

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

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

CASE NO. 11816

**APPLICATION OF MARATHON OIL COMPANY FOR
FOR EXPANSION OF SOUTH DAGGER DRAW-UPPER
PENN ASSOCIATED POOL AND THE CONTRACTION
OF THE INDIAN BASIN-UPPER PENN GAS POOL,
APPROVAL OF THREE NON-STANDARD PRORATION
UNITS, AN UNORTHODOX GAS WELL LOCATION
AND APPORTIONMENT OF GAS ALLOWABLES,
EDDY 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: Thomas C. Lowry, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
P.O. Box 2265
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STATEMENT OF CASE

1. Marathon Oil Company is the operator of the following three standard 640-acre gas proration and spacing units within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool:

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(1) all of Section 3, T21S, R23E simultaneously dedicated to the MOC-Comanche Federal "3" Well No. 1 and to the NIBU Gas Com Well No. 3;

(2) all of Section 10 simultaneously dedicated to the NIBU Well No. 1 and to the NIBU Well No. 30; and

(3) all of Section 15 simultaneously dedicated to the NIBU Gas Com Well No. 32 and to the Federal IBA Gas Com Well No. 1.

2. The Cisco/Canyon formations are the principal productive formations within the area described in paragraph (1) above and are included within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool ("Indian Gas Pool") which provides, among other things, for a gas allowable of 6.5 MMCFPD for a 640-acre proration and spacing units with well locations to be not closer than 1650 feet to the outer boundary of said units.

3. The eastern boundary of each of these spacing units is also the current western boundary of the South Dagger Draw-Upper Pennsylvanian Associated Pool ("South Dagger Draw Pool").

4. South Dagger Draw-Upper Pennsylvanian Associated Pool's principal productive formations are also the Cisco/Canyon formations but its pool rules provide, among other things, for a gas allowable of 9.5 MMCFPD for a 320-acre proration and spacing units with well locations to be not closer than 660 feet to the outer boundary of said units.

5. Marathon has determined that the E/2 of Sections 3, 10 and 15 should be subject to the rules for the South Dagger Draw Pool while the W/2 of Sections 3, 10 and 15 should subject to the rules for the Indian Basin Pool.

6. In order to protect correlative rights, prevent waste and provide for a more orderly development of the Cisco/Canyon formations, it is necessary to do the following:

(a) contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete the E/2 of Section 3, 10 and 15 from that pool;

(b) approve three non-standard 320-acre gas proration and spacing units ("GPU") being the W/2 of Section 3 to be dedicated to the NIBU Gas Com Well No. 3; the W/2 of Section 10 to be dedicated to the NIBU Well No. 1; and the W/2 of Section 15 to be simultaneously dedicated to the NIBU Gas Com Well No. 32 and to the Federal IBA Gas Com Well No. 1;

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(c) the apportionment of gas allowables for the three non-standard GPUs including the retroactive adjustment to April 1, 1996 for the NIBU Gas Com Well No. 3, being the date that well should have been reclassified as non-marginal; and

(d) the approval of an unorthodox gas well location for its NIBU Gas Com Well No. 3 located 2310 feet from the west line and 1650 feet from the south line of Section 3, T21S, R23E, NMPM.

7. The granting of this Application will not impair correlative rights of any owner within any of these existing 640-acre GPUs because those owners will continue to share in production from the applicable new 320-acre spacing units on the same proportional basis as they shared in production from the original 640-acre unit.

PROPOSED EVIDENCE

WITNESSES	EST. TIME	EXHIBITS
Denise M. Cox (geologist)	30-45 min.	13
John T. Kloosterman (reservoir engineer)	15-30 min.	7
Harry Dembicki, Sr. (geologist)	20 Min.	3

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN

By: 

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