

CASE 3475: Application of MARATHON
OIL CO. for an unorthodox location
Eddy County, New Mexic.

CASE No.

3475

Application,

Transcripts,

Small Exhibits

ETC.

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

P. O. BOX 2088
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

October 19, 1966

Mr. Terrell Couch
Marathon Oil Company
Post Office Box 3128
Houston 1, Texas

Re: Case No. 3475
Order No. R-3138
Applicant:

Marathon Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

OTHER Mr. Jason Kellahin, Ivan D. Geddie, George Selinger,

Mr. John J. Redfern, Mr. D. Rose

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

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

**CASE No. 3475
Order No. R-3138**

**APPLICATION OF MARATHON OIL COMPANY
FOR AN UNORTHODOX LOCATION, EDDY COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on October 11, 1966, at Santa Fe, New Mexico, before Examiner Daniel S. Mutter.

NOW, on this 19th day of October, 1966, the Commission, a quorum being present, 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 Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Marathon Oil Company, seeks an exception to the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool to drill its Indian Hills Unit Well No. 6 "Comm" at an unorthodox location 1440 feet from the South line and 1440 feet from the East line of Section 17, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

(3) That the drilling of a well at the proposed location will not result in the violation of correlative rights.

(4) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool, will prevent the economic loss caused by the drilling of

-2-

CASE No. 3475
Order No. R-3138

unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

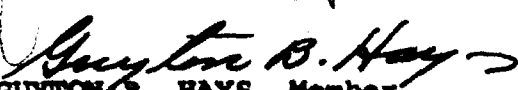
(1) That the applicant, Marathon Oil Company, is hereby granted an exception to the well location requirements of the Special Rules and Regulations governing the Indian Basin-Upper Pennsylvanian Gas Pool and is hereby authorized to drill its Indian Hills Unit Well No. 6 "Comm" at an unorthodox location 1440 feet from the South line and 1440 feet from the East line of Section 17, Township 21 South, Range 24 East, NMPN, Eddy County, New Mexico.

(2) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

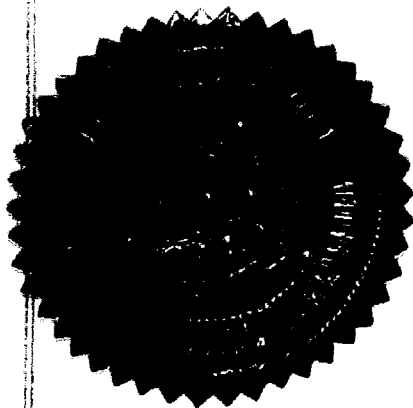
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary



esr/

DOCKET: EXAMINER HEARING - TUESDAY - OCTOBER 11, 1966

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or
Elvis A. Utz, Alternate Examiner:

CASE 3439: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Scanlon and Shepard and all other interested parties to show cause why the following Scanlon and Shepard wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Santa Fe Pacific Railroad Lease: Wells Nos. 1, 3, 4, 5, 7, and 8, all in Unit P, No. 10 in Unit H, and No. 2 in Unit L, all in Section 21; Well No. 6 in Unit L and Nos. 9 and 12 in Unit M of Section 22 and Nos. 11 and 13 in Unit D of Section 27. Ray Well No. 1 in Unit C, State Wells Nos. 1 and 2 in Unit A, and State K-1883 No. 1 in Unit B, all in Section 28.

CASE 3440: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Osborn & Weir, and all interested parties, to show cause why the following Osborn & Weir wells in Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program: Scanlon Well No. 17 in Unit P of Section 21 and Nos. 14 and 18 in Unit M of Section 22, Scanlon Ray Wells No. 5 in Unit A and No. 6 in Unit C of Section 28.

CASE 3441: (Continued from the September 7, 1966 examiner hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit LaMar Trucking, Inc., and all interested parties, to show cause why their State Well No. 1 located 495 feet from the North and West lines of Section 28, Township 20 North, Range 9 West, McKinley County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 3471: Application of Chambers & Kennedy for an exception to Rule 301(b), Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the provisions of Rule 301(b) of the Commission rules and regulations which provides for the cancellation of allowables for wells with delinquent Forms C-116. Applicant seeks reinstatement of eleven days' allowable to its Delhi-Taylor State Well No. 2 in Unit O of Section 34, and its Abo Well No. 1 located in Unit N of Section 27, Township 17 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico.

CASE 3472: Application of Monsanto Company for special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the promulgation of special pool rules for the Shoe-Bar Pennsylvanian Oil Pool, Lea County, New Mexico, including a provision for 80-acre proration units.

CASE 3473: Application of Len Mayer for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the NE/4 SE/4 of Section 1, Township 8 South, Range 30 East, Chaves County, New Mexico.

CASE 3474: Application of Tenneco Oil Company for a waterflood project, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute the waterflood project by the injection of water into the Premier zone of the Grayburg formation through four wells located in Sections 18 and 19, Township 16 South, Range 30 East, West Henshaw-Grayburg Pool, Eddy County, New Mexico.

CASE 3298 (Reopened)

In the matter of Case 3298 being reopened pursuant to the provisions of Order No. R-1670-G to permit all operators in the Todd-San Andres Pool, Roosevelt County, New Mexico, to appear and present all available information concerning the effectiveness of the temporary special rules promulgated by Order No. R-1670-G for said pool, particularly as they relate to the effectiveness of the volumetric formula established for limiting withdrawals of gas from the gas-cap area of said pool, and to the area which can be economically and efficiently drained by one well.

CASE 3475: Application of Marathon Oil Company for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill its Indian Hills Unit Well No. 6 "Comm" at an unorthodox location 1440 feet from the South and East lines of Section 17, Township 21 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

1201 (4-60)

SYMBOLS
DL=Day Letter
NL=Night Letter
LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

LA008 KA021

K DVB067 NL PD=DENVER COLO 10=

1966 OCT 11 AM 7 16

TERRELL COUCH=

LA FONDA HOTEL SANTA FE NMEX=

HUSKY OIL COMPANY AS WORKING INTERESTS OWNER IN INDIAN HILLS UNIT CONCURS IN APPLICATION OF MARATHON OIL COMPANY IN CASE NUMBER 3475 FOR UNORTHODOX LOCATION 1440 FEET FROM SOUTH AND EAST LINES OF SECTION 17 TOWNSHIP 21 SOUTH RANGE 24 EAST EDDY COUNTY FOR DRILLING OF INDIAN HILLS UNIT WELL NUMBER 6 FOR TOPOGRAPHIC REASONS=

HUSKY OIL CO W B MACEY==

3475 1440 17 21 24 6 ••• SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

1201 (4-60)

SYMBOLS
DL=Day Letter
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LA007 DA029

D EPA703 NL PD=EL PASO TEX 10=

1966 OCT 11 AM 7 17

J O T COUCH=

CARE MARATHON OIL CO LA FONDA HOTEL SANTA FE NMEX=

THIS IS TO ADVISE YOU THAT I HAVE NO OBJECTION TO DRILLING THE INDIAN HILLS UNIT WELL \$6 COM AT THE UNORTHODOX LOCATION OF 1440 FEET FS AND EL, SECT 17, T21S R24-E, EDDY COUNTY N MEX=

MARION E SPITLER==

\$6 COM 1440 FS EL 17, T21S R24-E •••

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

REDFERN DEVELOPMENT CORPORATION
1200 WILCO BUILDING
MIDLAND, TEXAS

POST OFFICE BOX 1747
ZIP CODE 79701
TELEPHONE MUTUAL 2-6184
AREA CODE 915

October 7, 1966

IN REPLY REFER TO
FILE.

File

Re: Case #3475
Marathon Oil

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

66 OCT 10 AM 8 15

Gentlemen:

We wish to oppose the application of Marathon Oil Company to drill its Indian Hills Unit Well No. 6 "Comm" at an unorthodox location because there are legal locations on this section that are available and accessible.

Very truly yours,

REDFERN DEVELOPMENT CORPORATION

John J. Redfern, Jr.
John J. Redfern, Jr.

JJR:1k

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION
TELEGRAM

1201 (4-60)

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at (29)

LA109 DA345

D MDA082 PD=2 EXTRA WUX MIDLAND TEX 7 223P CST PM 2 37
NEW MEXICO OIL CONSERVATION COMMISSION= MAIN OFFICE D.C.

STATE LAND BUILDING SANTA FE NMEX=

66 OCT 7 PM 2 53

THIS IS TO ADVISE THAT SHELL OIL COMPANY HAS NO
OBJECTION TO MARATHON APPLICATION NON-STANDARD LOCATION
FOR UPPER PENNSYLVANIAN TEST LOCATED 1440' FSL AND
1440' FEL SECTION 17, T=21=S, R=24=E EDDY COUNTY,
NEW MEXICO, OWING TO ADVERSE TOPGRAPHIC CONDITIONS
AT STANDARD LOCATIONS BY COPY OF THIS WIRE WE ARE
NOTIFYING NMOCC OFC SHELL'S POSITION=

J E R SHEELER, WESTERN DIVISION PRODUCTION
MANAGER=



TOM F. HILL
Manager, Southwest Division
F. G. PRUTZMAN
Superintendent Operating Department

PRODUCTION DEPARTMENT **SUN OIL COMPANY** SOUTHLAND CENTER, P. O. BOX 2880, DALLAS, TEXAS 75221
October 7, 1966

State of New Mexico
Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Sun Oil Company has been advised of the application of Marathon Oil Company for an unorthodox location to drill its Indian Hills Unit Well No. 6 at a location 1440 feet from the south and east lines of Section 17, T21S, R24E, Indian Basin (Upper Pennsylvanian Gas Pool), Eddy County, New Mexico; said matter to be heard before Commissioner Examiners on Tuesday, October 11, 1966.

Sun Oil Company is an interest owner in this Unit and owns leases in the area. We have no objection to the request of Marathon Oil Company as stated above. We shall appreciate your making this letter a part of the record of hearing to be held October 11.

Yours very truly,

SUN OIL COMPANY

A handwritten signature in cursive script, appearing to read "A. R. Ballou".

A. R. Ballou

ARB:mo

44817

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

October 7, 1966

P. O. Drawer 1938
Roswell, New Mexico 88201

gms

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

file

Oil Conservation Commission
State of New Mexico
Post Office Box 2088
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: Case No. 3475, Examiner Hearing, October 11, 1966 -
Application of Marathon Oil Company for an Unorthodox
Location, Indian Basin - Upper Pennsylvanian Gas Pool,
Eddy County, New Mexico.

Gentlemen:

Gulf Oil Corporation has been advised by Marathon Oil Company that due to topographical conditions they propose to drill their Indian Hills Unit Well No. 6 at a non-standard location 1,440 feet from south and 1,440 feet from east line, Section 17, Township 21 South, Range 24 East, Eddy County, New Mexico.

Gulf Oil Corporation, as an offset operator, has no objection to Marathon's application for a non-standard location which is necessitated by topographical conditions.

Yours very truly,

M. I. Taylor

M. I. Taylor

JHH:bc

cc: Marathon Oil Company
La Fonda Hotel
Santa Fe, New Mexico 87501
Attention: Mr. J. O. Terrell Couch



J. O. SETH (1883-1963)

A. K. MONTGOMERY
WM. FEDERICI
FRANK ANDREWS
FRED C. HANNAHS
RICHARD S. MORRIS
JOHN G. JASPER
SUMNER G. BUELL
SETH D. MONTGOMERY

MONTGOMERY, FEDERICI & ANDREWS

ATTORNEYS AND COUNSELORS AT LAW
350 EAST PALACE AVENUE
SANTA FE, NEW MEXICO 87501

October 11, 1966

POST OFFICE BOX 2307
AREA CODE 505
TELEPHONE 982-3876

New Mexico Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico

Re: New Mexico OCC Case 3475.
Application of Marathon
Oil Company

Gentlemen:

By this letter we enter our appearance in the above case on behalf the applicant, Marathon Oil Company. Associated with us in the case will be Mr. J. O. Terrell Couch, a member of the Texas Bar, who will present the case for the applicant.

Very truly yours,

MONTGOMERY, FEDERICI & ANDREWS

By

Richard S. Morris

RSM:mc



New-Mex Construction Co., Inc.

P. O. BOX 1847
HOBBS, NEW MEXICO 88240

October 3, 1966

NMOCC Case No 3475
Marathon Oil Co Exhibit No 4

Marathon Oil Company
P. O. Box 220
Hobbs, New Mexico

Attention: Mr. A. A. Peters, Jr.

Dear Mr. Peters:

We respectfully submit our bid to perform the work on your Indian Hills #6 location in Eddy County, New Mexico as follows;

1. 1650 feet FS & EL, Section 17, Twp 21S, Rge 24E.
Furnish all necessary labor, equipment and material to cut subgrade, install necessary culverts and build approximately 121,440 square feet of caliche road. Drill, blast, level location and build caliche drilling pad containing approximately 35,025 square feet.

Cut road to location;

Dozer with operator 20 hours @ 14.00	280.00
Blade with operator 20 hours @ 14.00	280.00

Road 2.3 miles;

121,440 square feet @ .04	4,857.60
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Drilling pad;

35,025 square feet @ .04	1,401.00
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Drill, blast and level drilling pad, approximately 10,000 cubic yards of rock;

Compressor & Shooter 106 hours @ 11.50	1,219.00	
Dozer with operator 220 hours @ 14.00	3,080.00	
Powder 5,000 pounds @ .40	2,000.00	
Sticks 500 each @ .35	175.00	
Caps 300 each @ .35	105.00	
Sub total	6,579.00	6,579.00

5 Turnouts 10'X 100' = 5,000 sq. ft. @ .04	200.00
--	--------

150'X 24" Tin horn and install	858.00
--------------------------------	--------

5,237 Cubic yards of caliche royalty @ .10	523.70
--	--------

Water royalty 5,237 barrels @ .10	523.70
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Tampo roller	250.00
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Total	\$15,753.00
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Continued next page.



New-Mex Construction Co., Inc.

P. O. BOX 1847

HOBBS, NEW MEXICO 88240

Page 2, of 2 pages.

2. 1500' FSL & 1650' FEL, Section 17, Twp 21S, Rge 24E.
Furnish all necessary labor, equipment and material to cut subgrade, install necessary culverts and build approximately 121,440 square feet of caliche road. Drill, blast, level location and build caliche drilling pad containing approximately 35,025 square feet.

Cut road to location;		
Dozer with operator 20 hours @ 14.00		280.00
Blade with operator 20 hours @ 14.00		280.00
Road 2.3 miles;		
121,440 square feet @ .04		4,857.60
Drilling pad;		
35,025 square feet @ .04		1,401.00
Drill, blast and level drilling pad, approximately 4,000 cubic yards of rock;		
Compressor & Shooter 35 hours @ 11.50	402.50	
Dozer with operator 68 hours @ 14.00	952.00	
Powder 1,750 pounds @ .40	700.00	
Sticks 200 each @ .35	70.00	
Caps 150 each @ .35	52.50	
Sub total	2,177.00	2,177.00
5 Turnouts 10'X 100' = 5,000 sq. ft. @ .04		200.00
150'X 24' Tin horn and install same		858.00
5,237 Cubic yards of caliche royalty @ .10		523.70
Water royalty 5,237 barrels @ .10		523.70
Tampo roller		250.00
Total		\$11,351.00

We appreciate very much the opportunity of submitting these quotations to you and hope that we may continue serving you in the future as we have in the past. With kindest personal regards I remain,

Sincerely yours,

NEW-MEX CONSTRUCTION CO., INC.

Paul A. Dumlér
Paul A. Dumlér
Sec-Treas & Gen. Mgr.

PAD:dh



New-Mex Construction Co., Inc.

P. O. BOX 1847
HOBBS, NEW MEXICO 88240

October 3, 1966

NMOCC Case No 3475
Marathon Oil Co Exhibit No 5

Marathon Oil Company
P. O. Box 220
Hobbs, New Mexico

Attention: Mr. A. A. Peters, Jr.

Dear Mr. Peters:

We wish to submit for your consideration, a bid to perform the following work on your location, 1,440' FSL and 1,440' FEL, Sec. 17, Twp 21S, Rge 24E.

Furnish all necessary labor, equipment and material to cut subgrade, install necessary culverts and build approximately 121,440 sq. ft. of caliche road. Drill, blast, level location and build caliche drilling pad containing approximately 35,025 sq. ft.

Cut road to location;		
Dozer with operator 20 hrs. @ 14.00		280.00
Blade with operator 20 hrs. @ 14.00		280.00
Road 2.3 miles;		
121,440 sq. ft. @ .04		4,857.60
Drilling pad;		
35,025 sq. ft. @ .04		1,401.00
Drill, blast and level drilling pad,		
approximately 2,000 cu. yds. of rock;		
Compressor & shooter 20 hrs. @ 11.50	230.00	
Dozer with operator 40 hrs. @ 14.00	560.00	
Powder 1,000 lbs. @ .40	400.00	
Sticks 150 @ .35	52.50	
Caps 90 @ .35	31.50	
Sub total		1,274.00
5 Turnouts 10' X 100' - 5,000 sq. ft. @ .04		200.00
150' X 24" Tin horn and install		858.00
5,237 cu. yds. of caliche royalty @ .10		523.70
Water royalty 5,237 bbls. @ .10		523.70
Tampo Roller		250.00
TOTAL		\$10,448.00

We appreciate very much the opportunity of submitting these quotations to you and hope that we may continue serving you in the future as we have in the past. With kindest personal regards I remain,

Sincerely yours,

NEW-MEX CONSTRUCTION CO., INC.

Jack E. Turner
Superintendent

JET:bh

CALICHE ROADS • BULL DOZERS • AIR COMPRESSORS • MOTOR GRADERS • ROLLERS • WATER TRUCKS

Monsanto

COMPANY

HYDROCARBONS DIVISION

101 North Mariefeld
Midland, Texas 79704
(915) MUTual 3-3306

October 7, 1966

Mr. J. O. T. Couch
La Fonda Hotel
Santa Fe, New Mexico

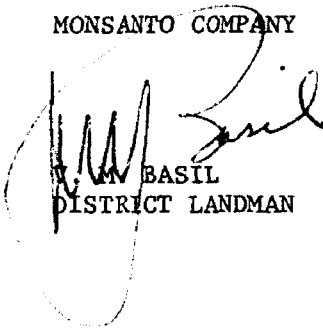
Re: Indian Hills Unit, Well #6 "Com"
Eddy County, New Mexico

Dear Mr. Couch:

Please be advised that Monsanto Company has no objection to the non-standard location of 1,440' from South Line and 1,440' from East Line of Section 17, T-21S, R-24E, Eddy County, New Mexico, as applied for by Marathon Oil Company for the drilling of the Indian Hills Unit, Well #6 "Com".

Very truly yours,

MONSANTO COMPANY


W. M. BASIL
DISTRICT LANDMAN

VMB/nt

GEOLOGIST

MAX H. CHRISTENSEN

1116 PETROLEUM LIFE BLDG.
MIDLAND, TEXAS 79704

MUTUAL 2.0743

October 7, 1966

Re: State of New Mexico
SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 17, 21S, 24E
Eddy County, New Mexico
Lease #12-L-12-72

J. O. T. Couch
c/o La Fonda Hotel
Santa Fe, New Mexico

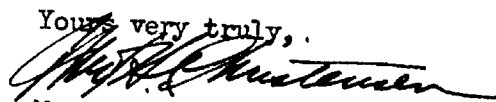
Dear Mr. Couch:

The undersigned is the record owner of State of New Mexico oil and gas lease as captioned above. This is to advise that I have no objection to a non-standard location of 1440 from the south and east lines of Section 17, T-21-S, R-24-E; NMPM in Eddy County, New Mexico as applied for by the Marathon Oil Company for the drilling of their #6 Indian Hills Unit Com.

It is my understanding that any other surface location would be of considerable expense to the operator and as a practical matter the above location would be the most practical.

If I may be of further assistance, please advise.

Yours very truly,


Max H. Christensen

MHC:pv

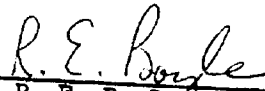
P. O. Box 668
Midland, Texas
October 8, 1966

Mr. J. O. T. Couch
% La Fonda Hotel
Santa Fe, New Mexico

Dear Sir:

This is to advise that I have no objection to non-standard location 1440 feet from the South line and 1440 feet from the East line of Section 17, Township 21 South, Range 24 East, Eddy County, New Mexico, as applied for by Marathon Oil Company for the drilling of Indian Hills Unit Well No. 6 "Com".

Yours very truly,



R. E. Boyle

gms

Re: Case 3475

66 OCT 11 AM 8 10

January 5, 1966

On January 4, 1966, inspected a proposed location for Ralph Lowe. 1438' from south and east lines of section 17-21-24. The proposed location is at the top of a ridge which falls off steeply to the north and west. There is a possible location at 2310' from the south and east but the operator wants to stay away from a dry hole to the west in section 18. There is an elevation difference of from 120 to 150' between the 2310' and the 1438' locations and there are no other flat locations in the quarter.

→ in the bottom of a draw

Copy of a report by R.L. Starnes
Artesia OCC

Memo

SFOCC

From

R. L. STAMETS

GEOLOGIST AND DEPUTY
OIL & GAS INSPECTOR

To George Hutch

Re Case 3475

Here are two copies of
a report made by
myself on 1-5-66.

The case is now in the
name of Marathon
but it is the same
location.

OIL CONSERVATION COMMISSION
P. O. BOX 2086
SANTA FE, NEW MEXICO

Nov. 2nd
File 3475

LEGAL DIVISION
PHONE 827-2741

September 21, 1966

C
O
P
Y

Marathon Oil Company
P. O. Box 552
Midland, Texas 79701

DOCKET MAILED

Date 9/30/66

Attention: Mr. Louis H. Shearer

Gentlemen:

We have received an objection from Penroc Oil Corporation to your application of September 16, 1966, requesting a non-standard location for your Indian Hills Unit Well No. 6 "Comm" in the Indian Basin-Upper Pennsylvanian Gas Pool. Your application is, therefore, not eligible for administrative approval.

Please advise if you desire a hearing concerning this application.

Very truly yours,

GEORGE M. HATCH
Attorney

GMH/esr

DOCKET MAILED

cc: Penroc Oil Corporation
P. O. Box 1004
Midland, Texas
Attention: Mr. Monroe V. Roberts

Date 9/30/66
9/30/66

Oil Conservation Commission
Drawer DD
Artesia, New Mexico

SEP 19 10 10
JAN 24 1966
PENROC Oil Corporation

P. O. BOX 1004

MIDLAND, TEXAS

Phone MU 3-1861

September 19, 1966

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attention Mr. A. I. Porter, Jr.

Gentlemen:

Penroc Oil Corporation, as an offset operator, objects to Marathon Oil Company drilling the Indian Hill Unit Well No. 6 "Comm" at, an unorthodox location of 1440 feet FSL and 1440 Feet FEL, Section 17, Township 21 South, Range 24 East, Eddy County, New Mexico.

Penroc has been informed by a registered New Mexico Land Surveyor that a regular field location can be made without topographical problems. Therefore, we will oppose at a commission hearing any non-standard location.

Very truly yours,

PENROC OIL CORPORATION

Monroe V. Roberts

Monroe V. Roberts
V. P. Production



MARATHON OIL COMPANY

PRODUCTION - UNITED STATES AND CANADA

September 16, 1966

P. O. BOX 552
MIDLAND, TEXAS 79701

Handwritten:
LHSA
NSL
issue 10-10-66

Vertical stamp:
SEP 19 11 18 17

Handwritten:
3475

New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Gentlemen:

Marathon Oil Company, operator of the Indian Hills Unit, Indian Basin Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, requests administrative approval as provided in Rule 5 of the pool rules, Order No. R-2440, for an exception to the location requirements of Rule 4 of the pool rules.

Because of topographical conditions, Marathon requests permission to drill Indian Hills Unit Well No. 6 "Comm" at a location 1440' FSL & 1440' FEL, Section 17, T-21-S, R-24-E, Eddy County, New Mexico.

Copies of this application have been furnished by certified mail to the attached list of known offsetting operators. A plat showing the surrounding leases is attached. The forty acre lease owned by Max H. Christensen in Section 17, has agreed to communitize and join in the drilling of the proposed well.

Very truly yours,

MARATHON OIL COMPANY

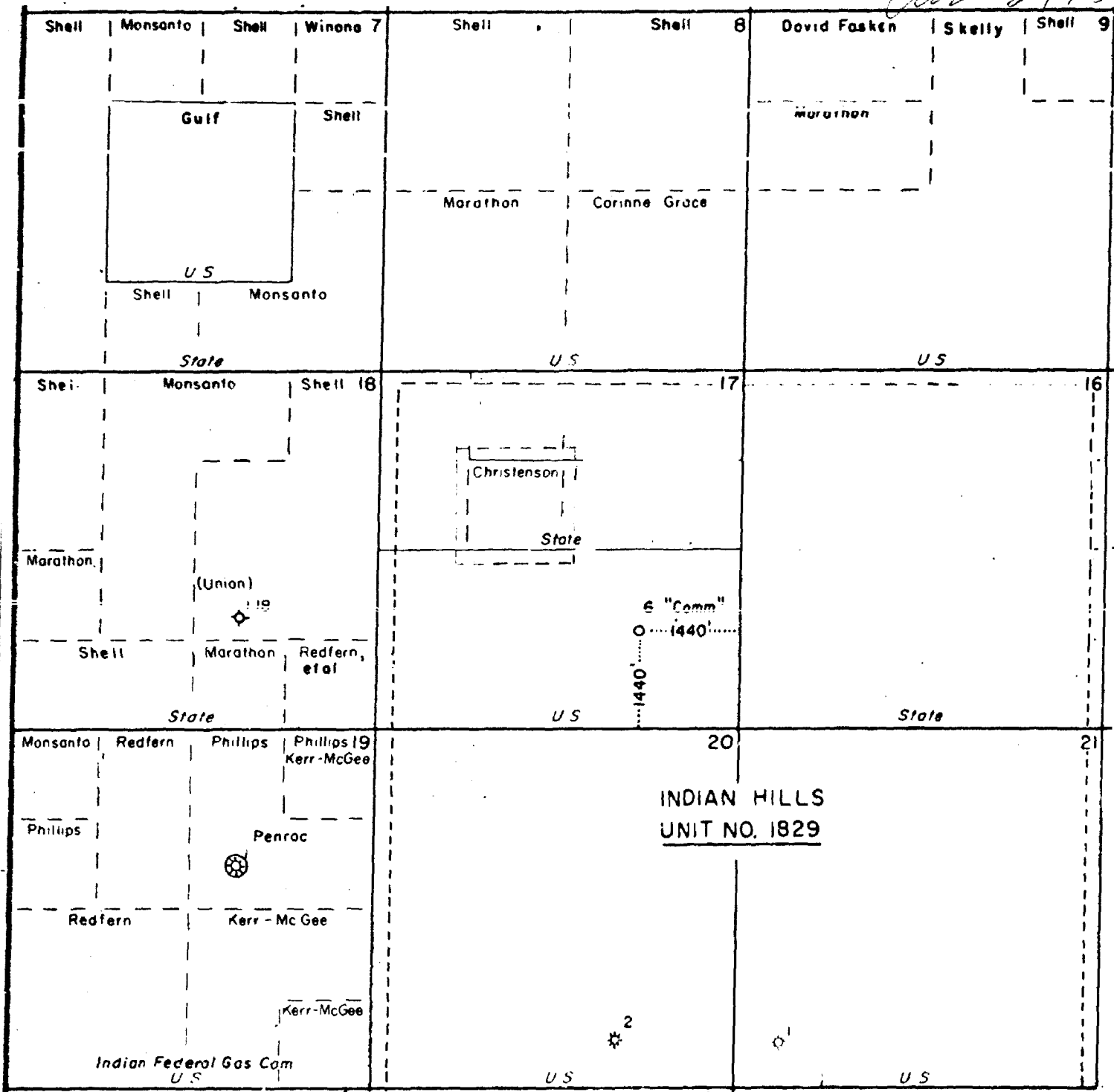
Louis H. Shearer
District Operations Manager

LHS/s

cc - New Mexico Oil Conservation Commission
Attn: Mr. M. L. Armstrong
Supervisor - District II
Drawer DD
Artesia, New Mexico

R-24-E

Case 3475



Legend

- Proposed Unorthodox Location
- Indian Hills Unit Boundary

MARATHON OIL COMPANY
INDIAN BASIN UPPER PENN GAS POOL
EDDY COUNTY, NEW MEXICO

SCALE 1" = 2000'
9-16-66

Case 3475

Max H. Christensen
1116 Petroleum Life Bldg ✓
Midland, Texas

David Fasken
608 First National Bank Bldg
Midland, Texas

Corinne Grace
P. O. Box 1487 ✓
Dallas, Texas

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico

Robert G. Haragan
P. O. Box 1737
Roswell, New Mexico

Merle C. Kelce
P. O. Box 1747
Midland, Texas

Monsanto Company
101 N. Marienfeld ✓
Midland, Texas

Odessa Natural Gasoline Company
P. O. Box 3908
Odessa, Texas

Penroc Oil Corporation ✓
P. O. Box 1004
Midland, Texas

Pioneer Production Corporation
P. O. Box 151
Amarillo, Texas

Frank W. Podpechan
P. O. Box 1747
Midland, Texas

Redfern Development Corporation ✓
P. O. Box 1747
Midland, Texas

Shell Oil Company
P. O. Box 1509 ✓
Midland, Texas

Skelly Oil Company ✓
P. O. Box 993
Midland, Texas

Winona Oil Company
1104 First National Bank of
of Tulsa Building
Tulsa, Oklahoma

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 10/17/66

CASE 3478

Hearing Date 9am 10/18/66
DSN SF

My recommendations for an order in the above numbered cases are as follows:

*Enter an order authorizing
Marathon to drill its Indian Hills
Unit well No 6 "Comm" at an
under the day location 1440' FSL & 1440
FEL Q 17-21S-24E, Eddy
County, New Mex. (Indian Hills Upper Permian
Gas Pool)*

*Find that drilling of well at the
proposed location will not result
in violation of anyone's cumulative
rights and will permit applicant
to recover its just and equitable
share of the gas in the pool*

[Signature]
Staff Engineer

dearnley-meier reporting service, inc.

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PAGE 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
October 11, 1966

EXAMINER HEARING

IN THE MATTER OF: Application of Marathon
Oil Company for an unorthodox location,
Eddy County, New Mexico.

Case No. 3475

BEFORE: DANIEL S. NUTTER, Examiner

TRANSCRIPT OF HEARING

MR. NUTTER: We will call next Case 3475.

MR. HATCH: Application of Marathon Oil Company for an unorthodox location, Eddy County, New Mexico.

MR. COUCH: Terrell Couch, appearing for Marathon Oil Company. The Commission's records, I think, contain an entry of appearance, Mr. Richard Morris, attorney in Santa Fe--

MR. NUTTER: We do have that entry of appearance.

MR. COUCH:--stating I am associated with him for purposes of presenting this case. We will have one witness, Mr. Examiner, it will be Mr. A. A. Peters.

MR. NUTTER: Stand and be sworn, please.

(Witness sworn.)

A. A. PETERS, JUNIOR, called as a witness herein, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. COUCH:

Q Will you please state your name, by whom you are employed, and in what capacity?

A A. A. Peters, Junior, employed by Marathon Oil Company, Area Superintendent, Hobbs, New Mexico office.

Q Mr. Peters, have you previously testified before the Commission or its Examiners?

A No, sir, I have not.

Q Would you please briefly state your experience and education qualifications?

A I was employed by the Ohio Oil Company, which is now Marathon Oil Company, in June of 1943, and worked as a roustabout until November that same year, which I entered the United States Navy. I was released from the Navy in 1946, at which time I went to the University of Colorado and graduated in 1947 with a Bachelor of Science degree in mechanical engineering.

At that time I returned to work for the Ohio Oil in the capacity of an engineer, doing various engineering work such as well testing, gas-oil well sonic fluid levels, production tests, drilling, completion of wells and so forth.

I have been employed since that time in various capacities as foreman, foreman superintendent, now been area superintendent in the Hobbs office for the past three years.

Q Mr. Peters, in your position as area superintendent for Marathon Oil Company in its Hobbs office, does your area include southeast New Mexico and parts of west Texas?

A Yes, sir, the Hobbs area covers southeastern New Mexico and the adjoining counties of west Texas.

Q And does your area include then the Indian Basin area,

what is referred to as the Indian Basin area in Eddy County?

A Yes, it does.

Q Including the Indian Basin Upper Penn Pool as designated by the Commission?

A Yes, sir.

(Whereupon, Marathon's Exhibits 1 through 5 marked for identification.)

Q I will ask you to look at Exhibit Number 1 in this case, Mr. Peters. Will you state briefly what that exhibit is and what it represents?

A Marathon Oil Company Exhibit Number 1 is a lease ownership map which was prepared under my direction, covering Township -- a portion of Township 21 South, Range 24 East of Eddy County, New Mexico.

Q It actually includes all of the area that is within Range 24 East and Township 21 South, the entire Township?

A Yes, sir, the entire Township.

Q Does this show on it information as to lease ownership to the extent that Marathon has that information other than one or two changes of ownership you have mentioned briefly?

A Yes, sir. There's one or two changes, changes in Section 7. We have on the map, it is shown J. H. Trigg shown as the owner of the center portion of that Section, which is now owned by Gulf, and then in Section 9 that owned by Al Panzera is now owned by Skelly.

Q This is, according to your information, a transaction

since this base map was prepared, is that correct?

A That is correct.

Q What is the area outlined in green on the map?

A The area outlined in green is the Indian Hills Unit boundary.

Q Within that boundary, there is, I believe, one change in ownership since the preparation of this base map, of International Oil and Gas?

A Yes, sir, that is now Husky.

Q And Depco, Incorporated, also have some of that interest, as you understand it?

A Yes, sir.

Q I notice a green area up here in Section 17, that is a square area in the southeast quarter including the southeast quarter of the northwest quarter of that section. Is that tract committed to the Indian Hills Unit?

A No, sir, the green outlining that southeast quarter of the northwest quarter there of Section 17 is not committed to the Indian Hills Unit.

Q In connection with Marathon's plans for the drilling of Indian Hills Number 6 "Comm" Well, has a communitization agreement been negotiated as is indicated there on the map?

A Yes, sir, the communitization agreement has been negotiated and is presently being circulated for signature.

MR. NUTTER: Who is the owner of the tract?

A The State owns the tract and Christenson--

MR. COUCH: Is the record owner of the lease --

MR. NUTTER: And you have communitized with Christenson?

A That is correct.

MR. COUCH: This has been negotiated and it is being circulated for signature; we anticipate no problems. There are two other interests under Mr. Christenson that are shown under the County records, but being a State lease, the record is held in his name.

Q (By Mr. Couch) Now, there are other colored lines on this Exhibit, Mr. Peters, and colored dot; what is the colored red dot in the southeast quarter of Section 17?

A The red dot is a 1650, 1650 location in Section 17. The red lines running from this dot to the Penroc Indian Federal Gas "Comm" Number 1 indicates a distance there of 6700 feet between the two, the one well and the location.

The other red line running from the 1650, 1650 location to the Indian Federal Gas "Comm" Number 2 indicates a scale distance of 7500 feet.

Q Mr. Peters, the Number 2 Well on Section 19 is not completed as a well at the present time, is it?

A No, sir, it is presently a drilling well.

Q It's your understanding it's projected to the Upper

Pennsylvanian Gas Pool?

A That is my understanding.

Q And you mentioned these distances as shown on the red lines on the map between the two Penroc wells and the standard 1650 location are scaled distances on this map, is that right?

A That is correct.

Q You haven't surveyed that?

A No, they are scaled distances.

Q They are accurate, you would say, within what tolerance?

A Oh, ten, fifteen feet.

Q Now, the green dot shown in the southeast quarter of Section 17, what does that represent, Mr. Peters?

A The green dot is the location that Marathon has applied for, 1440, 1440 location.

Q And you have green lines going to each of the two Penroc wells from that dot, is that correct?

A That is correct.

Q Can you state for the record what the scale distances show to be between the 1440 location Marathon has applied for and the Penroc Number 1, and the Penroc Number 2, or Indian Federal 1 and 2, I believe they're called, in Section 19?

A The scaled distances from the 1440, 1440 location in the Section 17 to the Penroc Indian Federal Gas "Comm" Well

is 6750 and to the Indian Federal Gas "Comm" Number 2, the drilling well, is 7500.

Q Again, plus or minus ten or fifteen feet within tolerance of scaling accuracy on this size map, is that right?

A That is correct.

Q Now then, the purple line at the bottom extending from Indian Federal Number 2 across to Indian Hills Number 2 in Section 20, with an indicated distance, will you state what that distance is, please?

A This scaled distance between the two referenced wells is 5300 feet.

Q The pink line extending from the Indian Hills Unit Number 2 up to the location requested by Marathon in Section 17 scales off to be what distance?

A 6,025 feet.

Q What would be the distance, Mr. Peters, under the pool rules between two wells located in the southeast quarter of two contiguous sections if they're located 1650 out of the southeast quarter of each section?

A That would be 1,005,280 feet.

Q Mr. Peters, state what, in your opinion, the drilling of Marathon's well at the location shown 1440 out of the corner of Section 17 would damage or adversely affect the correlative

rights of other operators in the pool?

A In my opinion, the drilling of such well at 1440 would not damage the correlative rights of any of the owners.

Q We're talking now about the drilling of the well there to the Upper Pennsylvanian Pool as classified by the Commission?

A That is correct.

Q State in your opinion, whether it is reasonable to conclude on the basis of facts that you now have, that all of Section 17 is productive of gas from the Upper Penn Pool?

A In my opinion, Mr. Couch, it's reasonable to conclude that all of Section 17 would be productive from the Upper Penn Pool.

Q That is based on the facts, data that you now have available?

A That I have available to me at this time, that is correct.

Q Our application for this unorthodox location states the reason we have requested it is topographic, is that correct?

A That is correct.

Q In your opinion, would there be any substantial difference structurally, or geologically, between wells drilled at the requested location and one drilled at the standard 1650

out of the corner location?

A In my opinion, there would be no difference geologically between the two locations.

Q Mr. Peters, the southeast quarter generally, of this section, is that where you and Marathon considers to be the preferable quarter section drilling?

A Yes, sir, we have considered the section, we feel that the southeastern quarter of that section is the appropriate quarter to drill in.

Q Do you think that gives you a better chance to make a really good well in the section?

A That is correct. We can complete a good well in this section.

Q Mr. Peters, what is the distance that has been computed now; now, actually computed distance between the location 1650 out of the corner and the location 1440 out of the southeast corner of Section 17, the diagonal distance between those two points?

A The diagonal distance would be 270 feet.

Q Will you look at what has been marked Marathon's Exhibit Number 2 and describe briefly what this Exhibit is and what it shows?

A This Exhibit Number 2 is a top-o-map prepared by Mr. John West, a registered New Mexico land surveyor, which

shows Sections 7, 8, and 9, 16 through 21, Township 21 South, Range 24 East, and it may be noted that this map was prepared from base maps printed by the USGS, one of the maps had to be reduced and the other one extended for this to be prepared and then Mr. West --

Q You are speaking there of the scale of the maps was different, is that right?

A Yes, that is correct, the scales were different and he reproduced it such that this is now, on a 1,000 to one inch scale as near as possible.

Q Mr. West and persons under his supervision also put in the section lines over the topog map reproduced from the USGS maps?

A That is correct. He put in the section lines, well locations and gathering lines.

Q Generally speaking, what is this topog map show, as to the terrain extending from west to east across the three tiers of sections that are shown there?

A It may be noted that Section 7, 18 and 19, moving from these sections eastward, that the terrain becomes much more severe.

Q That is, it's a whole lot rougher in the two tiers of sections to the east?

A That is correct.

Q Than it is on the first tier?

A Yes, sir.

Q Now, you have three spots in Section 17 showing on this map, what is the red spot scaled in?

A The red location is the 1650, 1650 location, and the green location is the 1440, 1440; then the uncolored, or the white dot is the 1650, 1500 location.

Q All out of the southeast corner of Section 17?

A That is correct.

Q And what is the contour interval on this map?

A The contour interval on this map is 50 feet.

Q By way of description, verbally, the red spot there is it located on a flat area or on an incline?

A No, sir, the red dot or 1650 location is located on a side hill and the green dot is then on the top flattened area.

Q Was this map prepared at your direction by Mr. West?

A Yes.

Q And under his supervision directly?

A Yes.

Q Would you look at Marathon's Exhibit Number 3?

For the time being, flipping the overlay back to the left, describe what Marathon's Exhibit 3 is and what it shows.

A Exhibit 3 shows a portion of the southeast quarter of Section 17, Township 21 South, Range 34 East. It shows

the 1650, 1650 location, the 1650, 1500 location, and the applied for 1440, 1440 location.

Q Mr. Peters, this is then the area immediately surrounding the location that we have been discussing here, is it not?

A Yes, sir. It is an area of 610 feet by 800 feet showing a detailed topograph of this area in question.

Q Was this the result of a topographic survey prepared under Mr. West's supervision at your direction?

A Yes, this was done in the field.

Q What is the contour interval?

A The contour interval is five feet.

Q Put the overlay over the area shown that's contoured there unless our tape slipped, why, the blank spots within the three colored outlined areas will fall over the three locations that you have just mentioned, is that right?

A Yes, sir.

Q Let's start with the area outlined in green and state what that represents.

A The area outlined in green is the drilling pad that would be necessary to drill the well on this 1650 location.

Q Each of these diagrams in color, the one in green, the one in black and the one in yellow, are of the same configuration. Is this the type of drilling pad, the shape of drilling pad and the size of drilling pad that you used?



A This is the size and shape that is used in this Indian Basin Field by Marathon.

Q Then the purpose of this overlay would be to show the most economical way of placing this drilling pad for use with any one of these three locations, is that right?

A Yes, sir, that is correct.

Q Will you discuss in a bit more detail, the placement with regard to the green pad?

A Well, it might be noted that we placed the green pad such that as little cut as possible would be made and even at this, there would be ten to twelve foot cut necessary to a maximum of 15 foot in building the location such that a pad of this size could be placed at this location.

Q In doing so, Mr. Peters, would the northerly side of the pad be close to a rather steeply dipping side of the hill?

A Yes. It may be noted that the contours indicate this. It would be rather steep.

Q You have been on the ground and actually looked at this, haven't you?

A Definitely.

Q Are you testifying that it is impossible to build a pad there and drill a well there?

A No, sir, I am not. I am just saying it would be an

excessive expenditure to build it here.

Q There is definitely a topographic problem at that location?

A That is correct.

Q As to the black locations, or the black pad, we'll call it, that's over the location 1650 feet from the east line and 1500 feet from the south line; describe that location and the topography there, please.

A This location that's placed here, we were attempting to see how close that we could get to the 1650, 1650 location without an excessive amount of blasting. However, this location, the contours are on five foot intervals and there is a heavy solid rock outcrop that projects through this location that would require considerable shooting to make this pad, or I should say, to make this location so that the pad could be placed upon it.

Q This rock outcrop protrudes above the surface running from west to east, running through a substantial part of that black area?

A That is correct, from about eight to eighteen inches above the ground.

Q Do you think it's reasonable to conclude you are going to have rock under whichever of these three locations that you try to make?

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A I am sure that we would. There are all indications that it appears there.

Q As well as some on top showing in the black one?

A Yes.

Q Is the same thing true in the green one?

A Definitely.

Q So, the yellow location on the yellow pad, this is superimposed over the location that Marathon has requested approval for, is that right?

A That is correct.

Q Do you consider that to be the most reasonable and appropriate location within the proximity of the 1650 standard location?

A In my opinion, this would be the place to build the location and place the drilling pad for the most economical drilling of the well.

Q All right. Have you obtained bids from a reputable dirt contractor and construction contractor in connection with these?

A Yes, sir, we have.

Q The first one is a letter dated October 3, from New Mexico Construction Company, Inc, marked Marathon Oil Company Exhibit Number 4. State briefly what that is, Mr. Peters.

A These are bids that we requested from New Mexico Construction Company, a reputable contractor, dirt moving contractor in Hobbs, for the building of the two locations; one at 1650, 1650 location and secondly the 1650, 1500 location.

Q Now, these bids each include cost for building of road, do they not?

A Yes, sir.

Q Substantially the same road expenditures to get to each one of the three locations proposed?

A It would be the same.

Q What is the total figure including the road cost from the --

A The total bid was \$7053.00.

Q Out of that, what is the cost for the pad itself, the location itself, exclusive of road costs?

A The location itself would be \$6579.

Q And the same relative figure, the cost of the placement of the pad itself on the 1650, 1500 location?

A It would be \$2177.

Q Now, then, please look at what has been marked Marathon Oil Company's Exhibit 5. What does that cover, please?

A This is a bid to also build the road and the location and install drilling pad at the 1440, 1440 location that

Marathon has requested.

Q What's the bid price on the pad alone at this 1440 location?

A \$1274.00.

Q Or just a difference of somewhere on the order of how much between that and the standard location, the difference between --

A About \$5300.00.

Q Were these bids obtained by you at your specific request from New Mexico Construction Company, Inc.?

A Yes, sir, they were.

Q Mr. Peters, the reason for requesting this unorthodox location is the topography involved, is it not?

A I believe that I stated that that was our reason for building the location at the -- or requesting the location at the 1440 is the topography only.

Q We would like to offer in evidence Marathon's Exhibits 1 through 5.

MR. NUTTER: Marathon's Exhibits 1 through 5 will be admitted in evidence.

(Whereupon, Marathon's Exhibits 1 through 5 offered and admitted in evidence).

MR. COUCH: This concludes our direct testimony.

MR. NUTTER: Are there any questions of Mr. Peters?



CROSS EXAMINATION

BY MR. NUTTER:

Q I notice on all three of these bids, it calls for exactly the same amount of square feet of caliche road, 121,440 feet or road. How would that be when you have three different locations?

A It would be very close to that. You'll notice on the overlay that there is just a matter of, say, 200 feet from one location to the other, a diagonal. If you'll notice also that all of the pads very closely overlap one another.

Q Well, from the 1440, 1440 location to the standard location, I think you testified previously there was 297 feet of scale difference or calculated difference?

A That is correct. Also you'll notice though, that the southeastern corner of the pad on the 1650, 1650 location comes to the -- it would be the northwest corner of the pad on the 1440 location which would leave you there somewhat, 150 feet or less; so, when they went up there and looked at this, they just stopped at a median there rather than saying, "Well, we're going to build it to this location or that location." It's a relative thing.

Q They didn't measure the actual distance the road will take?

A No, sir.

Q Which way will the road come in from?

A It will come from the east. If you'd look at the topog map there, it would come around --

MR. COUCH: This is Marathon's Exhibit Number 2.

A Number 2 is correct. The road would come off this road running from Indian Basin to Artesia and come up through this draw and around up through here, this area up right there, like that.

Q I see. It swings around to the north and then comes in from the east?

A That is correct.

Q I note on your Exhibit Number 2, there's a relatively flat area north of the standard 1650, 1650 location, being the area that has the number 17 in it. There certainly -- I mean the minimum distance from the outer boundaries for a standard location is 1650, 1650, then it can go to 2310 from the outer boundaries; was any consideration given to a location in this area that's indicated to be flat?

A Yes, it was. As was mentioned, this map is on a 50 foot contour and this relatively flat, which you mentioned had the number 17 in it, if you go into the field, you'll find that it doesn't exist this way, and that it is rather steep, even in the bottom of this.

Another reason is that if we got down into the bottom

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of this where it is relatively flat to build a location, we have all of the drainage from all this area that would go down through this and over our location and people that are familiar with that area know that we have heavy rains and heavy run-offs.

Q Mr. Peters, you also mentioned during your testimony that you thought that the entire Section 17 would be productive from the Upper Pennsylvanian formation; now, I note that a dry hole appears to be located in the northeast quarter of the directly west, do you know if any test was made in the Upper Pennsylvanian in that well?

A The only thing that I am aware of is the testimony of Mr. Castle, that I read in his testimony of the last Hearing in regards to their well, and that was that he -- that they ran pipe and tested gas. Now, my personal knowledge, if they tested gas in that well, I do not know.

MR. NUTTER: It might interest you, Mr. Couch, to know that we do have a report here from Mr. Stamets of our Artesia office. I don't know if it is proper to enter it into the record, but I have read it and I think I will read it again. I think we ought to mention the report, its date; "On January 4, 1966 inspected a proposed location for Ralph Lowe, 1438' from south and east lines of Section 17-21-24. The proposed location is at the top of a ridge which falls

off steeply to the north and west. There is a possible location in the bottom of a draw at 2310' from the south and east", which parenthetically I'll mention would probably be in the area of where the Number 17 is on Exhibit Number 2.

A Yes, sir.

MR. NUTTER: "There is a possible location in the bottom of a draw at 2310' from the south and east but the operator wants to stay away from a dry hole to the west in Section 18. There is an elevation difference of from 120 to 150 feet between the 2310' and the 1438' locations, and there are no other flat locations in the quarter." His memo with which he closed this says, "Here are two copies of a report made by myself on 1/5/66. The case is now in the name of Marathon but it's the same location." He's talking about a 1438-foot and you are talking about a 1440-foot location.

MR. COUCH: I think that's all pertinent except what he thought was the reason that the operator thought was the reason for his wanting to move over.

MR. NUTTER: That might have been less reason for wanting to move over.

MR. COUCH: Might have been.

MR. NUTTER: Does anyone have any questions?

MR. KELLAHIN: Jason Kellahin, appearing for Penroc Oil Corporation.

CROSS EXAMINATION

BY MR. KELLAHIN:

O Was the fact that there was a dry well taken into consideration in selecting the location in this case?

A No, sir.

Q You didn't go give it any consideration whatsoever?

A No.

Q Did you select the location?

A No, sir, I did not.

Q So you wouldn't consider it, somebody else did?

A Possibly.

MR. NUTTER: Are there any further questions of Mr. Peters? He may be excused.

(Witness excused).

MR. NUTTER: The Exhibits have been offered. Do you have anything further in this case, Mr. Couch?

MR. COUCH: No, sir, Marathon has no further testimony or evidence.

MR. NUTTER: Does anyone have anything further they wish to offer in case 3475?

MR. KELLAHIN: I have a statement. If the Examiner please, I believe the Examiner is familiar with the background of the application of Penroc Oil Corporation. According to the letter that was read from Mr. Stamets it clearly shows

that there are other locations available in the unit under consideration in this case, with a flexibility of some 1650 feet to 2310 feet. Certainly they don't have to pick a location that is not an orthodox location for a topographical reason. I think it's rather clear that they're trying to stay away from a dry hole. I think the location as shown on the Exhibits would certainly indicate this.

The witness testified that he had nothing to do with the selection of the location himself, so he didn't take it into consideration. I think I can do no better in this case than to quote from Case 3426, a statement made by Mr. Terrell Couch.

MR. COUCH: What page are you reading?

MR. KELLAHIN: Page 96; "In behalf of Marathon Oil Company, I want to briefly mention one or two points and state our position on the hearing here. Operating field rules for this field contain this specific finding by the Commission. Temporary special rules and regulations should provide for limited well locations in order to assure the orderly development of the pool and protect correlative rights.

The precedent to be set here is that the well or the second well can be drilled in this field at this time, which Marathon considers would be an undesirable precedent. We are in the first year of production from this field and consider

that, to that extent possibly that the field rules should be followed as completely and accurately as they can be.

On down in the statement, on the same page, "The operators have requested, or the Commission has required, in any event, has approved the orthodox location or the unorthodox locations have been apparently as close to the standard location in the quarter section as could reasonably be accomplished.

It has not been my understanding of these rules that merely because you have a topographical difficulty at the precise point 1650, 1650 that you are then entitled to an exception and to pick whatever point that seems to you to be the most desirable spot geologically for the second well --" There's more in that sentence, Mr. Couch may want to read to you.

MR. NUTTER: Does that conclude your statement?

MR. KELLAHIN: Penroc Oil Corporation does oppose the application, and submits that an orthodox location is available to the operator and should be required in this case, certainly in view of the fact that for the same identical reasons Penroc sought an unorthodox location and it was denied by the Commission, apparently for the purpose

of maintaining uniform spacing in the pool; if that be the position of the Commission, then the Commission should be consistent and deny this application.

MR. NUTTER: Thank you. Any further statements?

MR. GEDDIE: I would like to make a statement, if I could. I am Ivan D. Geddie, I represent Kerr McGee Corporation. Kerr McGee owns an interest in the Indian Basin Field and in particular, in the Martha Creek Well in Indian Federal Number 1 and 2 Wells located in Section 19 of 21 South, 24 East.

Kerr McGee supports Penroc and adopts the statement which has heretofore been made by Mr. Kellahin. We, too, oppose the application of Marathon for unorthodox location in this field.

MR. NUTTER: Anyone else?

MR. SELINGER: George W. Selinger, representing Skelly. Skelly has 440 acres in Section 9, which is a diagonal northeast offset to Section 17. While we do not favor unorthodox locations unless there are extenuating circumstances, we believe topography is an extenuating circumstance, and we are aware of the fact that even with the flexibility of the present rules, the topography in this general area is extremely difficult to stake locations large enough for your full equipment, including your roads. We

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believe that as long as an operator stands behind, back from the outside lease lines of at least 40 acres -- In other words, in this case, a southeast southeast 40 acres, as long as he stays outside of that, away from the lines, I believe that it is proper in this area, where the topography is so troublesome and hence Skelly Oil Company has no objection.

MR. NUTTER: Do you support or oppose the application?

MR. SELINGER: We have no objection. I will state this, that there are a number of unorthodox locations in this field, already, particularly in Section 20 and 21.

MR. NUTTER: Any further statements?

MR. ROSS: My name is D. Ross. I am a co-executive for Lowe Estate, also a director of Lowe. We wish to concur with Marathon Oil Company in application for the unorthodox location.

MR. NUTTER: Thank you Mr. Ross. Mr. Hatch, do you have any written correspondence?

MR. HATCH: Yes, I do. I have a letter from Redfern Development dated October 7, 1966, "Re: Case 3475. Gentlemen, we wish to oppose the application of Marathon Oil Company to drill its Indian Hills Unit Well "Comm" at an unorthodox location because there are legal locations on this section that are available and accessible. Signed John Redfern, Junior." Letter from Gulf Oil Corporation, "Re: Case 3475.

Gentlemen: Gulf Oil Corporation has been advised by Marathon Oil Company that due to topographical conditions they propose to drill their Indian Hills Unit Well Number 6 non-standard location 1440 from the south and 1440 from the east line, Section 17, Township 21 South, 34 East. Gulf Oil Corporation has, as an offset owner, has no objection to Marathon's non-standard location. Signed M. I. Taylor."

Telegram from Shell Oil Company, "This is to advise that Shell Oil Company has no objection to Marathon application non-standard location for Upper Pennsylvanian test located 1440 feet from the south and 1440 from the east line of Section 17, Township 21 South, Range 34 East, Eddy County, New Mexico, due to adverse topographic conditions at standard location. By copy of this wire we are notifying the New Mexico Oil Conservation Commission office of Shell's position. J. E. R. Sheeler, Western Division Production Manager."

That's all of the communication.

MR. NUTTER: Mr. Couch, do you have any further statement?

MR. COUCH: Mr. Nutter, I would like to present into the record letters from Mr. R. E. Boyle, who is the owner of an interest in the Christenson tract that we identified; a letter from Mr. Max Christenson, also who is the record owner of that 40-acre tract; a letter from Monsanto, also one of the

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working interest owners in the unit; and a letter -- Each of these letters that I have talked about are addressed to me, also a letter of October 7 addressed to the Commission with a copy to me from Sun Oil Company in which Sun advises they are an interest owner in the unit, and all of these express they have no objection to this unorthodox location. As a matter of fact, the proposed location requested location has been discussed with the other working interest owners and the F.E. is circulating along with the communitization papers.

I think the best way to start my statement is the way Mr. Kellahin started his; that is, to read from the record in this Case 3426. I'm not reading what some lawyer said, I am reading what Mr. Castle, the president of Penroc said. This point that Mr. Kellahin makes of Marathon trying to get away from the dry hole. That hole has gotten dry, I suppose since the Penroc Hearing. Mr. Castle, on page 10. "In your opinion, this structure map, does it reflect that the entire unit is productive of gas from the Cisco?" There, of course, Mr. Castle was talking about Section 19 immediately south of Section 18, where this alleged dry hole is. "Answer: Yes. In fact, we know it is productive of gas because we do produce gas from the well already in the unit. Also, if you will notice on Exhibit 4, the well on Section 18, almost a mile north, also ran pipe and tested gas out of the Cisco Canyon formation."

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Now, the well has not been completed as a producer but it was presented here before this Commission, before the full Commission as a basis for Mr. Castle's request, or showing as to productivity, and for now it to suddenly become a dry hole as the reason for us trying to run off and leave it, I think is at best, makes me a little incredulous.

With regard to the other possible locations on this southeast quarter, I would say that the one up around the figure 17 on Exhibit 2, that Mr. Nutter mentioned, would, I believe, be even further away from a standard location than would the location we're requesting.

I think that the one we are requesting is the closest one on a reasonable basis to a standard location here. This would be further from a 1650, I realize it would be considered standard under the rules in a sense of having the area to move around in, but the 50-foot contour interval, while there are no contours running through that part of the Section 17 that you are referring to, Mr. Nutter, there is a difference of 50-foot elevation between those two contour lines and although Mr. Stametz considered it might be possible to make a location here. We did check this. We have a severe drainage problem and would have to move -- well, the exact spot where it would be was not surveyed out, but it would be some question as to whether you could come in there without getting

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even closer to the east line than the location we have now requested.

Point out this too, that insofar as my statement is concerned, that was read here, that statement was made with regard to a request to move to 660 out of the corner in a section for the drilling of the second well where one well had already been drilled. To my mind, a totally different situation. The statement points out that it's the second well we're considering.

The other thing that I would emphasize is that in my statement about conforming to the field rules, that actually by placing this well where Marathon has requested it would be more regularly located insofar as drainage and development is concerned than if we went further north or west or in spotting our location.

The distance from that well down to the Number 2 Well is over 6,000 feet, the distance the Penroc well, either one of them, is over 6,000 feet. Over 7,000 feet to the Number 2 Well now drilling. We have moved interior toward the center of our unit, not crowding our neighbor's lines and we have what we consider to be a valid topographic reason for putting this location where we requested it, by put -- move a location 297 feet under rules that provide 1650 is certainly a reasonable request in this day, when we're trying to save

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money and drill a well and develop properties as economically as we can. Marathon respectfully requests that this non-standard location, this unorthodox location be approved.

MR. NUTTER: Thank you, Mr. Couch. Anything further in Case 3475? If not, we will take the case under advisement and take a 15-minute recess.

(Whereupon, a recess was taken.)

MR. COUCH: In connection with the Hearing of Case 3475, I had been anticipating some telegrams from other working interest owners in our unit and they were not in my box at the hotel this morning. At the conclusion of the Hearing, I asked one of our people to go over there and find them and after checking around, he found they had been delivered to the wrong room. With Mr. Kellahin present and hearing that explanation, we have now located the telegrams. Although the record is closed, I would request permission to present them to the Commission for its consideration.

MR. NUTTER: In essence, what is the basis of the telegrams, that they concur with your application?

MR. COUCH: Yes. Concurrence and no objection; one from Husky Oil signed W. B. Macey, and the other from Marion E. Spitler.

MR. NUTTER: Interest owners in the unit?

MR. COUCH: Yes, sir.



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MR. NUTTER: Fine, they will be made a part of this
file.

(Whereupon, the Hearing was
closed.)

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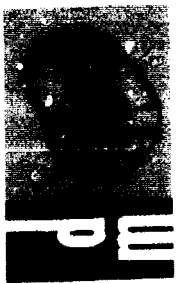
E X H I B I T S

EXHIBIT	MARKED FOR IDENTIFICATION	OFFERED	ADMITTED
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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 20th day of November, 1966.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 3475 heard by me on 10/11, 1966.
[Signature], Examiner
New Mexico Oil Conservation Commission