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NATURAL RESOURCES-OIL AND GAS LAW

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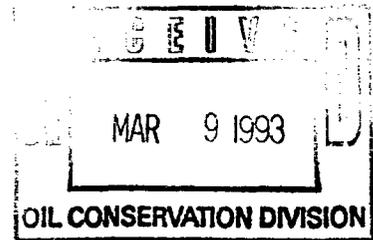
JASON KELLAHIN (RETIRED 1991)

March 8, 1993

Mr. William J. LeMay  
Oil Conservation Division  
310 Old Santa Fe Trail  
Second Floor, Room 219  
Santa Fe, New Mexico 87504

**HAND DELIVERED**

**RE: Indian Hills Well No. 5  
Application of Marathon Oil  
Company for an Unorthodox Gas Well  
Location, Eddy County,  
New Mexico**



Dear Mr. LeMay:

10703

On behalf of Marathon Oil Company, please find enclosed our application for its Indian Hills Well No. 5 to be drilled at an unorthodox gas well location.

We request that the Application be set for hearing on the next available Examiner's docket now scheduled for April 8, 1993.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examine witnesses either in support of or in opposition to the Application.

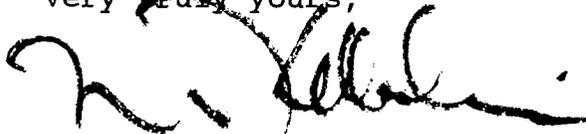
Our proposed advertisement to be used for the OCD docket and for the newspaper publication is attached as Enclosure (1).

In accordance with Division Memorandum 2-90, parties who may appear in this case are hereby requested to file a Pre-Hearing Statement with the Division, copy to Applicant, not later than 4:00 PM on Friday, April 2, 1993. A copy of the Pre-Hearing Statement form is

Mr. William J. LeMay  
March 8, 1993  
Page Two

attached as Enclosure (2) to be sent to those parties  
entitled to notice as set forth in the application.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

WTK/jcl  
Enclosures

cc: With Application and Enclosure (1)  
Thomas C. Lowry, Esq. - Marathon Oil Co.

**CERTIFIED MAIL - RETURN RECEIPT REQUESTED:**

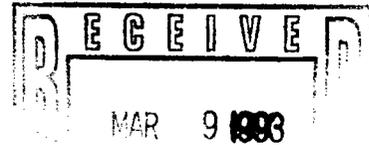
All parties shown on Exhibit "B" of the application  
with Enclosure (2)

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

IN THE MATTER OF THE HEARING  
CALLED BY THE DIVISION FOR  
THE PURPOSE OF CONSIDERING:

CASE NO.: 10703

THE APPLICATION OF MARATHON OIL  
COMPANY FOR AN UNORTHODOX GAS WELL  
LOCATION, EDDY COUNTY, NEW MEXICO



A P P L I C A T I O N

Comes now MARATHON OIL COMPANY, by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division for approval to drill its Indian Hills No. 5 Well at an unorthodox gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) in Section 36, Township 20 South, Range 24 East, NMPM, Eddy County, New Mexico, with the S/2 of Section 36 being dedicated as the spacing unit for this well in the Undesignated Cemetery Morrow Gas Pool.

Marathon Oil Company ("Marathon") in support of the application states:

(1) Marathon is the proposed operator for and a working interest owner in the Indian Hills No. 5 Well to be drilled in the S/2 of Section 36, T20S, R24E, NMPM, Eddy County, New Mexico. See Exhibit "A" attached hereto.

(2) Marathon proposes to drill this well at an unorthodox gas location 1980 feet FSL and 660 feet FWL (Unit L) in Section 36 being a standard well location for production from the Cisco formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool but being an unorthodox well location for production from the Morrow formation in the Undesignated Cemetery Morrow Gas Pool.

(3) The Morrow formation at this location should be within one-mile of the Cemetery Morrow Gas Pool which will be extended because of Conoco Inc.'s new Morrow gas well in the N/2 of Section 35, T20S, R24E, NMPM.

(4) While the Cemetery Morrow Gas Pool was created prior to November 1, 1975 and thus at one time was subject to 640-acre spacing rules, by Division Order R-3194 entered effective February 15, 1967, all future wells in this pool were and continue to be spaced on 320-acre spacing units.

(5) The Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool (Order R-5353, as amended) provide, among other things, for 320-acre proration and spacing units for either oil or gas production with wells located no closer than 660 feet to

the nearest side boundary of the tract, nor nearer than 660 feet to the nearest end boundary of the tract, nor closer than 330 feet to any quarter-quarter section of subdivision inner boundary.

(6) Based upon geological considerations and in order to maximize the opportunity to encounter the Cisco formation at its most favorable location in this spacing unit while providing an opportunity to also test the Morrow formation which cannot be tested at a standard location without compromising the Cisco location, Marathon proposes to locate the well in the Morrow formation at an unorthodox gas well location.

(7) Currently, it is too risky in this spacing unit to drill a well at a standard well location to test only the Morrow formation. By drilling the proposed Cisco formation well and deepening into the Morrow formation, the Applicant can reduce the risk and test for Morrow production that might otherwise never be tested.

(8) The proposed location will afford Marathon and the interest owners in the proposed well the optimum location at which to test for both Morrow or Cisco production.

(9) In accordance with Division notice requirements, notice of this application and applicant's request for a hearing to be set on April 8, 1993 has been sent to those parties listed on Exhibit "B" attached hereto.

(10) Conoco, Inc., the only offsetting operator towards whom the subject well encroaches has waived objection to this well location. See, Exhibit "C" attached hereto.

WHEREFORE, Marathon requests that this application be set for hearing on the April 8, 1993 Examiner's Docket and that after notice and hearing as provided for by Division rules, the application be granted as requested.

Respectfully submitted,

KELLAHIN AND KELLAHIN,

BY:



W. Thomas Kellahin

P. O. Box 2265  
Santa Fe, New Mexico 87504  
(505) 982-4285  
ATTORNEYS FOR APPLICANT

EXHIBIT "A"  
26

PRESTON FEDERAL

BHL  
6  
4 SL

35



CONOCO

20S, 24e

25

INDIAN HILLS STATE

3

4

36

5  
9600 FT PTD



MARATHON



**EXHIBIT "B"**

**Application of Marathon Oil Company  
for an Unorthodox Gas Well Location,  
Eddy County, New Mexico  
Indian Hills Well No. 5**

Offsetting Operators:

Conoco, Inc.  
ATTN: Jerry W. Hoover  
10 Desta Drive West  
Midland, Texas 79705-4500



P.O. Box 552  
Midland, TX 79702-0552  
Telephone 915/682-1626

March 8, 1993

Conoco, Inc.  
10 Desta Drive West  
Midland, Texas 79705-4514

Attn: Mr. Jerry Hoover

RE: Application for Unorthodox Location  
Indian Hills State Com No. 5  
1,980' FSL and 660' FWL, Section 36, T-20-S, R-34-E  
South Dagger Draw (Upper Penn)/Cemetery (Morrow) Fields  
Eddy County, New Mexico

Dear Sir:

Marathon is in the process of applying for an unorthodox well location in the Cemetery (Morrow) Field for the drilling of the Indian Hills State Com. No. 5. In accordance with your letter dated September 21, 1992 and accepted by Marathon September 25, 1992, Marathon requests a waiver of objection to this application.

In exchange for Conoco waving all objection to this application, Marathon agrees to provide all logs and test information on the well to Conoco within 25 days of acquisition.

Please indicate your acceptance of this agreement by returning one signed copy to the undersigned.

*J. N. Tipton*  
T. N. Tipton  
Engineering Manger  
Midland Operations

Agreed and accepted this 8<sup>th</sup> day of March, 1993 by

*Paul W. Wray* as a representative of Conoco, Inc.

**Enclosure (1)**

Proposed Notice for advertisement:

**Case 10703 : Application of Marathon Oil Company for an unorthodox gas well location, Eddy County, New Mexico.** Applicant, in the above-styled cause, seeks approval to drill its proposed Indian Hills Well No. 5 at an unorthodox gas well location, in the Undesignated Cemetery Morrow Gas Pool, 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 36, Township 20 South, Range 24 East, NMPM. Said well is to be dedicated to a 320-acre spacing unit consisting of the S/2 of said Section 36. Said well is located approximately 9 miles west-southwest of Seven Rivers, New Mexico.