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JASON KELLAHIN (RETIRED 1991)

June 18, 1996

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: North Indian Basin Unit Well No. 30
Application of Marathon Oil Company
for an Unorthodox Gas Well Location,
Indian Basin-Upper Pennsylvanian Gas Pool,
Indian Basin-Morrow Gas Pool,
Eddy County, New Mexico

RECEIVED
JUN 18 1996
Oil Conservation Division

Case 11568

Dear Mr. Stogner:

On behalf of Marathon Oil Company, please find enclosed our Application for An Unorthodox Gas Well Location for its North Indian Basin Unit Well No. 30 which we request be set for hearing on the next available Examiner's docket now scheduled for July 11, 1996. Also enclosed is our proposed notice for the advertisement.

Very truly yours,



W. Thomas Kellahin

cc: Marathon Oil Company
Attn: Thomas C. Lowry, Esq. (Midland)

1996

1996

1996

Proposed notification/advertisement for OCD docket

Case 11568: Application of Marathon Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval to drill is proposed North Indian Basin Unit Well No. 30 at an unorthodox gas well location 660 feet from the North line and 660 feet from the East line (Unit A) Section 10, Township 21 South, Range 23 East, NMPM, and to produce said well concurrently with its North Indian Basin Unit Well No. 1 located in Unit M of said Section 10, for any production from either the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Morrow Gas Pool. All of said Section 10 is to be dedicated to said wells forming a standard 640-acre gas spacing and proration unit.

Said unit is located approximately 20 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 FOR APPROVAL OF
AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO

CASE: 11568

APPLICATION

Comes now MARATHON OIL COMPANY, by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division for approval to drill its North Indian Basin Unit Well No. 30 at an unorthodox gas well location 660 feet from the North line and 660 feet from the East line (Unit A) Section 10, Township 21 South, Range 23 East, NMPM, and to produce said well concurrently with its North Indian Basin Unit Well No. 1 located in Unit M of said Section 10, for any production from either the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Morrow Gas Pool. All of said Section 10 is to be dedicated to said well forming a standard 640-acre gas spacing and proration unit.

In support thereof, Applicant states:

1. Applicant, Marathon Oil Company, has the right to drill and test for Pennsylvanian gas production in Section 10, T21S, R23E, N.M.P.M, Eddy County, New Mexico.

2. The proposed gas well will be located within the current boundaries of both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool. See Exhibit "A" Attached.

3. The Indian Basin-Upper Pennsylvanian Gas Pool was created by Order R-2440 dated March 1, 1963 and was initially spaced on 640 acre spacing, Rule 2(A), with Rule 2(B) setting standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit. On April 14, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

4. The Indian Basin-Morrow Gas Pool was created by Order R-2441 dated February 28, 1963 and was initially spaced on 640 acre spacing, Rule 2, with Rule 4 setting standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit. On April 14, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

5. The existing well in Section 10 is Marathon's North Indian Basin Unit Well No. 1. On March 28, 1963 drilling was commenced on this well as a Devonian well at a location 660 feet from the South and West lines of Section 10, but was found to be non-commercial in that reservoir. Later in 1963 it was dually completed in both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-Morrow Gas Pool at a time when the well was more than one mile from the boundaries of both those pools.

6. The Indian Basin-Upper Pennsylvanian Gas Pool and Indian Basin-Morrow Gas Pool limits were then extended and the North Indian Basin Unit Well No. 1 was included in those pools without a production penalty because of its location.

7. The proposed North Indian Basin Unit Well No. 30 is to be located 660 feet North and East lines of Section 10 which is the current eastern boundary of the Indian Basin Pools and the current western boundary of the South Dagger Draw-Upper Pennsylvanian Associated Pool.

8. The North Indian Basin Unit Well No. 30 is anticipated to be an oil well in the equivalent interval with oil wells in the South Dagger Draw-Upper Pennsylvanian Pool located in Sections 2 and 11 to the east.

9. The North Indian Basin Unit Well No. 30 will be drilled at unorthodox location in order to gain sufficient structural position in its spacing unit to attempt to recover any remaining recoverable oil reserves underlying the NE/4 Section 10 which cannot be recovered by the existing North Indian Basin Unit Well No 1. and thereby protect correlative rights.

10. Marathon seeks to concurrently and simultaneously produce both the North Indian Basin Unit Wells Nos. 1 and 30 in order to more adequately drain the recoverable reserves underlying Section 10.

11. The Applicant is the operator of the North Indian Basin Unit which includes all spacing units towards which the subject well encroaches.

12. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, 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.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

~~KELLAHIN and KELLAHIN~~

BY 

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Thomas C. Lowry, Esq.
Marathon Oil Company

ATTORNEYS FOR APPLICANT

