

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:

REOPENED
CASE NO. 11088
ORDER NO. R-10198-A

**APPLICATION OF MARATHON OIL COMPANY TO REOPEN CASE 11088 AND
TO AMEND ORDER NO. R-10198 ISSUED IN SAID MATTER TO ALLOW FOR
THE SIMULTANEOUS DEDICATION OF INDIAN BASIN-UPPER
PENNSYLVANIAN GAS POOL PRODUCTION TO A SINGLE 640-ACRE GAS
PRORATION UNIT, EDDY COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on July 11, 1996, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of July, 1996 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) By Division Order No. R-10198, issued in Case 11088 and dated September 22, 1994, Marathon Oil Company ("Marathon") was authorized to drill its Indian Basin "C" Well No. 2 (API No. 30-015-28167) at an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool 990 feet from the South line and 660 feet from the West line (Unit M) of Section 26, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. A preexisting standard 640-acre gas spacing and proration unit ("GPU") comprising all of said Section 26 was therein dedicated to said well. From its first gas production in January, 1966 to May, 1994 the subject GPU was dedicated to Marathon's Indian Basin "C" Well No. 1 (API No. 30-015-10332), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 26. The Indian

Basin "C" Well No. 2 was drilled as a replacement well for the Indian Basin "C" Well No. 1.

(3) Pursuant to Finding Paragraph No. (7) of said Order No. R-10198, which states that:

"The closest off-setting operator other than themselves (Marathon) is Apache Corporation which controls the 640-acre unit to the south in Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico, and as per a signed agreement between both parties dated September 13, 1994, see applicant's Exhibit No. 7 in this case, which should be incorporated by reference into this order, a 35% production penalty for the subject spacing and proration unit is to be incorporated into this order",

a penalty of 35 percent was applied against the production from the Indian Basin "C" Well No. 2 in the form of an acreage factor of 0.65 assigned the corresponding 640-acre GPU [see Decretory Paragraph No. (3) of said Order No. R-10198].

(4) Marathon recently acquired the above-described offsetting interest formerly controlled by Apache Corporation.

(5) At this time, Marathon believes that it is possible to return the Indian Basin "C" Well No. 1 to production by utilizing submersible pump equipment and since said Order No. R-10198 contained a stipulation that the Indian Basin "C" Well No. 2 was to be a replacement well to the No. 1 well, Marathon seeks to amend said Order No. R-10198 to provide for the concurrent production of Indian Basin-Upper Pennsylvanian Gas Pool production from both the Indian Basin "C" Well Nos. 1 and 2 in the subject 640-acre GPU.

(6) Further, Marathon seeks no change in the current acreage factor of 0.65 assigned to this unit because of the unorthodox location of its Indian Basin "C" Well No. 2.

(7) Because there are no offsetting parties adversely affected by this request, Marathon caused this case to be styled such that in the absence of objection this matter would be taken under advisement.

(8) No appearances were made in this case at the time of the hearing.

(9) Approval of this application is in the best interest of conservation, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Decretory Paragraph No. (2) of Division Order No. R-10198, issued in Case 11088 and dated September 22, 1994, being one and the same is hereby amended to read as follows:

"(2) All of said Section 26, being a standard 640-acre gas spacing and proration unit for the Indian Basin Upper-Pennsylvanian Gas Pool, shall herein be simultaneously dedicated to both the aforementioned Indian Basin "C" Well No. 2 (API No. 30-015-28167), located at the above-described unorthodox gas well location, and to the Indian Basin "C" Well No. 1 (API No. 30-015-10332), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 26."

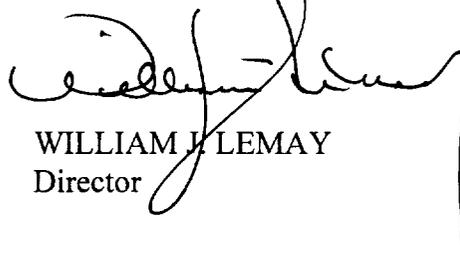
(2) All other provisions of said Order No. R-10198 shall remain in full force and effect until further notice.

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

WITNESSED at Santa Fe, New Mexico, on the day and year hereinabove



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director