



NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT

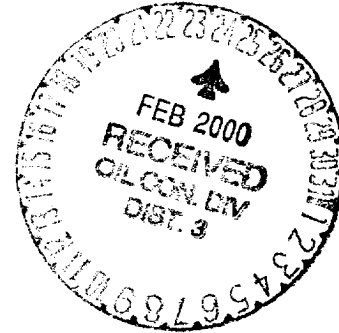
OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

February 21, 2000

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702-0552

Attention: Walter Dueease

GROSS #1A  
7-31-12



**Re:** Administrative application for an exception to the well location requirements provided within the "Special Rules for the Blanco-Mesaverde Pool," as promulgated by Division Order No. R-10987-A, issued in Division Case No. 12069 and dated February 1, 1999, for an unorthodox Blanco-Mesaverde infill gas well location within an existing non-standard 160-acre gas spacing and proration unit for the Blanco-Mesaverde Pool comprising the SE/4 of Section 7, Township 31 North, Range 12 West, NMPM, San Juan County, New Mexico (approved by Division Order No. R-6760, issued in Case No. 7319 and dated August 26, 1981).

Dear Mr. Dueease:

There appear to be discrepancies in your application and the notice that was submitted, the proposed location as presented in your cover letter and notice letter show the well being "2064 feet from the West line of Section 7" with the "SE/4 of Section 7" being the dedicated acreage. These misrepresentations make the waiver and application invalid.

It further appears that your application is incomplete. First, with respect to notice, no mention of notice to anyone in the NW/4 of offsetting Section 18 was covered. Further, with the proposed changing over of operators in the SE/4 of Section 7, notice to the "operator", as a requirement of Division Rule 1207.A (2) (a) (1), revised by Division Order No. R-11205, issued by the New Mexico Oil Conservation Commission in Case No. 12177 on June 17, 1999 (see copy attached), is not adequate in this instance; therefore, to assure proper notice to all parties that are affected by this encroachment, please follow the proper procedures as required in the remaining portions of Division Rule 1207.A (2). Secondly, no data was provided to support the reasons claimed why this unorthodox location is absolutely necessary.

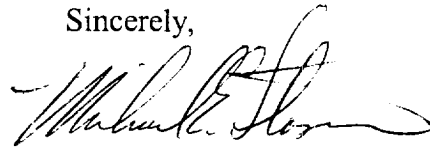
Your application is being returned at this time.

For additional consideration, I have attached a copy of a memorandum from the Division Director dated October 25, 1999, which discussed changes to the Division's well location requirements of Rule 104. This same message also holds true for the recent move in northwest New Mexico to make the outer boundary set back requirements in the Basin-Fruitland Coal (Gas), Basin-Dakota, and Blanco-Mesaverde Pools uniformly match Rule 104 (660 feet). I urge Marathon Oil Company, as an active participant in the recent Rule 104 changes, to reevaluate this request by contacting the Division's Aztec district office's supervisor, Frank Chaves at (505) 334-6178, for assistance: (i) in relocating this well; or (ii) with this application. Thank you for your continued support in making this very important portion of New Mexico's conservation



Rules a meaningful success.

Sincerely,



Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: **New Mexico Oil Conservation Division - Aztec**  
Mr. Steve Salzman - U. S. Bureau of Land Management, Santa Fe  
Mr. Neel McBride - U. S. Bureau of Land Management, Farmington  
Ms. Kathy Valdes, NMOCD - Santa Fe  
Ms. Lori Wrotenbery, Director - NMOCD, Santa Fe  
W. Thomas Kellahin, Legal Counsel for Marathon Oil Company - Santa Fe





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

February 16, 2000

Energy, Minerals and Natural Resources Department  
New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico  
Attn: Mr. M.E. Stogner



Re: Request for Administrative Approval for Non-Standard Location Blanco Mesaverde Pool

Dear Mr. Stogner,

Marathon Oil Company respectfully requests administrative approval for a non-standard location for its Gross # 1-A to be drilled at 506' FSL & 2064' FWL of Section 7, T-31-N, R-12-W, San Juan Co., New Mexico. Pool rules for the Blanco Mesaverde require wells to be spaced no closer than 660' from exterior boundaries.

During the onsite location review, the BLM required that the location be moved from a standard location to the proposed site to avoid a significant hillside drainage and archaeological disturbance. The proposed location avoids any significant drainage and minimizes cut and fills requirements for location construction, thus avoiding the potential cultural disturbance.

Marathon Oil Company proposes to drill this well to test the Blanco Mesaverde formation and upon completion, surrender the well to Greystone Energy to operate in the same 160 acre SE/4 proration unit as Greystone's Gross # 1-E well. NMOCD order No. R-6760 provides for a 160-acre non-standard gas proration unit in the SE and SW quarters of Section 7, T-31-N, R-12-W. This proposed non-standard location would encroach upon the E/2 proration unit of Section 18 T-31-N, R-12-W, which is operated by Marathon Oil Company. The proposed location will also encroach upon the SW/4 of section of Section 7, T-31-N, R-12-W, which is also operated by Marathon Oil Company.

Attached for your review, please find an ownership map describing the proposed proration units with the proposed well, a topographic map and a waiver letter from Greystone Energy regarding the non-standard location and assumption of operations after Marathon's completion of the well.

Should anything additional be required, please contact me at (800) 351-1417.

Very truly yours,

A handwritten signature in cursive script that reads 'Walter Dueease'.

Walter Dueease

M:\Wjd\Grossnsl.doc:deh





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

January 27, 2000

Attn: Brian Ary  
Greystone Energy Inc.  
9155 E. Nichols Ave., Ste 350  
Englewood, CO 80112

Re: Application of Marathon Oil for Administrative  
Approval of an Unorthodox Well Location  
San Juan County, New Mexico

Dear Mr. Ary:

Enclosed is a copy of a plat for Gross 1-A to be drilled by Marathon Oil Company, which will be an unorthodox well location, in the Blanco Mesaverde Pool. The well will be drilled at 506' FSL and 2064' FWL of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico. The pool rules for the Blanco Mesaverde Pool state that wells are to be spaced 660' from the exterior boundaries. The proposed location is unorthodox due to BLM requirements to minimize archeological disturbance in this very sensitive area.

The well shall be dedicated to the non-standard 160-acre proration unit in the SE/4 of Section 7, Township 31 North, Range 12 West, San Juan County, New Mexico set by the State of New Mexico Oil Conservation Division Order No. R-6760. Greystone Energy Inc. is the operator of record for the said proration unit and shall assume operatorship upon the completion of the proposed well.

If you have an objections to this application it must be filed in writing with the New Mexico Oil Conservation Division at its Santa Fe Office within twenty days from the date of this letter. Should you have no objections to this request, please signify by signing below and returning one executed copy to me in the envelope provided. I can be reached at 1-800-351-1417 if you need to contact me

Yours truly,

A handwritten signature in cursive script, appearing to read 'Walter J. Dueease'.

Walter J. Dueease

IWE, AS OFFSET OPERATOR, WAIVE OBJECTION TO MARATHON'S INTENT TO DRILL ITS GROSS 1-A AT 506' FSL AND 2064' FWL OF SECTION 7, TOWNSHIP 31 NORTH, RANGE 12 WEST, SAN JUAN COUNTY, NEW MEXICO. IWE ALSO AGREE TO ASSUME OPERATORSHIP UPON THE COMPLETION OF THE WELL.

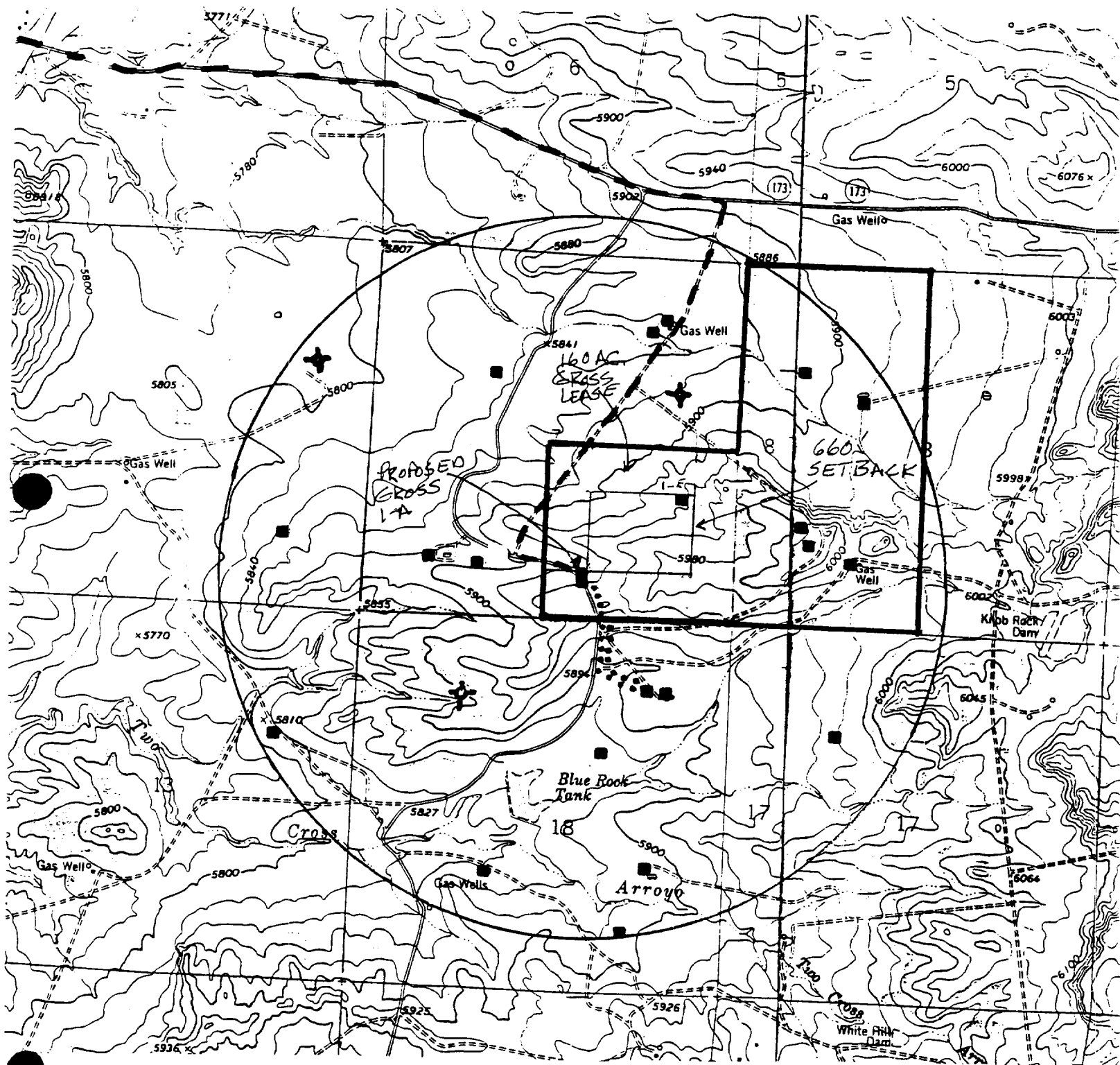
GREYSTONE ENERGY INC.

By: A handwritten signature in cursive script, appearing to read 'Brian H. Ary'.  
Title: VICE PRESIDENT



Marathon Oil Company  
 Gross 1 A  
 506' FSL & 2064' FEL  
 Sec. 7, T. 31 N., R. 12 W.  
 San Juan County, New Mexico

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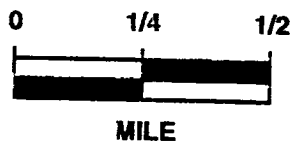
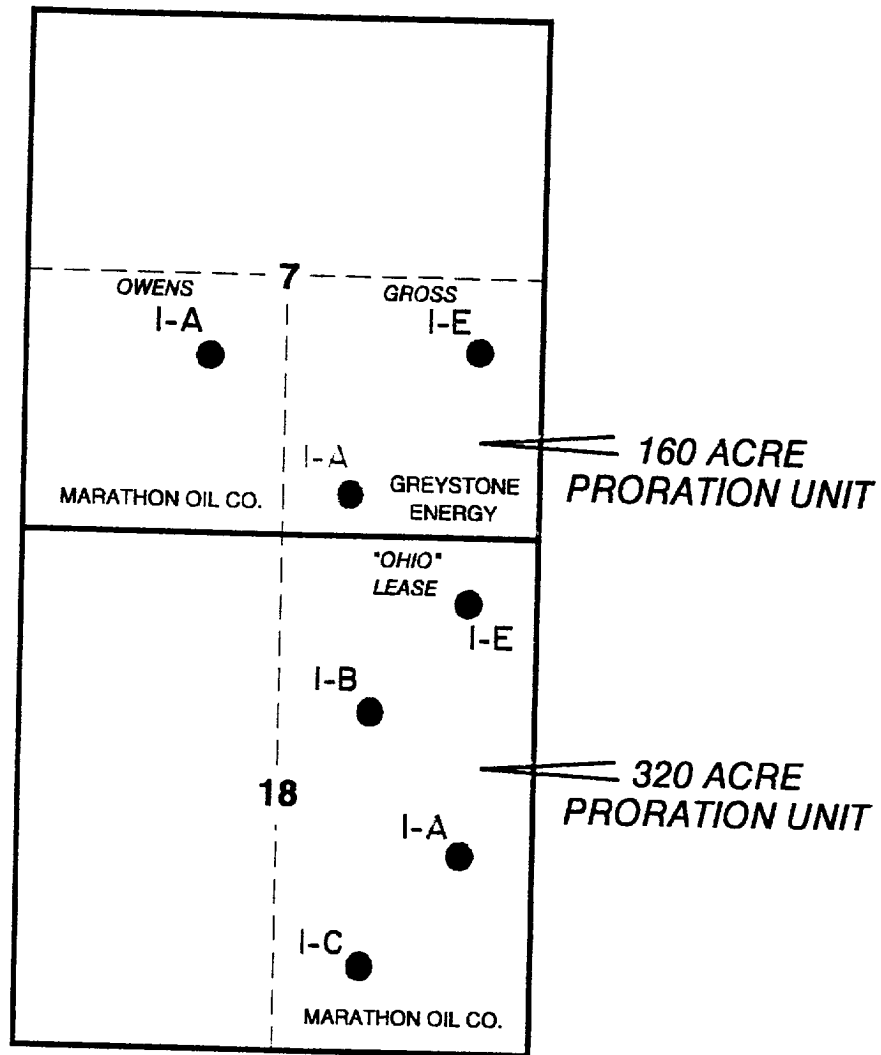


PROPOSED WELL: ■  
 LEASE LINE: ┌  
 ON LEASE GAS LINE: ...  
 EXISTING WELL: ■  
 EXISTING ROAD: - - -  
 OFF LEASE GAS LINE: . . .



R 12 W

T  
31  
N



MARATHON OIL COMPANY  
MID-CONTINENT REGION

**"GROSS" 1-A**  
SAN JUAN COUNTY, NEW MEXICO



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 7319  
Order No. R-6760

APPLICATION OF CONSOLIDATED OIL  
& GAS, INC. FOR SIX 160-ACRE  
MESAVARDE PRORATION UNITS, SAN  
JUAN COUNTY, NEW MEXICO.

*See Also Order No. R-6761*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 12, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 26th day of August, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Consolidated Oil & Gas, Inc., seeks approval of six 160-acre non-standard gas proration units in the Blanco Mesaverde Pool, said units to comprise the NW/4 and SW/4 of Section 18 and the SW/4 and SE/4 of Section 7, both in Township 31 North, Range 12 West, and the NE/4 and SE/4 of Section 3, Township 31 North, Range 13 West, each unit to be dedicated to an existent well already drilled thereon.

(3) That the aforesaid six non-standard proration units would be created by splitting three standard 320-acre units, each of which has an original well, and an infill well thereon, and is occasioned by certain administrative problems relating to well names and numbers.

(4) That the creation of the six non-standard units out of three standard units will not cause waste nor impair correlative rights and should be approved provided however provision



should be made for administrative abolishment of the non-standard units and reversion to standard units in the event allowable and over/under production problems should render the smaller size units impracticable.

IT IS THEREFORE ORDERED:

(1) That six 160-acre non-standard gas proration units in the Blanco Mesaverde Pool, San Juan County, New Mexico, are hereby created and dedicated to wells as follows:

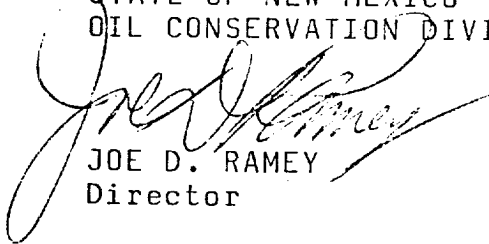
<u>Unit Description</u>	<u>Dedicated Well</u>
SW/4 Sec. 07, Twp 31N, Rge 12W	Owen No. 1, Unit M
SE/4 Sec. 07, Twp 31N, Rge 12W	Gross No. 1, Unit I
NW/4 Sec. 18, Twp 31N, Rge 12W	Arnstein No. 1, Unit C
SW/4 Sec. 18, Twp 31N, Rge 12W	Reid No. 1, Unit M
NE/4 Sec. 03, Twp 31N, Rge 13W	Alberding No. 1, Unit A
SE/4 Sec. 03, Twp 31N, Rge 13W	Landauer No. 1, Unit I

(2) That the Division Director shall have the authority to administratively cancel any pair of the aforesaid non-standard proration units and revert the affected lands back to a standard 320-acre proration unit upon a showing by the operator that allowable and/or over/under production problems are resulting from the size of the non-standard units, in which case the Division's standard well name and number system will be applicable.

(3) That 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

  
JOE D. RAMEY  
Director

S E A L  
fd/



STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION

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

CASE NO. 9097  
Order No. R-6760-A

APPLICATION OF COLUMBUS ENERGY  
CORPORATION FOR AN EXCEPTION TO  
RULE 5(a)2(2) OF DIVISION ORDER  
NO. R-8170, AS AMENDED, SAN JUAN  
COUNTY, NEW MEXICO.

*See Also Order No.*  
*R-6760*

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on March 4, 1987, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 2nd day of May, 1988, 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) At the time of the hearing Division Case Nos. 9096, 9097, 9098, 9099, 9100, and 9101 were consolidated for the purposes of testimony.
- (3) The applicant, Columbus Energy Corporation, seeks an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the formula utilized in determining the allowable in the Blanco-Mesaverde Pool for the six previously approved 160-acre non-standard gas spacing and proration units as described in Exhibit "A", attached hereto and made a part hereof.
- (4) The applicant presented testimony showing that by utilizing the current formula for calculating gas allocations in the Blanco-Mesaverde Pool as contained in said Order No. R-8170, there exists an inequity in that the gas allowable



assigned to a standard 320-acre proration unit (GPU) containing two wells is greater than the sum of the gas allowables assigned to two adjacent 160-acre non-standard gas proration units of equal deliverability.

(5) The effect of granting the application would be to substitute a deliverability (D) factor in place of the acreage times deliverability (AD) factor contrary to the applicable pool rules and would create other inequities in the pool.

(6) This particular variation of GPU sizes is a common phenomenon in the Blanco-Mesaverde Pool; therefore, a pool-wide rule change would be a more appropriate approach to solving this problem rather than filing exceptions in each case such as this.

(7) Granting this application would also invite numerous applications for similar treatment and would discourage rather than encourage the formation of standard 320-acre GPU's, all of which could disrupt the allocation of gas on an equitable basis in the pool.

(8) This application should therefore be denied.

IT IS THEREFORE ORDERED THAT:

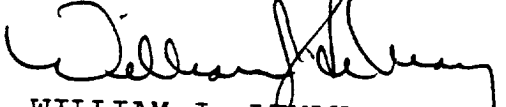
(1) The application of Columbus Energy Corporation for an exception to Rule 5(a)2(2) of the General Rules for the Prorated Gas Pools of New Mexico as promulgated by Division Order No. R-8170, as amended, permitting the application of a full deliverability factor in the formula utilized in determining the allowable in the Blanco-Mesaverde Pool for each of the six previously approved 160-acre non-standard gas spacing and proration units, as described in Exhibit "A" attached hereto and made a part hereof, 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

S E A L



EXHIBIT "A"  
CASE NO. 9097  
ORDER NO. R-6760-A

- A. Lots 1 and 2 and the S/2 NE/4, comprising 160.10 acres of Section 3, dedicated to the applicant's Alberding Well No. 1 located 790 feet from the North and East lines (Unit A) of said Section 3;
- B. The SE/4 of Section 3, dedicated to the applicant's Landaver Well No. 1-E located 2255 feet from the South line and 680 feet from the East line (Unit I) of said Section 3;
- C. The SE/4 of Section 7, dedicated to the applicant's Gross Well No. 1-E located 1850 feet from the South line and 790 feet from the East line (Unit I) of said Section 7;
- D. Lots 3 and 4 and the E/2 SW/4, comprising 156.21 acres of Section 7, dedicated to the applicant's Owens Well No. 1 located 990 feet from the South and West lines (Unit M) of said Section 7;
- E. Lots 1 and 2 and the E/2 NW/4, comprising 156.82 acres of Section 18, dedicated to the applicant's Arnstein Well No. 1-E located 1065 feet from the North line and 1791 feet from the West line (Unit C) of said Section 18; and,
- F. Lots 3 and 4 and the E/2 SW/4, comprising 157.66 acres of Section 18, dedicated to the applicant's Reid Well No. 1 located 990 feet from the South line and 953 feet from the West line (Unit M) of said Section 18.

All of the aforementioned Sections are located in Township 31 North, Range 12 West, NMPM, Blanco-Mesaverde Pool, San Juan County, New Mexico.