

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

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 10796 (De Novo)

APPLICATION OF MANZANO OIL CORPORATION
FOR AN UNORTHODOX GAS WELL LOCATION,
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

Manzano Oil Corporation

ATTORNEY

William F. Carr. Esq.
P. O. Box 2208
Santa Fe, New Mexico 87504

Pre-Hearing Statement
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OPPOSITION

Marathon Oil Company
Box 552
Midland, Texas 79702
Attn: Thomas C. Lowry, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

OPPOSITION PARTY

In order to encroach upon Marathon's Wolfcamp gas spacing unit, Manzano Oil Corporation permitted its Neuhaus Federal Well No. 2 as an oil well to be drilled on 40-acre to test the Strawn formation for oil production.

However, instead of drilling to the Strawn, Manzano stopped drilling when it got to the Wolfcamp and elected to complete the well as a Wolfcamp gas well.

The subject Manzano well is 660 feet instead of 1980 feet from the Marathon Oil Company's offsetting spacing unit.

After an Examiner's hearing, the Division entered Order R-9974 which found, among other things, that:

(1) Marathon's interpretation of the reservoir was more accurate than that presented by Manzano, and

(2) Subjecting the Manzano well to a 66% production penalty would help protect Marathon's correlative rights and still allow Manzano an opportunity to recover its share of the remaining gas in the reservoir.

Marathon requests that the Commission affirm Division Order R-9974 in its entirety.

PROPOSED EVIDENCE

OPPOSITION

WITNESSES	EST. TIME	EXHIBITS
Lisa Gholston (geologist)	1 hour	est. 8
Craig Kent (petroleum engineer)	1 hour	est. 8-10

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 
W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

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PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr, Berge & Sheridan, P.A., as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Manzano Oil Corporation _____
c/o Ken Barbe _____
1801 West Second Street _____
Roswell, New Mexico 88201
(505) 623-1996 _____
name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq. _____
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208 _____
Santa Fe, New Mexico 87504 _____
(505) 988-4421 _____

OPPOSITION OR OTHER PARTY

Marathon Oil Corporation _____

name, address, phone and
contact person

ATTORNEY

W. Thomas Kellahin, Esq. _____
Kellahin & Kellahin _____
Post Office Box 2265 _____
Santa Fe, New Mexico 87504 _____
(505) 982-4285

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Manzano Oil Corporation, applicant in the above-captioned cause, seeks approval of an unorthodox location in the Wolfcamp formation, Osudo-Wolfcamp Pool, for its Neuhaus Federal Well No. 2 which has been drilled 660 feet from the North line and 1650 feet from the East line (Unit B) of Section 14, Township 20 South, Range 35 East. Applicant further requests approval of the unorthodox location as to all prospective pools or formations including but not limited to the Wolfcamp, spaced on 320-acres. Upon application of Manzano Oil Corporation, this case will be heard **De Novo** pursuant to the provisions of Rule 1220.

OPPOSITION OR OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

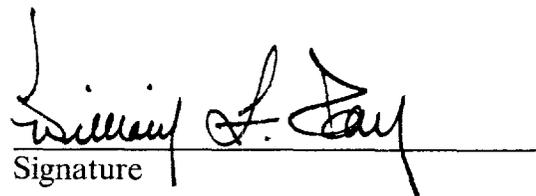
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Mike Brown, Geologist	1 Hr.	Approximately 12
Brian Ausbourn, Petroleum Engineer	45 Min.	Approximately 7

OPPOSITION

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature