from the East line (Unit G) of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 7 1/2 miles north of Loving, New Mexico.

CASE 11778: (Continued from May 1, 1997, Examiner Hearing.)

Application of Harvey E. Yates Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 24, Township 18 South, Range 28 East, and in the following manner: The W/2 of Section 24 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Palmillo Draw-Atoka Gas Pool, the Undesignated North Turkey Track-Morrow Gas Pool, and the Undesignated South Empire-Morrow Gas Pool; the SW/4 of Section 24 to form a standard 160-acre gas spacing and proration unit for any formations and/or pools developed on 160-acre spacing within said vertical extent; the N/2 SW/4 or the E/2 SW/4 of Section 24 for any and all formations and/or pools developed on 80-acre spacing within said vertical extent, including the Undesignated Travis-Yates Gas Pool and the Undesignated Travis-Upper Pennsylvanian Pool; and the NE/4 SW/4 of Section 24 to form a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, including the Undesignated Artesia Queen-Grayburg-San Andres Pool and the Undesignated East Illinois Camp-Bone Spring Pool. Said units are to be dedicated to its Travis ATR "24" State Com Well No. 1, to be drilled at an orthodox location in said Section 24. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 11 miles southwest of Loco Hills, New Mexico.

CASE 11779: **Application of Conoco, Inc. for a pressure maintenance project, Lea County, New Mexico.** Applicant seeks authority to institute a pressure maintenance project on a portion of its Hardy "36" State Lease located in Section 36, Township 20 South, Range 37 East, by the injection of water into the Tubb formation, North Hardy Tubb-Drinkard Pool, through the perforated interval from approximately 6,423 feet to 6,593 feet in its existing Hardy "36" State Well No. 3 located 2080 feet from the North line and 1730 feet from the East line (Unit G) of said Section 36. Said project is located approximately 7 miles southeast of Monument, New Mexico.

CASE 11771: (Continued from May 1, 1997, Examiner Hearing.)

Application of OXY, USA, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation in all formations developed on 640-acre spacing underlying Section 21, in all formations developed on 320-acre spacing underlying the N/2 of Section 21, in all formations developed on 160-acre spacing underlying the NW/4 of Section 21, and in all formations developed on 80-acre spacing underlying the E/2 NW/4 of Section 21, Township 20 South, Range 36 East. Said units are to be dedicated to its Tiger Fed. Com Well No. 1 to be drilled at a standard location 1650 feet from the North and West lines of Section 21. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 22.5 miles southwest of Hobbs, New Mexico.

CASE 11638: (Continued from April 3, 1997, Examiner Hearing.)

Application of Citation Oil & Gas Corp. for two unorthodox gas well locations and for simultaneous dedication, Lea County, New Mexico. Applicant seeks approval of two unorthodox gas well locations in the Eumont Gas Pool for its existing: (i) Devonian State Well No. 2 (API No. 30-025-04729), located 660 feet from the North line and 1980 feet from the East line (Unit B) of Section 20, Township 21 South, Range 36 East; and, (ii) Devonian State Well No. 3 (API No. 30-025-04730), located 660 feet from the North and East lines (Unit A) of said Section 20. Applicant also seeks approval for Eumont gas production from both wells to be simultaneously dedicated to the existing 320-acre non-standard gas spacing and proration unit comprising the E/2 of said Section 20 (established by Division Administrative Order NSP-488, dated May 11, 1959), which is currently dedicated to its Devonian State Com Well No. 1 (API No. 30-025-04728), located at a standard gas well location 1980 feet from the North and East lines (Unit G) of said Section 20. Further, the applicant at the time of the hearing shall review the status of all other Eumont production, both oil and gas, within the E/2 of said Section 20 and the status and/or effect of Division Administrative Order NSL-3646(SD), dated April 3, 1996, with respect to this application. Said unit is located approximately 2.5 miles south-southeast of Oil Center, New Mexico.

CASE 11773: **Application of Conoco, Inc. for the adoption of special pool rules for the West Maljamar-Devonian Pool, Lea County, New Mexico.** Applicant seeks the promulgation of special pool rules for the West Maljamar-Devonian Pool comprising the NW/4 of Section 20, Township 17 South, Range 32 East, including provisions for 160-acre oil spacing units, designation of well location requirements and a special 900 barrels of oil per day depth bracket oil allowable. Said pool is located approximately 3 miles southwest of Maljamar, New Mexico.

CASE 11764: (Continued from April 17, 1997, Examiner Hearing.)

Application of Louis Dreyfus Natural Gas Corp. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Delaware formation underlying the NE/4 SW/4 of Section 29, Township 22 South, Range 26 East, forming a standard 40-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing, including but not limited to the Happy Valley-Delaware Pool and the West Carlsbad-Delaware Pool. Said unit is to be dedicated to its Happy Valley "29" Well No. 23 to be drilled and completed at a standard location in Unit K of said Section 29. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles southwest of Carlsbad, New Mexico.

Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4 SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

CASE 11775: **Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the E/2 of Section 15, Township 18 South, Range 28 East, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the NE/4 of said Section 15 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the NE/4 NE/4 of said Section 15 for any and all formations/pools developed on 40-acre oil spacing. Said units are to be dedicated to its W. B. Travis "15" State Com Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the North line and 950 feet from the East line (Unit A) of said Section 15. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles southeast of Artesia, New Mexico.

CASE 11751: (Continued from April 3, 1997, Examiner Hearing.)

Application of NM&O Operating Company for compulsory pooling, Rio Arriba County, New Mexico. Applicant seeks an order pooling all mineral interests in the Mesaverde formation (Undesignated Blanco-Mesaverde Gas Pool) underlying the S/2 of Section 26, Township 25 North, Range 2 West. Said unit is to be dedicated to applicant's Gavilan Well No. 2, recompleted at an orthodox location in said Section 26. Also to be considered will be the cost of recompleting said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in recompleting said well. Said area is located approximately 4.5 miles north-northeast of Lindrieth, New Mexico.

CASE 11776: **Application of Chi Energy, Inc. for a unit agreement, Eddy County, New Mexico.** Applicant seeks approval of its proposed Big Freddy Unit Agreement for an area comprising 7,953.59 acres, more or less, of state, federal and fee lands consisting of all or parts of Sections 1-3, 10-15, 23-26 and 36, Township 23 South, Range 22 East. Said unit is located approximately 20 miles west of Carlsbad, New Mexico.

CASE 11777: **Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the top of the Wolfcamp formation to the base of the Morrow formation underlying the E/2 of Section 16, Township 21 South, Range 29 East, to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated Quahada Ridge-Atoka Gas Pool and the Undesignated Golden Lane-Morrow Gas Pool. Said unit is to be dedicated to a well to be drilled at an orthodox location in said Section 16. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 15 miles northeast of Carlsbad, New Mexico.

CASE 11743: (Continued from April 17, 1997, Examiner Hearing.)

Application of Santa Fe Energy Resources, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the following described acreage in Section 17, Township 22 South, Range 28 East, and in the following manner: the N/2 of Section 17 to form a standard 320-acre gas spacing and proration unit for any formations and/or pools developed on 320-acre spacing within said vertical extent, including the Undesignated West Indian Flats-Strawn Gas Pool, the Undesignated Dublin Ranch-Atoka Gas Pool, and the Undesignated Dublin Ranch-Morrow Gas Pool; and the NE/4 of Section 17 to form a 160-acre gas spacing and proration unit for any and all formations and/or pools developed on 160-acre spacing within said vertical extent. Said units are to be dedicated to its Foal "17" Fed. Well No. 1, to be drilled at an orthodox location 1980 feet from the North line and 1980 feet from the East line (Unit G) of said Section 17. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 7 1/2 miles north of Loving, New Mexico.

CASE 11470: (Continued from March 6, 1997, Examiner Hearing.)

Application of Pride Energy Company to reopen Energy Development Corporation's Case No. 11470 for salt water disposal and designation of a portion of the Menefee member of the Mesaverde formation as an "Exempted Aquifer", Sandoval County, New Mexico. Applicant, being the successor operator to Energy Development Corporation within the San Isidro (Shallow) Unit, seeks to reopen Case No. 11470 which was heard by the Division on March 21 and May 2, 1996, to present additional technical evidence in its application for authority to inject produced water into the Menefee interval through perforations from 2,438 feet to 2,624 feet in its existing San Isidro (Shallow) Unit Well No. 7-11, located 2074 feet from the South line and 1,650 feet from the West line (Unit K) of Section 7, Township 20 North, Range 2 West. Applicant also seeks to designate the Menefee interval underlying the W/2 E/2 and W/2 of Section 7 and the N/2 NW/4 of Section 18, Township 20 North, Range 2 West, and the E/2 E/2 of Section 12, Township 20 North, Range 3 West, as an "Exempted Aquifer" pursuant to Division Rule No. 701.E. and applicable Federal Underground Injection Control Program Rules and Regulations, as contained within the Code of Federal Regulations, 40 CFR Parts 145 and 146, thereby enabling the injection of produced water, for purpose of disposal, into said interval. Said area is located approximately 8 miles southwest of Cuba, New Mexico.

CASE 11750: (Continued from April 3, 1997, Examiner Hearing.)

Application of Chesapeake Oil Company for creation of a new oil pool with special rules and a discovery oil allowable, Lea County, New Mexico. Applicant seeks an order creating a new oil pool for production from the Strawn formation with the promulgation of special pool rules and regulations for the pool including 80-acre oil spacing and proration units and the assignment of a discovery allowable for the discovery well being its Chambers "7" Well No. 1 located 1700 feet from the North line and 900 feet from the East line (Unit H) of Section 7, Township 16 South, Range 36 East, with the S/2 NE/4 of said Section 7 to be dedicated to the subject well. Said pool is located approximately 3 miles west-southwest of Lovington, New Mexico.