

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

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

CASE NO. 9222  
Order No. R-8543

APPLICATION OF MARATHON OIL  
COMPANY FOR COMPULSORY POOLING,  
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 23, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 16th day of November, 1987, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant, Marathon Oil Company, seeks an order pooling all mineral interests in the Atoka, Wolfcamp, and Morrow formations underlying the S/2 of Section 16, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, to form a standard 320-acre gas spacing and proration unit to be dedicated to a well to be drilled at a standard gas well location 1980 feet from the South and West lines (Unit K) of said Section 16.

(3) The proposed well location is within one mile of the outer boundaries of both the North Vacuum Atoka-Morrow Gas Pool and the South Shoe Bar-Atoka Gas Pool, both of which are currently governed by general statewide gas spacing rules and regulations which require 320-acre spacing and proration units and designated well locations.

(4) The applicant is the interest owner of 80 acres consisting of the N/2 SE/4 of said Section 16.

(5) C. W. Trainer (Trainer), Phillips Petroleum Company (Phillips), and Texaco Producing Corporation (Texaco), all working interest owners of various tracts in the applicant's proposed proration unit who have not agreed to voluntarily pool their acreage, appeared at the hearing in opposition to the application.

(6) Testimony and evidence in this case indicates that as an alternative to Marathon's application, C. W. Trainer has proposed, prior to the hearing, the drilling of an Atoka gas well at a standard location 1980 feet from the South line and 660 feet from the West line (Unit L) of said Section 16 and has further proposed to dedicate the W/2 of said Section 16 to the well, thereby establishing standup proration units within the section.

(7) Evidence in this case shows that Trainer, Phillips and Texaco own 100 per cent of the working interest in the W/2 of said Section 16.

(8) Testimony further indicates that at the time of the hearing, Trainer had secured tentative voluntary agreement with Phillips and Texaco to join in the drilling of his proposed well in the NW/4 SW/4 of said Section 16.

(9) Denial of Marathon's application in this case would in effect allow Trainer to drill and operate his proposed well in the NW/4 SW/4 of said Section 16.

(10) Trainer testified that his proposed well location presents less of a risk of obtaining a producing well than that of Marathon's due to the fact that his location is closer to known Atoka production in Section 17.

(11) Geologic evidence presented by the applicant indicates that a well located at either Marathon's or Trainer's proposed location would encounter approximately the same amount of productive sand within the Atoka formation.

(12) Geologic evidence also indicates that the NE/4 of said Section 16 contains the least amount of productive sand within the Atoka formation.

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(13) Marathon testified that granting the application in this case would result in the most equitable distribution of gas reserves underlying the section to the various working interest owners in the section.

(14) Phillips presented as evidence actual reservoir data obtained from the Marathon State Com Well No. 2 located 1980 feet from the North and West lines (Unit F) of Section 17, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, which is currently completed and producing in the Atoka formation.

(15) These reservoir parameters indicate that a well drilled to and completed in the Atoka formation in this area is capable of draining a large area.

(16) Allowing the applicant to drill the proposed well in the NE/4 SW/4 of said Section 16 would most likely have the effect of causing the working interest owners in the N/2 to drill a well in the SE/4 NW/4, which would be, according to geologic evidence presented, the best location in the N/2 of the section.

(17) This would in effect cause the drilling of two wells within the section located 1320 feet apart.

(18) Wells located as close together as this would most likely drain a large portion of the same acreage and would not be the most efficient method of developing the gas reserves underlying Section 16.

(19) Marathon would retain the option, upon denial of their application in this case, to drill a well in the NW/4 SE/4 of said Section 16, which, according to geologic evidence presented, would encounter a substantial amount of productive sand within the Atoka formation and would result in a more efficient method of developing gas reserves underlying Section 16.

(20) Approval of Marathon's application in this case would not protect the correlative rights of the interest owners in Section 16 and would not result in the most efficient method of producing the gas reserves underlying the section and should therefore be denied.

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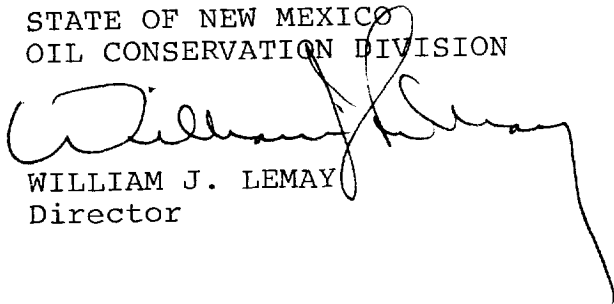
IT IS THEREFORE ORDERED THAT:

(1) The application of Marathon Oil Company for the pooling of all mineral interests in the Atoka, Morrow, and Wolfcamp formations underlying the S/2 of Section 16, Township 17 South, Range 35 East, NMPM, Lea County, New Mexico, is hereby denied.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION



WILLIAM J. LEMAY  
Director

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