

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.

(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.

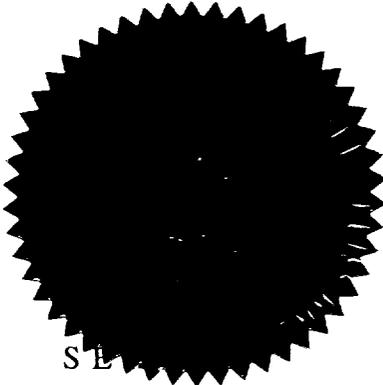
(2) All of said Section 26, being a standard 640-acre gas spacing and proration unit for the Indian Basin-Upper Pennsylvanian Gas Pool, shall be dedicated to said well.

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