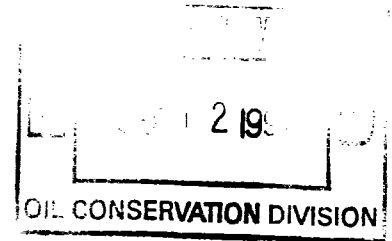


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 11853

**APPLICATION OF MARATHON OIL
COMPANY FOR POOL CREATION AND
AND THE ADOPTION OF SPECIAL RULES
LEA COUNTY, NEW MEXICO.**



PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Marathon Oil Company, as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702
(915) 687-8144
attn: Thomas C. Lowry, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, New Mexico 87504
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STATEMENT OF CASE

1. On June 30, 1997, Marathon commenced drilling its Hansen State Well No. 7, located 330 feet from the North line and 1650 feet from the East line (Unit B) of Section 16, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

2. Marathon's Hansen State Well No. 7 ~~was originally~~ drilled as a potential oil well in the Paddock formation, but on July 26, 1997, Marathon recompleted it for production from the Abo formation.

3. This well is located within one mile of the current western boundary of the Skaggs Abo Gas Pool which is spaced on statewide 160-acre gas spacing.

4. The Skaggs Gas Pool currently includes four active producing gas wells located in portions Sections 11, 12 and 13 of T20S, R37E, no production in the N/2 of Section 14, and including Conoco's Britt B Well No. 27 located in Unit G of Section 15, T20S, R37E.

5. However, production tests have confirmed that the Hansen State Well No. 7 is an oil well and its optimum producing rate is at rates not more than 187 BOPD with a 10,000 to 1 GOR.

6. In addition, step rate tests conducted on the Hansen State Well No. 7 indicate that attempts to restrict this well to a statewide 2,000 to 1 limiting GOR adversely impacts the well's ability to maximize oil production and therefore is wasteful.

7. Marathon has concluded that the Hansen State Well No. 7 is typical of the Abo production from the Monument Abo Oil Pool which has a 10,000 to 1 limiting GOR but whose eastern boundary is some 2 miles west of the Hansen State Well No. 7.

8. Because the Hansen State Well No. 7 is currently located more than one mile from the Monument Abo Oil Pool, it is not eligible to including in that oil pool despite the fact that its production is characteristic of production from that pool.

9. In addition, presently available data indicates that gas wells producing from the Skaggs Abo Gas Pool are not associated with the oil production from the Hansen State Well No. 7 and therefore it is not presently necessary to consider reclassifying the Skaggs Gas Pool as an associated oil-gas pool.

10. Accordingly, Marathon seeks the creation of a new pool the creation of a new oil pool for oil production from the Abo formation to be governed by the Division's General Statewide rules except for the promulgation of special limiting gas oil ratio of 10,000 mcf of gas for each barrel of oil produced for its Hansen State Well No. 7 located in Unit B of Section 16, T20S, R37E, NMPM, Lea County, New Mexico.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME EXHIBITS

Mike Wiskofske (petroleum engineer)

30 Min.

@ 12 exhibits

Val Ott (geologist)

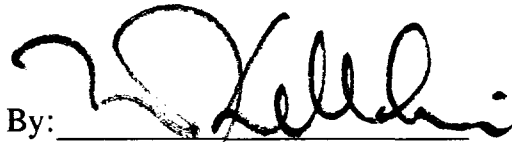
20 Min.

@ 2 exhibits

PROCEDURAL MATTERS

None anticipated at this time

KELLAHIN AND KELLAHIN

By: 

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