

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. 11088
ORDER NO. R-10198

APPLICATION OF MARATHON OIL COMPANY FOR AN UNORTHODOX GAS
WELL LOCATION, EDDY COUNTY, NEW MEXICO

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 15, 1994, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 22nd day of September, 1994 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 ("Marathon"), seeks approval of an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool to be drilled 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. All of said Section 26, being a standard 640-acre gas spacing and proration unit for the Indian Basin Upper-Pennsylvanian Gas Pool, is to be dedicated to said well.

(3) The proposed well and spacing unit being within the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool is subject to the General Rules For The Prorated Gas Pools of New Mexico/Special Rules and Regulations For The Indian Basin-Upper Pennsylvanian Gas Pool, as promulgated by Division Order No. R-8170, as amended, which provides for gas production allocation, 640-acre standard gas spacing and proration units, requires that wells be located no closer than 1650 feet from the outer boundary of the section nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary.

*Exhibits 1 through 8
Complete set*

(4) According to the testimony presented by the applicant this well is to be a replacement well for its 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. This well was drilled to and completed in the Indian Basin-Upper Pennsylvanian Gas Pool in 1963. In May 1994 Marathon shut this well in due to increased water production that made the well no longer a commercially producing gas well.

(5) Evidence was presented to show that the increased water production in said well is the result of the southwesterly migration of this reservoir's gas/water contact and the subsequent water encroachment into the wellbore.

(6) By drilling a replacement well at the desired location the applicant intends to capture the remaining gas reserves underlying the subject acreage before the gas/water contact engulfs the section.

(7) The closest offsetting operator other than themselves 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.

(8) The aforesaid production limitation factor should be applied against the well's monthly allowable as set by the Division for the subject pool; this can be accomplished by assigning said 640-acre spacing and proration unit designated to the proposed well an acreage factor of 0.65.

(9) Approval of this application subject to the above provisions and limitations 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 unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marathon Oil Company for an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool is hereby approved for a well to be drilled 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.

(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 be dedicated to said well.

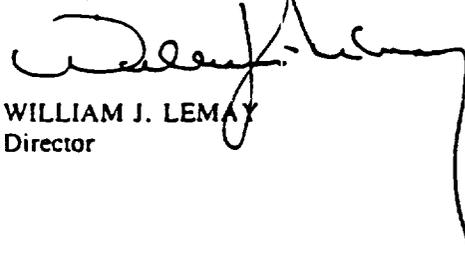
IT IS FURTHER ORDERED HOWEVER THAT:

(3) For allowable purposes, the subject 640-acre unit shall be assigned an acreage factor of 0.65, which shall be applied against the monthly allowable as set by the Division in the Indian Basin-Upper Pennsylvanian Gas Pool

(4) 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

32°35'00"N

32°35'00"N

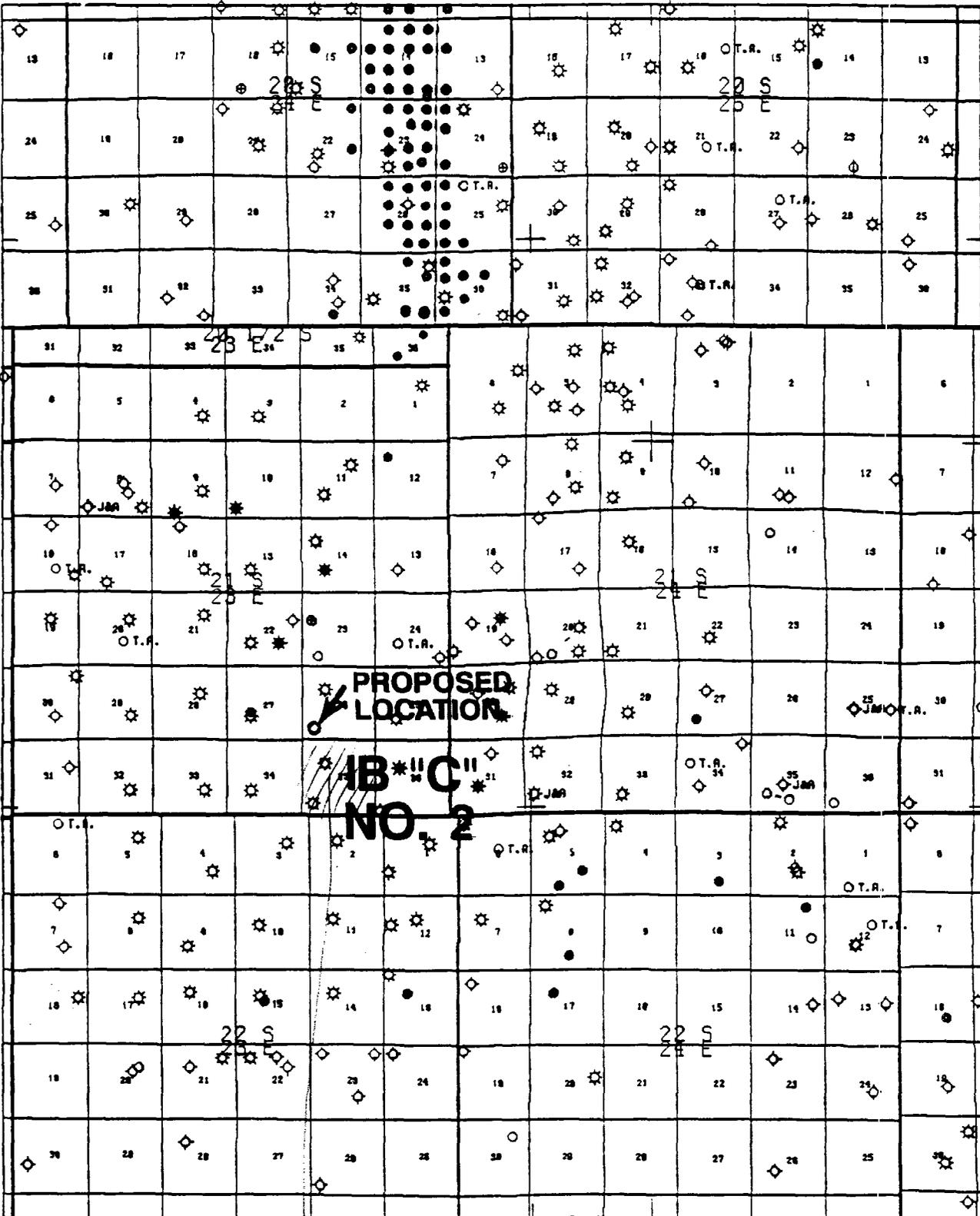
560.000

32°30'00"N

520.000

32°21'00"N

32°21'00"N



104°39'00"W

104°30'00"W

104°25'25"W

Franklin Morrow
Core Well

BEFORE THE OIL CONSERVATION DIVISION
 SANTA FE, NEW MEXICO

CASE NO. 11088

EXHIBIT NO. 1

SUBMITTED BY MARATHON OIL COMPANY

MARCH 3, 1994

MARATHON
 OIL COMPANY

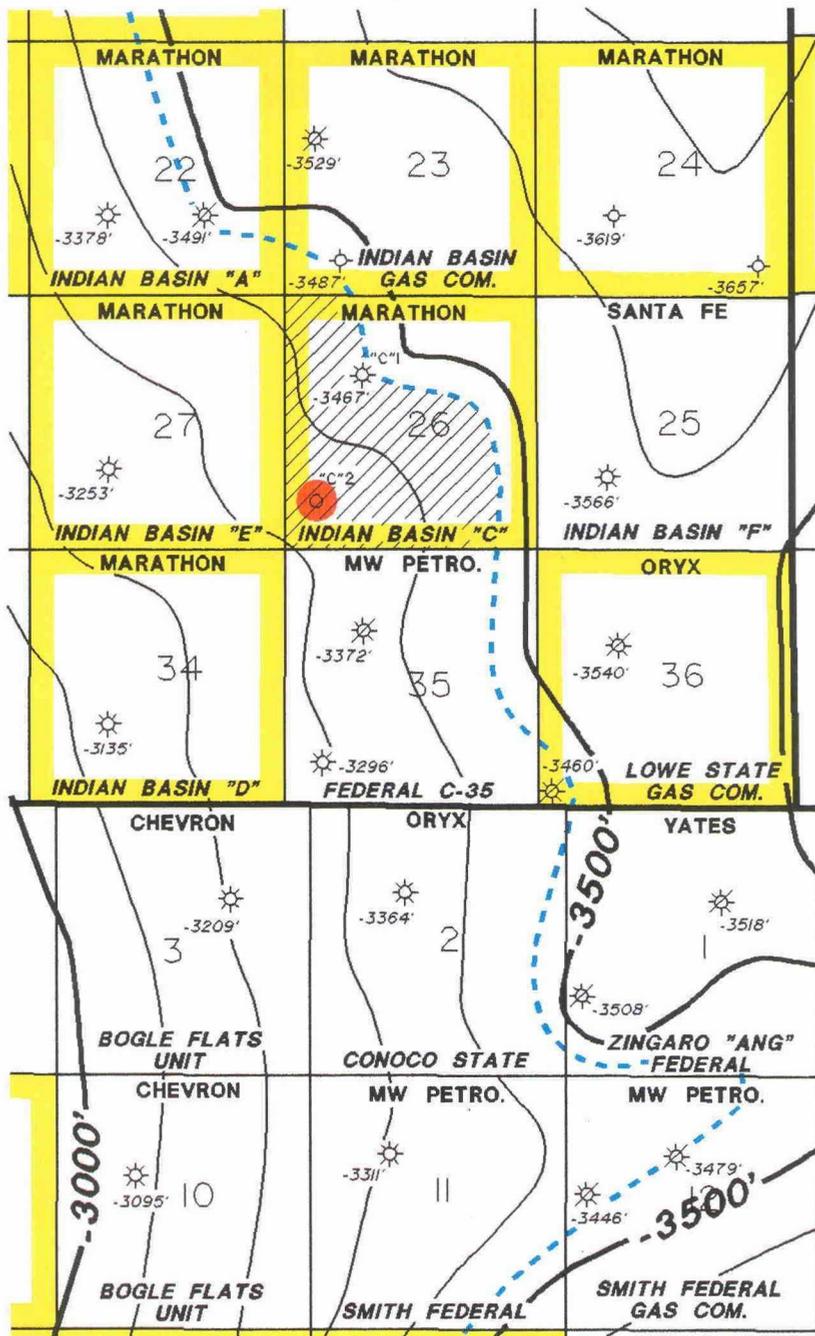
INDIAN BASIN
INDIAN BASIN "C" NO. 2
LOCATION MAP

DATE: 11-1-93	DATE: 11-1-93
AUTHOR: GREGORY	REVIEWER:
DRAWN BY:	PROJECT APPROVED BY: GREGORY
	FILE NO.: 11088-001

R 23 E

T 21 S

T 22 S



 ESTIMATED 415 PRODUCTIVE ACRES

 APPROXIMATE GWC

BEFORE THE OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO

CASE NO. 11088

EXHIBIT NO. 2

SUBMITTED BY MARATHON OIL COMPANY
SEPTEMBER 15, 1994

MARATHON OIL COMPANY	MID-CONTINENT REGION
INDIAN BASIN FIELD AREA EDDY COUNTY, NEW MEXICO T/CISCO CARBONATE STRUCTURE MAP (MEMBER IN THE UPPER PENN) C.I. 100'	
ORIGINAL SCALE: 1" = 1000'	DATE: 9/94
AUTHOR: K. MILLER, E. CARLSON	REVISED:
DRAFTED BY:	PROJECT:
FILE LOC.: IBF994.AFE	

LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this form to you.
- Attach **Marathon/Indian** postage stamp.
- Write "Registered" or "Restricted Delivery" on the envelope below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: Mr. Thomas C. Lowry, Esq.
Marathon Oil Company
PO Box 552
Midland, Texas 79702

4a. Article Number: **321 036 920**

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery: **AUG 25 1994**

5. Signature (Addressee)

6. Signature (Agent): *Jim Tanker*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ★U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 321 036 820



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail (See Reverse)

Sent to: Mr. Thomas C. Lowry, Esq.
Marathon Oil Company
PO Box 552
Midland, Texas 79702

Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Marathon/Indian August 23, 1994

PS Form 3900, June 1991

Is your RETURN ADDRESS completed on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, and 4a & b.
- Print your name and address on the reverse of this form so that we can return this form to you.
- Attach **Marathon/Indian** postage stamp.
- Write "Registered" or "Restricted Delivery" on the envelope below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

1. Addressee's Address

2. Restricted Delivery

Consult postmaster for fee.

3. Article Addressed to: Ceci Leonard
Apache Corporation
2000 Post Oak Blvd.
Suite 100
Houston, Texas 77056-4400

4a. Article Number: **321 036 819**

4b. Service Type

Registered Insured

Certified COD

Express Mail Return Receipt for Merchandise

7. Date of Delivery: **8/25/94**

5. Signature (Addressee)

6. Signature (Agent): *C. Perez*

8. Addressee's Address (Only if requested and fee is paid)

PS Form 3811, December 1991 ★U.S. GPO: 1993-352-714 **DOMESTIC RETURN RECEIPT**

Thank you for using Return Receipt Service.

P 321 036 819



Receipt for Certified Mail

No Insurance Coverage Provided
Do not use for International Mail (See Reverse)

Sent to: Ceci Leonard
Apache Corporation
2000 Post Oak Blvd.
Suite 100
Houston, Texas 77056-4400

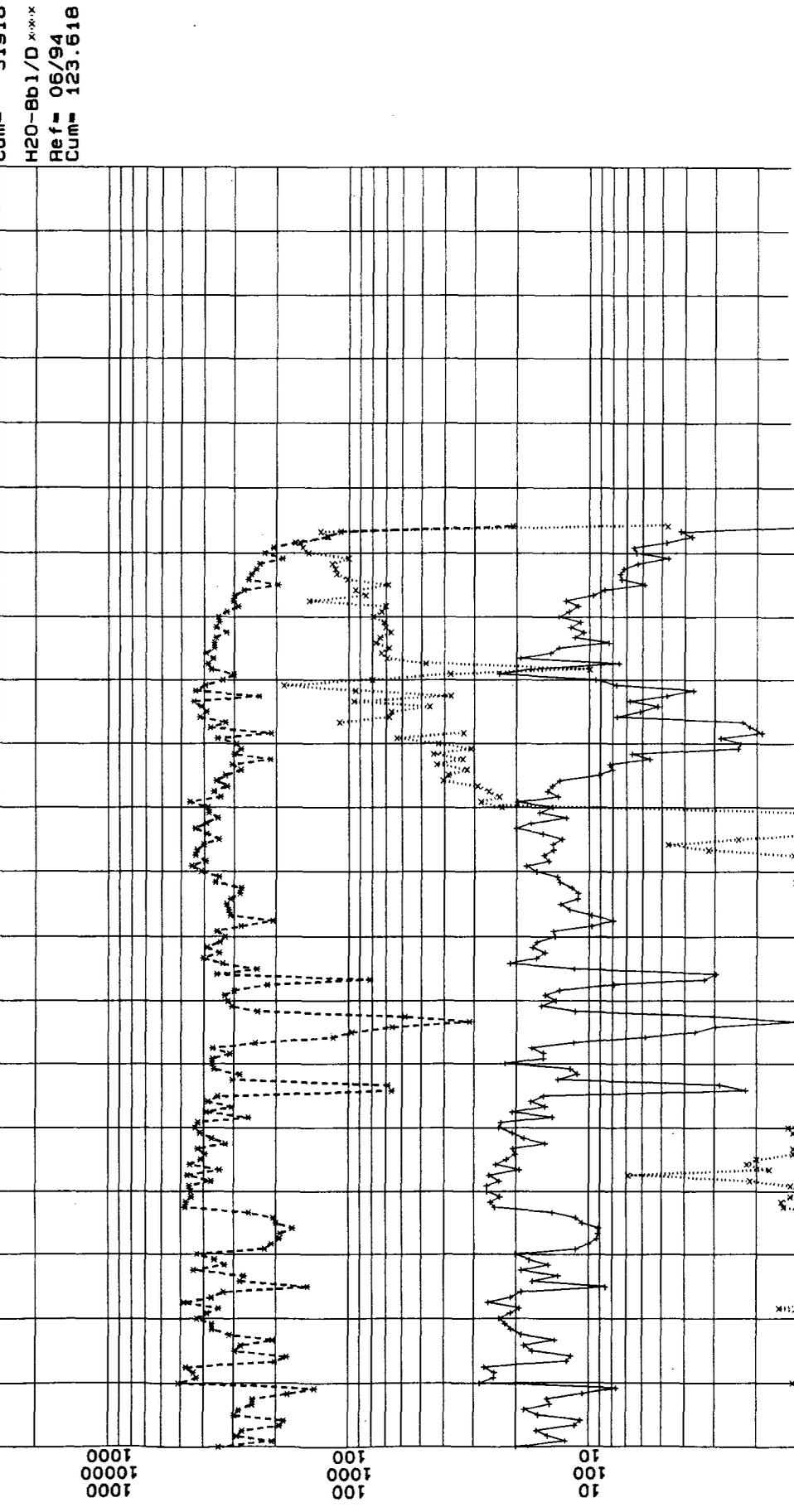
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	Marathon/Indian August 23, 1994

PS Form 3800, June 1991

09/13/94

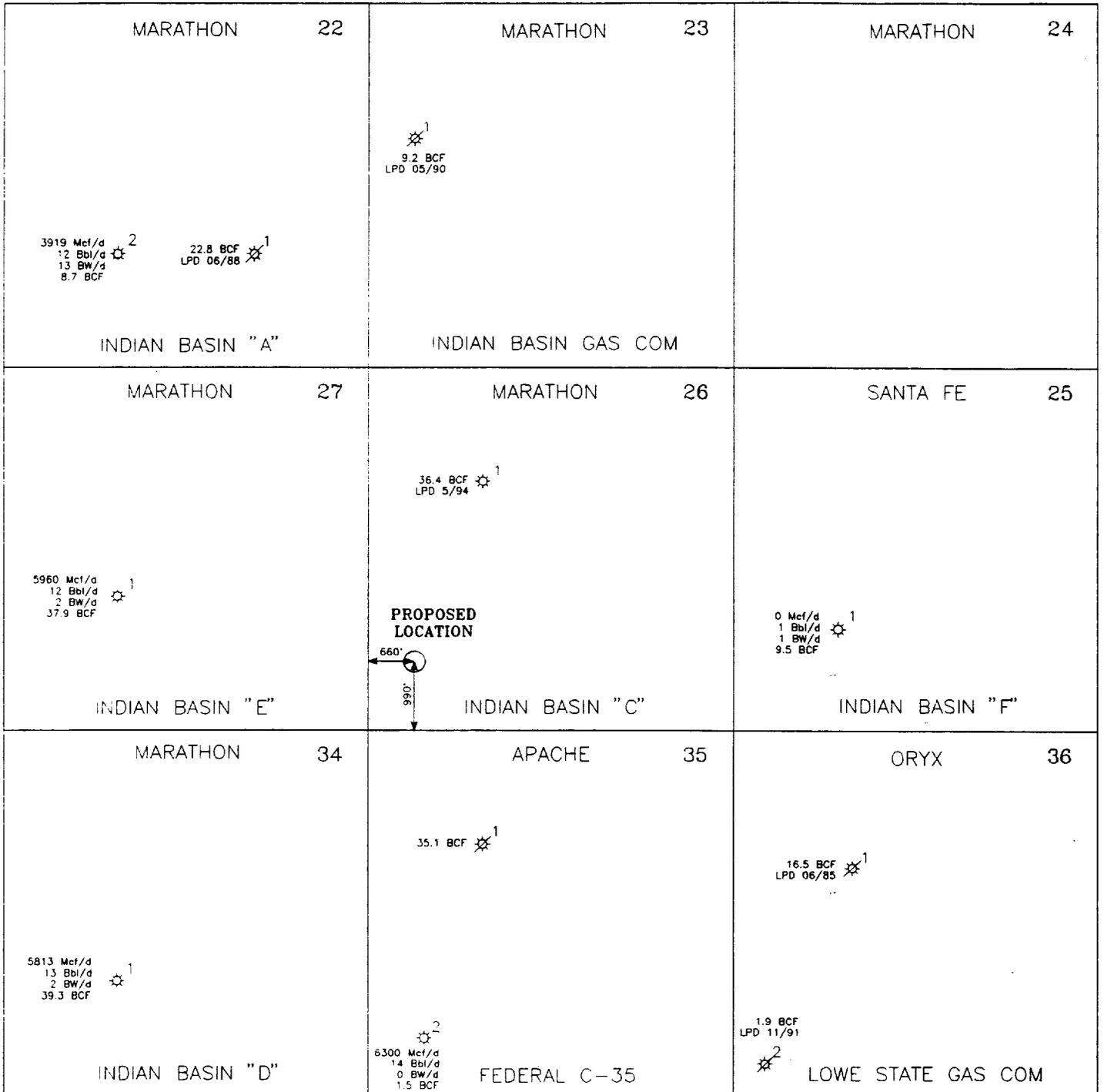
SEOID: 59

1 INDIAN BASIN C
 INDIAN BASIN
 UPPER PENN
 MARATHON OIL COMPANY
 26F-21S-23E 226U



Before the Oil Conservation Division
 Santa Fe, New Mexico
 Case No. 11084
 Exhibit No. 4
 Submitted by Marathon Oil Company
 September 15, 1994

21S



UPPER PENN PRODUCTION SUMMARY

Before the Oil Conservation Division
Santa Fe, New Mexico

Case No. 11088

Exhibit No. 5

Submitted by Marathon Oil Company

September 15, 1994

MARATHON OIL COMPANY

INDIAN BASIN - UPPER PENN
Eddy County, New Mexico

PRODUCTION MAP

**RESULTS FROM UP-DIP REPLACEMENT WELLS
INDIAN BASIN - UPPER PENN FIELD**

LEASE NAME OPERATOR LOCATION of REPLACEMENT WELL SEC-TWN-RGE REPLACEMENT WELL CUM, BCF REPLACEMENT WELL Life, Mos REPLACEMENT WELL INITIAL RATE, Mcf/D REPLACEMENT WELL CURRENT RATE, Mcf/D	FEDERAL C-35 MW PETROLEUM 800' FSL & 800' FWL 35 - 21S - 23E 1.2+ 8+ 7,000 5,500	LOWE STATE ORYX 330' FSL & 330' FWL 36 - 21S - 23E 1.89 24 4,000 SHUT-IN	SMITH FEDERAL M.O.K. 1650' FSL & 330' FWL 1 - 22S - 23E 3.60 42 3,000 SHUT-IN
LEASE NAME OPERATOR LOCATION of REPLACEMENT WELL SEC-TWN-RGE REPLACEMENT WELL CUM, BCF REPLACEMENT WELL Life, Mos REPLACEMENT WELL INITIAL RATE, Mcf/D REPLACEMENT WELL CURRENT RATE, Mcf/D	SMITH FEDERAL MW PETROLEUM 2049' FNL & 480' FWL 12 - 22S - 23E 0.23 4 2,500 SHUT-IN	H. O. C. FEDERAL MW PETROLEUM 330' FNL & 330' FWL 13 - 22S - 23E 0.27 8 1,800 SHUT-IN	

Before the Oil Conservation Division
Santa Fe, New Mexico

Case No. 11088

Exhibit No. 6

Submitted by Marathon Oil Company

September 15, 1994

Mid-Continent Region
Production United States



P.O. Box 662
Midland, TX 79702-0662
Telephone 915/682-1626

September 13, 1994

Before the Oil Conservation Division
Santa Fe, New Mexico

Case No. 11088

Exhibit No. 2

Submitted by Marathon Oil Company
September 15, 1994

NW Petroleum Corporation
C/O Apache Oil Corporation
2000 Post Oak Blvd
Suite 100
Houston, TX 77056

Attn: Ceci Leonard

RE: Request for Waiver of Objection
Indian Basin "C" No. 2
Indian Basin (Upper Penn) Gas Pool
Eddy County, New Mexico

Marathon Oil Company is requesting your waiver of objection to Marathon's application to drill a gas well at an unorthodox location in Section 26 of Township 21-S, Range 23-E, Eddy County, New Mexico.

This application has been set for hearing on September 15, 1994, at the offices of the New Mexico Oil Conservation Division in Santa Fe, New Mexico.

The proposed well will be a replacement gas producer for the Indian Basin "C" No. 1, located in Unit F of said section. This well is no longer capable of producing in commercial quantities due to water production at this location. The proposed replacement well will be located in Unit Y to the southwest of the original well at a location 990' PSL and 660' FWL of Section 26.

Marathon Oil Company is also requesting that the NMOCD approve an acreage factor of 0.65 for gas allowable purposes.

Numerous unorthodox location permit applications have been approved by the NMOCD in Indian Basin Field over the years. Marathon Oil Company believes that the drilling of this well is necessary to protect the correlative rights of it and its royalty owners. The acreage factor of 0.65 will protect the correlative rights of the offsetting interests.

SL3104.sk

A subsidiary of USX Corporation

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

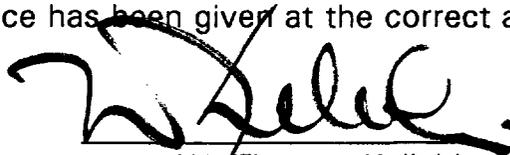
IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11088

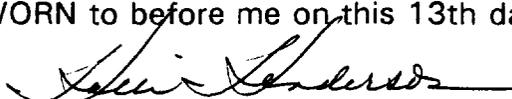
Application of Marathon Oil
Company for an Unorthodox Well
Location, Eddy County, New Mexico.

**CERTIFICATE OF MAILING
AND
COMPLIANCE WITH ORDER R-8054**

W. THOMAS KELLAHIN, attorney in fact and authorized representative of Marathon Oil Company, states that the notice provisions of Division Rule 1207 (Order R-8054) have been complied with, that Applicant has caused to be conducted a good faith diligent effort to find the correct addresses of all interested parties entitled to receive notice, that on the 23rd day of August 1994 I caused to be sent, by certified mail return receipt requested, notice of this hearing and a copy of the application for the referenced case along with the cover letter, at least twenty days prior to the hearing set for September 15, 1994, to the parties shown in the application as evidenced by the attached copies of receipt cards, and that pursuant to Division Rule 1207, notice has been given at the correct addresses provided by such rule.


W. Thomas Kellahin

SUBSCRIBED AND SWORN to before me on this 13th day of
September, 1994.


Notary Public

My Commission Expires: June 15th, 1998



MW Petroleum Corporation
Request for Waiver of Objection
Indian Basin "C" No. 2
Page No. 2

If you have no objections to Marathon Oil Company's drilling and producing this unorthodox location, please sign and return one copy of this letter in the enclosed envelope. Should you have any questions regarding this matter, please call Rod Steward at (915) 687-8279.

Sincerely yours,

Rodney J. Steward

R. L. Steward, P.E.
Marathon Oil Company

MW Petroleum / Apache Corporation
Name of Company

Quita Searls Leonard 9/14/94
Representative's Signature and Date