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RECOGNIZED SPECIALIST IN THE AREA OF  
NATURAL RESOURCES-OIL AND GAS LAW

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JASON KELLAHIN (RETIRED 1991)

March 24, 1996

**HAND DELIVERED**

Mr. William J. LeMay, Director  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Oil Conservation

11512

Re: Application of Marathon Oil Company, Kerr-McGee Corporation  
and Santa Fe Energy Resources, Inc. for Termination of Gas  
Prorationing in the Indian Basin-Morrow Gas Pool,  
Eddy County, New Mexico

Dear Mr. LeMay:

On behalf of Marathon Oil Company, Kerr-McGee Corporation, and  
Santa Fe Energy Resources, Inc. please find enclosed our application for  
Termination of Gas Prorationing for the Indian Basin-Morrow Gas Pool  
which we request be set on the Examiner's docket now scheduled for  
hearing in Farmington, New Mexico on April 18, 1996. Also enclosed is  
our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Marathon Oil Company  
Attn: Thomas C. Lowry  
Kerr-McGee Corporation  
Attn: Dave Henke  
Santa Fe Energy Resources, Inc.  
Attn: Don Rogers

Proposed notification/advertisement for OCD docket

Case 11512 : Application of Marathon Oil Company, Kerr-McGee Corporation and Santa Fe Energy Resources Inc. to terminate gas prorationing, to infill drill and to amend the special pool rules and regulations for the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico. Applicants seek the termination of gas prorationing in the Indian Basin-Morrow Gas Pool including the cancellation of all accumulated over and under production. Applicants also seek the promulgation for said pool of a special pool rule authorizing infill drilling of a second well on a standard 640-acre spacing unit. In addition, Applicants seek to amend Rule 4 of the current special pool rules for this pool to provide for standard well locations not closer than 660 feet to the outer boundary of a spacing unit, Eddy County, New Mexico.

Said pool is located in portions of Township 21 South Range 23 East and Township 21 South Range 24 East, the center of which is located approximately 18-1/2 miles west of Carlsbad, New Mexico.

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

**IN THE MATTER OF THE APPLICATION OF  
MARATHON OIL COMPANY, KERR-MCGEE  
CORPORATION AND SANTA FE ENERGY  
RESOURCES, INC. TO TERMINATE GAS  
PRORATIONING, TO INFILL DRILL AND  
TO AMEND THE SPECIAL POOL RULES  
AND REGULATIONS FOR THE INDIAN  
BASIN-MORROW GAS POOL,  
EDDY COUNTY, NEW MEXICO.**

CASE: 11512

**A P P L I C A T I O N**

Comes now MARATHON OIL COMPANY, KERR-MCGEE CORPORATION and SANTA FE ENERGY RESOURCES, INC. by and through their attorney, W. Thomas Kellahin, Esq., and apply to the New Mexico Oil Conservation Division for the termination of gas prorationing in the Indian Basin-Morrow Gas Pool including the cancellation of all accumulated over and under production. Applicants also seek the promulgation for said pool of a special pool rule authorizing infill drilling of a second well on a standard 640-acre spacing unit. In addition, Applicants seek to amend Rule 4 of the current spacial pool rules for this pool to provide for standard well locations not closer than 660 feet to the outer boundary of a spacing unit, Eddy County, New Mexico.

In support thereof, Applicants state:

1. Applicants are operators and working interest owners in the Indian Basin-Morrow Gas Pool, Eddy County, New Mexico.

2. The Indian Basin-Morrow Gas Pool ("the Pool") was established by Division Order R-2441 dated February 28, 1963 and made effective March 1, 1964. Said order further provided for 640-acre spacing units with standard well locations not closer than 1650 feet to the outer boundary of the section nor nearer than 330 feet to any interior quarter-quarter section.

3. By Division Order R-8170-O, dated November 27, 1995, the special rules and regulations for the Pool were confined to area identified on Exhibit "A" attached and described as follows:

**TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM**

Section 2:	All
Sections 9 and 10:	All
Section 11:	All*
Section 14:	SW/4
Section 15:	All
Sections 22 through 25:	All
Section 36:	All

**TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM**

Section 9:	S/2
Section 15:	S/2
Sections 16 and 17:	All
Sections 19 through 22:	All
Sections 30 through 32:	All

\*The E/2 of this Section was added to this pool by the completion of the NIBU Well No. 21.

4. Gas production allocation or gas prorationing based on acreage alone was instituted in the Pool by Division Order R-1670-F, issued in Case 3237 and dated May 6, 1965 for the following reasons:

- (a) there were a total of eight wells completed in the Pool however no Morrow gas had been transported from these wells because no transportation facilities to this area were in existence;
- (b) there existed a market demand for this production and two purchasers were planning construction of gas transportation facilities to these wells; and,

- (c) the wells that were completed at the time were capable of producing in excess of the reasonable market demand for gas from the pool and were capable of producing in excess of the gas transportation facilities to be constructed.

and therefore production from the pool was restricted to reasonable market demand and the capacity of the gas transportation facilities to be constructed.

### **REASONS FOR TERMINATING PRORATIONING**

5. Gas Prorationing for the Pool should now be terminated for reasons which include:

- (a) Since the institution of prorationing for this pool in 1963, there has been substantial changes in the pool production, development, gas purchasing and marketing practices and other factors affecting the oil and gas industry which make prorationing of the pool no longer necessary.
- (b) Market Demand currently exceeds the Deliverability for the Pool and for the remaining life of the Pool the total deliverability of the wells in the Pool is not expected to exceed market demand for gas produced from the Pool.
- (c) Currently there are 9 producing wells in the Pool with 5 wells classified as marginal and 4 wells classified as non-marginal.
- (d) 100% of the operators of both marginal and non-marginal wells in the pool support the termination of prorationing in the pool
- (e) There are no wells in the pool which are underproduced because of a lack of market for the gas from a wells.

- (f) Geologic and engineering calculations establish that the higher capacity wells are draining less than 320-acres and therefore the termination of prorationing for the pool will not give the non-marginal wells any unfair advantage over the marginal wells.
- (g) Termination of prorationing for the pool will result in increased ultimate recovery from the pool thereby preventing waste.
- (h) Production of the non-marginal wells is being restricted by the proration system assignment of allowables for those wells and not by a lack of market for that production.
- (i) The Division' practice of using the Pool's production for the prior 6-month proration period as the main indication of actual market demand by which it sets allowables has not kept pool production in line with actual market demand because when allowable levels and well capabilities are such that a well attempting to meet its market demand hit the six times limit in two months or less, it will be curtailed by the time the allowable has a chance to reflect the increased market demand.
- (j) The current proration system for the pool lacks the flexibility to resolve the problem by simply producing the non-marginal wells at rates in excess of the current allowables and causing the future allowables to be adjusted upward to reflect actual market demand and now most non-marginal wells are at least six times overproduced.
- (k) Current allowables of 688 MCFPD are too low and do not accurately reflect the actual market demand for gas from the Pool.

- (l) While the current Commission has granted increases in allowables for certain prorated pools in Southeastern New Mexico, simply assigning more allowable to the pool would provide only temporary and partial incentives for additional production, drilling and workover activities. Such adjustments will not provide a long term reliable solution because the Operators are not assured that such practice will continue and the opportunity to produce wells without allowable restrictions provides an economic incentive necessary to encourage further drilling in the pool.
- (m) Because the pipeline companies in the pool which used to be purchaser of a substantial volume of gas produced are now transporters and not purchasers, the potential for non-ratable takes by the pipelines no longer exists and proration in this pool is no longer justified on that bases.
- (n) Because there is only one non-standard proration unit in the Pool and its well is no longer producing, there exists no basis for continuing prorationing of the pool based upon the advantage a non-standard sized proration and spacing unit might theoretically have over standard sized spacing units.
- (o) Because there are no spacing units that currently have producing more than one well per 320-acres, prorationing can be terminated and spacing maintained at 640-acres with authorization for a second "infill" well.
- (p) All current unorthodox well locations are all for marginal wells which would not be subject to a penalty if prorationing was continued and thus not a basis for continuing proration for the pool.

- (q) Cancellation of over and under production from any GPU will not create the potential for drainage which is not equalized by counter-drainage.
- (r) Termination of prorationing will not cause the non-marginal wells, if allowed to produce at capacity, to satisfy more than their share of the market and thereby displace or deny a market for the marginal wells.
- (s) Termination of prorationing will not cause the high capacity wells if allowed to produce at capacity to take more than their share of the remaining gas reserves to the disadvantage of the marginal wells' GPU nor will this cause marginal wells to be prematurely abandoned.

6. The authorization of infill drilling of a second well on a standard 640-acre spacing unit and the amendment of Rule 4 of the current spacial pool rules for this pool to provide for standard well locations not closer than 660 feet to the outer boundary of a spacing unit are necessary because:

- (a) Production from the Morrow formation in the Pool is from many separate stringers which vary greatly in areal extent, porosity and thickness;
- (b) These stringers are not continuous across the Pool; and
- (c) There is recoverable gas reserves underlying each of the spacing units which might not be recovered unless greater flexibility is provided for standard well locations and provision is made for increasing the density greater than one well per 640-acre spacing unit.

7. Approval of the application will afford the applicants and all affected interest owners the opportunity to produce its just and equitable share of the hydrocarbons in these formations and will otherwise prevent waste and protect correlative rights.

8. In accordance with Division Rule 1207, notification, including a copy of the application, is being sent by certified mail-return receipt to all operators of currently producing spacing units within the Pool and all operators of Morrow wells within one mile of the current outer boundary of the Pool. In addition, Applicant will cause to be sent a similar notice to all working, royalty, overriding royalty interest owners of currently producing spacing units and to all unleased mineral owners or lessees of Pool acreage for those spacing units in the Pool which do not have a currently producing Pool well. Applicant has made a good faith effort to identify and send notice to all pipelines transporting gas from the Pool. The list of the names and addresses of all those to whom notice has been sent are set forth on Exhibit "B" attached.

WHEREFORE, Applicants request that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

By 

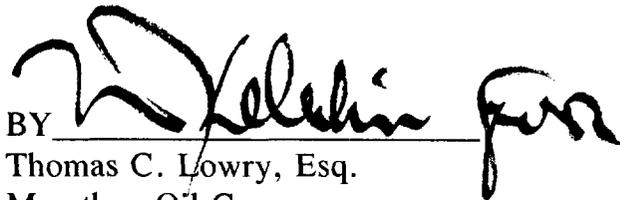
W. Thomas Kellahin, Esq.

P. O. Box 2265

Santa Fe, NM 87504

(505) 982-4285

Attorneys for Marathon Oil Company,  
Kerr-McGee Corporation and  
Santa Fe Energy Resources, Inc.

BY 

Thomas C. Lowry, Esq.

Marathon Oil Company

Box 552

Midland, Texas 79702

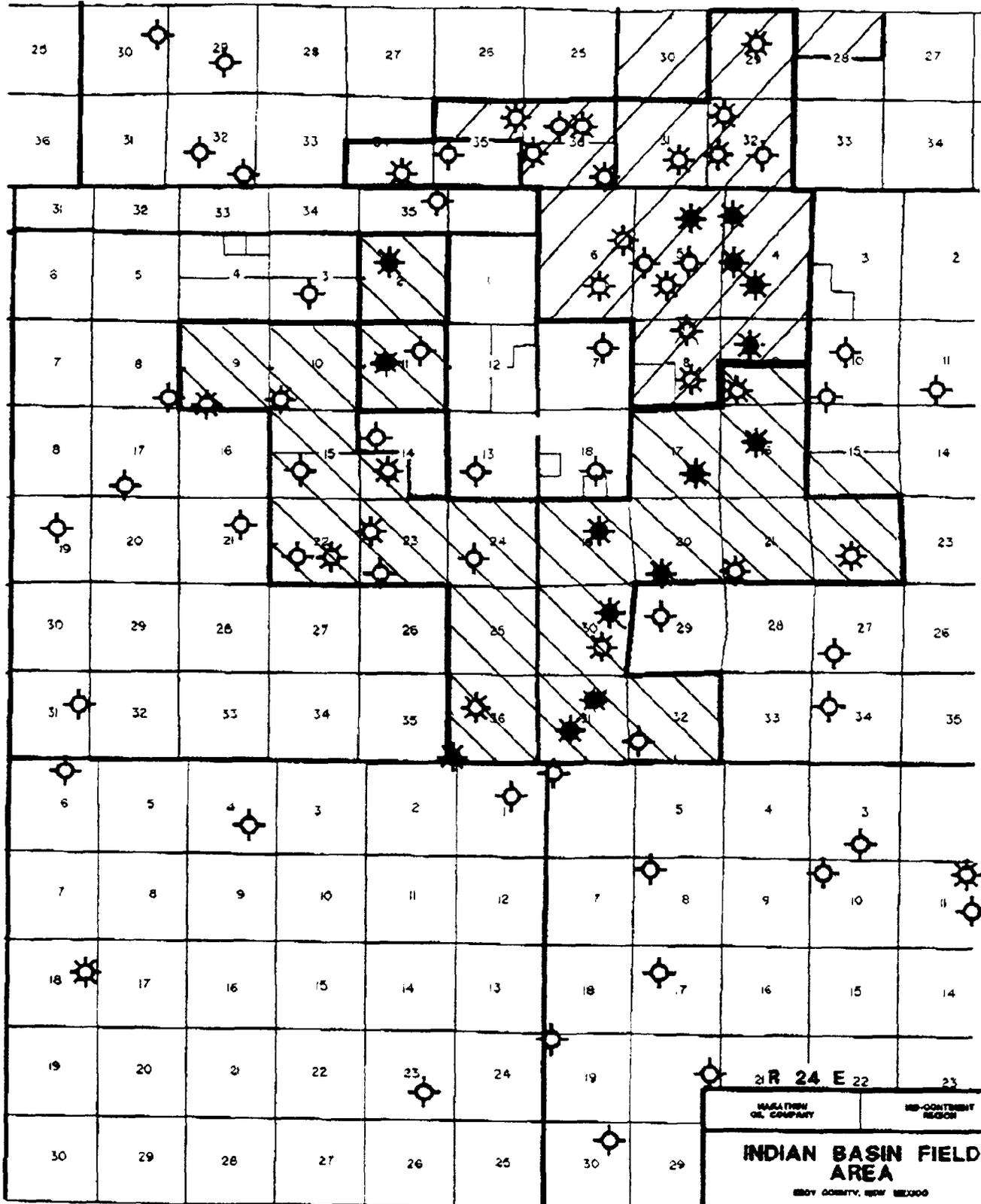
R 24 E

R 25 E

T 20 S

T 21 S

T 22 S



R 23 E

- MORROW GAS PRODUCING
- MORROW GAS DEPLETED
- MORROW PENETRATION (DRY)

CEMETERY MORROW  
 INDIAN BASIN MORROW

BEFORE THE  
 OIL CONSERVATION DIVISION  
 SANTA FE, NEW MEXICO  
 MARATHON OIL CO. EXHIBIT NO. \_\_\_\_\_  
 CASE NO. \_\_\_\_\_

MARATHON OIL COMPANY	IND-CONTINENT REGION
<b>INDIAN BASIN FIELD AREA</b>	
SANTA FE COUNTY, NEW MEXICO	
<b>MORROW PRODUCTION</b>	
ORIGINAL SCALE: 7 1/2" = 1" = 100'	DATE: 11-24
AUTHOR:	REVISION:
DRAWN BY:	PROJECT:
FILE NO. 48345-01-100	
DOW - SF-MORPROD-MP EXPL.	

**EXHIBIT**  
A

Chase Properties, Inc.  
6403 NW Grand Blvd Suite 600  
Oklahoma City OK 73116

Louis Dreyfus Natural Gas Corp.  
14000 Quail Spring Parkway Suite 600  
Oklahoma City OK 73134-2600

Elsie G. Gorman  
802 South Western  
Stillwater OK 74074-4127

Lowe Partners, LP  
P O Box 832  
Midland TX 79702-0832

Maralo, Inc.  
P O Box 832  
Midland TX 79702-0832

Parker & Parsley Development  
P O Box 3178  
Midland TX 79702-3178

Ken Perkins Oil & Gas, Inc.  
P O Drawer 1237  
Kingsville TX 78363

Marion E. Spittler  
1610 Banbury Lane  
Carrollton TX 75006-5202

Santa Fe Energy Resources Inc  
1616 S Voss  
Houston TX 77057-0000

Yates Petroleum Corporation  
P O Box 1395  
Artesia NM 88211-1395

Bill Fenn  
P O Drawer 569  
Giddings TX 78942

Santa Fe Energy Resources Inc  
550 W Texas, Suite 1330  
Midland TX 79701

Devon Energy Corporation  
20 N Broadway, Suite 1500  
Oklahoma City OK 73102

Conoco Inc  
10 Desta Drive, Suite 100W  
Midland TX 79705

Fasken Oil & Ranch Interests  
303 W Wall, Suite 1900  
Midland TX 79701

Vernon E Faulconer Inc  
P O Box 7995  
Tyler TX 75711-7995

The Home-State Oil & Gas Co  
2800 First National Tower  
Tulsa OK 74103

Bonnie M Morrison  
c/o United New Mexico Bank  
P O Box 1977  
Roswell NM 88202-1977

Willis F Ammentorp  
423 Fitch  
Kerrville TX 78028-2755

John C Stanfield  
2314 Maxwell  
Midland TX 79705-4910

James P. Murphy  
2817 Stutz Drive  
Midland TX 79705-4929

Charles W Perry Jr  
P O Box 371  
Midland TX 79702-0371

Robert D. Anson, Trustee  
2503 Culpepper Drive  
Midland TX 79705-6318

W L Furche  
105 Western United Life Bldg  
Midland TX 79701

Elinor M Chase  
1303 W. Kansas  
Midland TX 79701-6036

Marjorie F Chase  
1303 W Kansas  
Midland TX 79701-6036

Mary Ann Chase  
89 Sunnyside Drive  
Athens OH 45701-1921

Samuel Chase  
19 Bonita Street  
Sausalito CA 94965-2113

Steve Chase  
20042 Pork Ranch  
San Antonio TX 78259-1921

Dorothy C Frenzel  
1118 Mogford  
Midland TX 79701-5668



Rimco Partners LPI  
c/o Rimco Associates Inc  
22 Waterville Rd  
Avon CT 06001-2066

Charles B Hinton  
9426 Sanford  
Houston TX 77031-2218

Harvin L Landua Jr  
2004 Community Lane  
Midland TX 79701

Jeffrey D Landua  
P O Box 2296  
Brenham TX 77834

Amoco Production Company  
P O Box 3092  
Houston TX 77253

Nearburg Exploration Company  
3300 N "A" St #8100  
Dallas TX 79705

Sabine Royalty Trust  
P O Box 830650  
Dallas TX 75283

Elizabeth Mendez  
9215 Hagerman NE  
Albuquerque NM 87109-6455

Estate of Jo Anna W Light  
Robert S Light, Pers. Rep.  
P O Box 1658  
Carlsbad NM 88221-1658

Mildred M Parker  
c/o Texas Commerce Bank  
P O Box 200270  
Houston TX 77216-0270

The Hill Foundation  
First National Bank of Denver  
Attn: Trust Minerals 023  
P O Box 5825 Terminal Annex  
Denver CO 80217-5825

First Century Oil Inc  
P O Box 1518  
Roswell NM 88202-1518

Hugh E Hanagan  
P O Box 329  
Roswell NM 88202-0329

Wallace S. Gates  
611 South Roselawn  
Artesia NM 88210-2047

Robert B Gates and  
Nada S Gates  
4943 Rustic Trail  
Midland TX 79707-1420

Helen Gates Maxwell  
218 Aldersgate Circle  
Asheville NC 28803-2044

Virginia Gates Irish  
7450 Olivetos Ave, Apt 154  
La Jolla CA 92037

Sara S Jones  
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Ardmore OK 73401-3653

C John McIntyre  
732 Cloyden Road  
Palos Verdes Estates CA 90274

Ann H Stromberg  
274 San Luis Place  
Claremont CA 91711-1746

Sarann Company  
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Ardmore OK 73402-2208

Westway Petro  
500 N Akard St Lock Box 70  
Dallas TX 75201-3320

TC & June B Stromberg, Trustees  
P O Box 2208  
Ardmore OK 73402-2208

Jon Stromberg  
2938 Maple Springs  
Dallas TX 75235-8319

Mary Adele Stromberg Perry  
72 Delmore  
Hillsboro TX 76645-2357

Hanagan Properties  
P O Box 1887  
Santa FE NM 87504-1887

Wheatley Trust Agency  
First Natl Bank of Artesia, Agent  
P O Drawer AA  
Artesia NM 88211-7526

John W Gates & Jean M Gates  
Revocable Trust  
706 West Grand  
Artesia NM 88210-1935

William H Stromberg Trust  
William H Stromberg Trustee  
P O Box 1412  
Ardmore OK 73402-1412

Mary Love Stromberg Trust  
Mary Love Stromberg Trustee  
P O Box 1412  
Ardmore OK 73402-1412

Robert L Bergman  
Jacqueline R Bergman  
Rev. Tr. 4/20/88  
2515 Gaye Drive  
Roswell NM 88201-3424

Karen K Stark Barton  
2628 SW 45th St  
Oklahoma City OK 73119-4611

Mary Lou Gibbs  
4115 E Zion  
Tulsa OK 74115-3232

Edith Bivins  
515 6th Ave N  
Caldwell ID 83605

Mary Jane Stark Henderson  
347 Hillside Cir  
Burleson TX 76028-5225

David L Stark  
313 Balsam  
Lake Jackson TX 77566-6121

Jack D Stark  
RR 1 Box 15A  
Fitzhugh OK 74843-9705

L M Stark  
305 Frontera  
Borger TX 79007-8076

Michael Ray Stark  
2001 Wedgewood  
Forth Smith AR 72903-4242

W B Stark  
Rt 5 Box 328  
Bartlesville OK 74003-9307

Deborah Ann Stark Wortham  
RR 3 Box 531  
Tuttle OK 73089-9558

Tessa Nicole Stark  
Jerry D Stark Custodian  
1205 South Delaware  
Bartlesville OK 74003-5039

William Douglass McCoy  
19002 Redriver Pass  
San Antonio TX 78259-3514

Michael Francis McCoy  
7524 Kachina Loop  
Santa Fe NM 87505-8425

Laura Ann McCoy Lindsey  
512 Nootka Rd.  
Dexter NM 88230-9613

Brian Patrick McCoy  
16910 Summer Creek  
San Antonio TX 78248-1407

Wills Royalty Inc  
P O Box 1658  
Carlsbad NM 88221-1658

Ray Hobbs  
1312 Alpha St  
Carlsbad NM 88220-4605

Leslie Riggs Mills Trustee of the Riggs-  
Mills Irrevocable Family Tr  
P O Box 230430  
Anchorage AK 99523-0430

Potash Company of America  
P O Box 31  
Carlsbad NM 88221-5601

Commissioner of Public Lands  
State of New Mexico  
P O Box 1148  
Santa Fe NM 87504-1148

Minerals Management Service  
Royalty Management Program  
P O Box 5810 TA  
Denver CO 80217-5810

Minerals Management Service  
P O Box 5640  
Denver CO 80217-5640

Mary Jane Clingman  
4416 Mc Farlin Blvd.  
Dallas TX 75205-1631

Thelma G Thompson  
P O Box 1576  
Uvalde TX 78802-1576

Vol L Boswell, Trustee Tag Trust B of  
Ann Kennedy Winslow  
Suite 403 16 E 16th St  
Tulsa OK 74119-4447

Southwest Royalties  
P O Box 11390  
Midland TX 79702-8390

Nortex Corporation  
1415 Louisiana Suite 3100  
Houston TX 77002-7353

Kerr-McGee Corporation  
Attn: Joint Venture Operating  
P O Box 25421  
Oklahoma City OK 73125-0421

Santiago Royalty Corporation  
104 North Hudson Suite 800  
Oklahoma City OK 73210-4803

Pacific Enterprises Oil Company USA  
Dept 024  
Dallas TX 75284-0024

Phillips Petroleum Company  
P O Box 7500  
Bartlesville OK 74005-7500

Rubie Crosby Bell Family LMT Prtnsh  
Rubie C Bell Manag. Gen. Part.  
1331 Third St  
New Orleans LA 70130-5743

Waikiki Partners LP  
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Midland TX 79702-2127

Stanley W Crosby III  
P O Box 2346  
Roswell NM 88202-2346

Stephen C Helbing  
P O Box 4037  
Midland TX 79704-4037

Frank W Podpechan  
P O Box 549  
Claremore OK 74018-0549

June D. Speight  
P O Drawer 1687  
Lovington NM 88260-1687

Jean A. Eaton  
5921 S Datura Ct  
Littleton CO 80120-2161

Elizabeth A Malone  
Testamentary Trust  
C-O Baynard W Malone  
P O Box 87  
Roswell NM 88202-0087

Ross L Malone - Testamentary Trust  
C-O Baynard W Malone  
P O Box 87  
Roswell NM 88202-0087

Earl L Malone MD  
2501 Cortez Ct  
Roswell NM 88201-3414

J Hiram Moore  
P O Box 10908  
Midland TX 79702-7908

Claremont Corporation  
P O Box 549  
Claremore OK 74018-0549

Optometric Education Program  
Foundation, Inc.  
2912 South Daimler  
Santa Anna, CA 92705

Charles F. Malone Living Trust  
P O Drawer 700  
Roswell NM 88202

Andersen-Malone Trust DTD  
Baynard W Malone Trustee, et al  
P O Box 87  
Roswell NM 88202-0087

La Vida Energy Corporation  
P O Box 2158  
Midland TX 79702-2158

Penroc Oil Corp.  
P O Box 5970  
Hobbs NM 88241-5970

Fasken Land and Minerals, Ltd.  
303 W. Wall Ave., Suite 1900  
Midland TX 79701

Brooks Oil & Gas Interests  
9550 Skillan, LB 138  
Dallas TX 75243

Texas Commerce Bank N A  
Trustee Acct 1630035307  
P O Box 10966  
Midland TX 79702

Max H Christensen  
P O Box 3790  
Midland TX 79702-3790

Joseph G. Kuthe Trust A  
J Jochum, Trustee  
P O Box D  
Elgin NE 68636

Louis Dreyfus Gas Holdings Inc  
14000 Quail Springs Parkway  
Suite 600  
Oklahoma City OK 73134

The Home-Stake Royalty Corporation  
2800 First National Tower  
Tulsa OK 74103

Rimco Partners LP II  
C/o Rimco Associates, Inc.  
22 Waterville Rd  
Avon CT 06001-2066

Rimco Partners, LP III  
C/o Rimco Associates  
22 Waterville Rd  
Avon CT 06001-2066

Texas Commerce Bank N A  
Trustee Acct #1630101100  
P O Box 10966  
Midland TX 79702

R G Hanagan  
P O Box 1887  
Santa Fe NM 87504-1887

Nations Bank of Texas NA  
Sabine Royalty Trust  
Dept #0887  
Dallas TX 75284-0887

Natural Gas Pipeline Company  
of America  
P O Box 283  
Houston TX 77001-0283

Agave Petroleum Company  
105 S 4th  
Artesia NM 88210