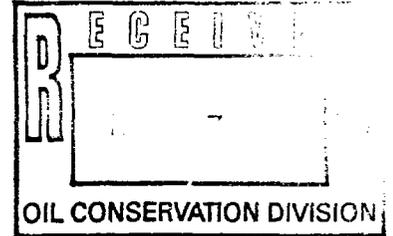


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION



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

CASE NO. 11141

APPLICATION OF MARATHON OIL COMPANY FOR
TWO ADDITIONAL HIGH/ANGLE/HORIZONTAL
WELLS AND TO AMEND DIVISION ORDER R-10082,
LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by MARATHON OIL COMPANY
as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Marathon Oil Company
P. O. Box 522
Midland, Texas 79702
Attn: Dow Campbell, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

STATEMENT OF CASE

Marathon is the operator of the J. M. Denton lease (the "Project") consisting of the SW/4, N/2SE/4 and SE/4SE/4 of Section 11, T15S, R37E, NMPM, Lea County, New Mexico.

Division Order R-10082, entered March 15, 1994, approved a high angle/horizontal/directional drilling pilot project consisting of the above described acreage and granted Marathon's request to use the J. M. Denton Well No. 5 located in Unit N of said Section 11 as the initial project well to be re-entered and drilled as a high angle/horizontal/ directional well by kicking said well off at a depth of approximately 11,400 feet (+ or - 100 feet) at which point the applicant would have kicked the well off in a northeasterly direction.

This project is an attempt to test the feasibility of improving ultimate recovery from the Denton-Devonian Pool by placing the producing lateral of the horizontal wells at a high structural point of greatest reservoir thickness within the separate fault blocks in the project area between existing or formerly producing oil wells to produce remaining oil that may not have been recovered by any prior well.

By drilling high angle/horizontal/directional drilled wellbores, the applicant is attempting to increase the probability of encountering portions of the Denton-Devonian Pool which have not been adequately produced with existing vertical wells resulting in the recovery of a greater amounts of gas and oil, thereby preventing waste.

Marathon's original selection of the J. M. Denton Well No. 5 as the initial project well is an attempt to use an inactive Devonian well as the horizontal well rather than any either the J. M. Denton Well No. 3 or Well No. 4 because both were then producing oil wells. Marathon now requests authorization to utilize at its J. M. Denton Well No. 4 located 1980 feet from the South line and 2080 feet from the West line (Unit K) of said Section 11 and then its J. M. Denton Well No. 6 located 660 feet from the South line and 990 feet from the West line (Unit P) of said Section 11 for the subject high angle/ horizontal/directional drilling pilot project.

Marathon seeks to use the J. M. Denton Well No. 4 because it is not capable of producing at economic rates and is located closer to the top of the structure and at a point of greater reservoir thickness than the previously approved J. M. Denton Well No. 5.

Marathon seeks to use the J. M. Denton Well No. 6 because it is close to its economic limit and is located close to the top of the structure of a separate fault block from the J. M. Denton Well No. 4.

In addition, Marathon seeks a special oil allowable equal to the depth bracket allowable for a 40-acre spacing unit times the number of spacing unit intersected by the horizontal well and the authority to simultaneously produce said allowable with any existing vertical well which may also be producing on any such unit.

In as much as the exact distance and direction of the lateral portion of the J. M. Denton Well No. 4 and J. M. Denton Well No. 6 are not known at this time, the Applicant seeks approval to be allowed to drill and produce said lateral portion anywhere within an area designated a target window as follows: commencing at a distance not closer than 330 feet from any of the side boundaries of the proposed project area so that within the drilling window no portion of the wellbore open for production shall be closer than 330 feet to the outer boundary of the project area.

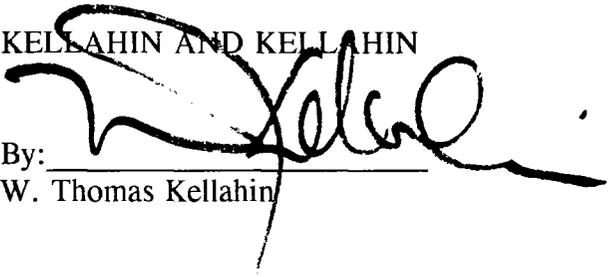
PROPOSED EVIDENCE

WITNESSES	EST. TIME	EXHIBITS
Val Ott (geologist)	20 min.	4
Craig Kent (reservoir engineer)	15 min.	4
Steve Pohler (drilling engineer)	15 Min.	2

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

W. Thomas Kellahin