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October 28, 1997

**HAND DELIVERED**

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

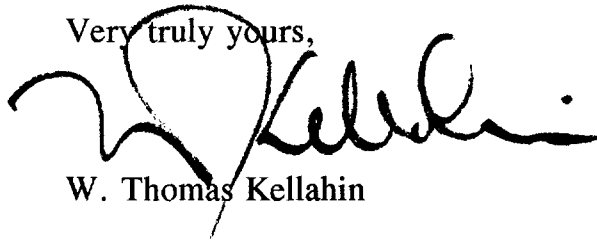
#11884

**Re: Mitchusson "4" State Well No. 1  
Application of Marathon Oil Company  
for Compulsory Pooling  
Eddy County, New Mexico**

Dear Mr. LeMay:

On behalf of Marathon Oil Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for November 20, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Marathon Oil Company  
Attn: Thomas C. Lowry, Esq.

**CASE 11834**: Application of Marathon Oil Company for compulsory pooling, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 3,500 feet (the base of the San Andres formation) to 11,152 feet (the base of the Morrow formation) underlying the S/2 of Section 4, T19S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the North Turkey Track-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SW/4 of said Section 4 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/4SW/4 of said Section 4 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Mitchusson "4" State Well No. 1 to be drilled and completed at a standard gas well location in Unit K of said Section 4. 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 the Applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 9 miles southwest from Loco Hills, New Mexico.

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

IN THE MATTER OF THE APPLICATION  
OF MARATHON OIL COMPANY  
FOR COMPULSORY POOLING  
EDDY COUNTY, NEW MEXICO.

CASE NO. 11884

**A P P L I C A T I O N**

Comes now MARATHON OIL COMPANY by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from 3,500 feet (the base of the San Andres formation) to 11,152 feet (the base of the Morrow formation) underlying the S/2 of Section 4, T19S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the North Turkey Track-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SW/4 of said Section 4 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/4SW/4 of said Section 4 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Mitchusson "4" State Well No. 1 to be drilled and completed at a standard gas well location in Unit K of said Section 4. 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 the Applicant as the operator of the well and a charge for risk involved in said well. Said unit is located approximately 9 miles southwest from Loco Hills, New Mexico.

In support of its application, Marathon Oil Company, ("Marathon") states:

1. Marathon has a working interest ownership in the oil and gas minerals from 3,500 feet (the base of the San Andres formation) to 11,152 feet (the base of the Morrow formation) underlying the S/2 of Section 4, T19S, R28E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the North Turkey Track-Morrow Gas Pool.

3. Marathon has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit.

4. Despite its good faith efforts, Marathon has been unable to obtain a written voluntary agreement from the parties listed on Exhibit "A."

5. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for November 20, 1997.

WHEREFORE, Marathon Oil Company, as applicant, requests that this application be set for hearing on November 20, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at a standard well location upon terms and conditions which include:

- (1) Marathon Oil Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W' and a trailing flourish.

W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
P. O. Box 2265  
Santa Fe, New Mexico 87501  
(505) 982-4285

## **EXHIBIT "A"**

Maralo, Inc.  
5151 San Felipe St. Suite 400  
Houston, Texas 77056-3607

Louis Dreyfus Natural Gas Corp.  
14000 Quail Springs Prkwy, Ste 600  
Oklahoma City, OK 73134  
Attn: Rusty Waters

Enron Oil & Gas Company  
P. O.Box 2267  
Midland, Texas 79702-2267  
Attn: Patrick Tower