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JASON KELLAHIN (RETIRED 1991)

April 4, 1997

HAND DELIVERED

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

**Re: Jim Bowie "11" Federal Com Well No. 1
Application of Marathon Oil Company
for Compulsory Pooling and an Unorthodox Gas Well Location
Eddy County, New Mexico**

Dear Mr. LeMay:

On behalf of Marathon Oil Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for May 1, 1997. 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, Esq.

CASE 1177⁴: Application of Marathon Oil Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, and forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the Applicant as the operator of the well and a charge for risk involved in said well.

Said unit is located approximately 15 miles southeast from Artesia, 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 COMPULSORY POOLING AND AN
UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11774

A P P L I C A T I O N

Comes now MARATHON OIL COMPANY by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) (1978) applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico, forming a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within said vertical extent, which presently may include but is not necessarily limited to the South Empire-Morrow Gas Pool, forming a standard 160-acre gas spacing and proration unit underlying the SE/4 of said Section 11 for any and all formations/pools developed on 160-acre gas spacing, and forming a standard 40-acre oil spacing and proration unit underlying the SE/4SE/4 of said Section 11 for any and all formations/pools developed on 40-acre oil spacing. Said unit is to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled and completed at an unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11. Also to be considered will be the costs of drilling and completing said well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the Applicant as the operator of the well and a charge for risk involved in said well.

In support of its application, Marathon Oil Company, ("Marathon") states:

1. Marathon has a working interest ownership in the oil and gas minerals from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico.

2. The subject tract is located within one-mile of the current boundaries of the South Empire-Morrow Gas Pool.

3. The subject well is to be drilled at an unorthodox gas well location 1000 feet from the South and 700 feet from the East line (Unit P) of Section 11 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

4. Marathon has proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

5. Despite its good faith efforts, Marathon has been unable to obtain a written voluntary agreement from all of the parties listed on Exhibit "A."

6. The unorthodox location is necessary in order to satisfy geologic requirements. This location encroaches towards portions of adjoining Sections 12 and 13 which are operated by the parties listed on Exhibit "B".

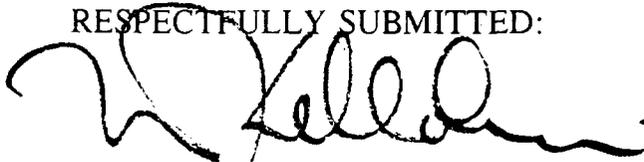
7. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

8. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and to the offset operator towards whom the well encroaches has shown on Exhibit "B" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for May 1, 1997.

WHEREFORE, Marathon Oil Company, as applicant, requests that this application be set for hearing on May 1, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at an unorthodox well location upon terms and conditions which include:

- (1) Marathon Oil Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



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EXHIBIT "A"

Atlantic Richfield Company ("ARCO")
P. O. Box 1610
Midland, Texas 79702-1610
Attn: Lee Scarborough

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
Attn: Janet Richardson

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Prkwy, Ste 600
Oklahoma City, OK 73134
Attn: Rusty Waters

EXHIBIT "B"

Atlantic Richfield Company ("ARCO")
P. O. Box 1610
Midland, Texas 79702-1610
Attn: Lee Scarborough

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
Attn: Janet Richardson

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Prkwy, Ste 600
Oklahoma City, OK 73134
Attn: Rusty Waters

Enron Oil & Gas Co.
P. O. Box 2267
Midland, Texas 79702

Read & Stevens, Inc.
P. O. Box 1518
Roswell, New Mexico 88202