

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

October 1, 2001

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

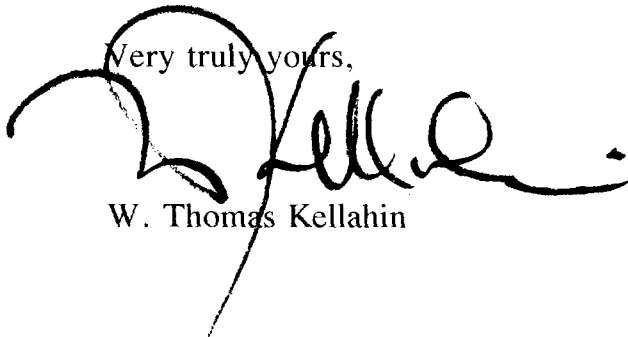
Re: NMOCD Case 12721
Application of Marathon Oil Company
to amend Order R-11186
surface commingling
Eddy County, New Mexico

01 OCT - 1 PM 3:36
OIL CONSERVATION DIV.

Dear Mr. Stogner:

In accordance with your request at the hearing held on September 20, 2001 and on behalf of Marathon Oil Company, please find enclosed a proposed order for consideration in this case. I also have enclosed a wordperfect 5.1 diskette containing this draft order.

Very truly yours,



W. Thomas Kellahin

cc: Marathon Oil Company
Attn: Kent Bickham, Esq.

**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. 12721
ORDER NO. R-11186-A

APPLICATION OF MARATHON OIL COMPANY
TO AMEND DIVISION ORDER R-11186
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 20, 2001, at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this ___ day of October, 2001, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) By Order R-11186 issued in Case 12135 and dated May 25, 1999, the Division authorized the commingling of gas and condensate production from wells within certain described areas and identified as "The Indian Hills Unit Centralized Facility."

(3) Now, Marathon Oil Company ("Marathon") seeks to add to The Indian Hills Centralized Facility its Indian Hills Unit Well No. 32 (**API #30-015-31591**) located in Unit M of Section 16, T21S, R24E and any other well drilled in Sections 16, 17 and 19, Township 21 South Range 24 East which produces from the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Upper Pennsylvanian Associated Pool.

(4) Marathon presented evidence with demonstrated that:

(a) the gas and condensate from this well and any existing or future wells will be metered on lease before being commingled; and

(b) the value of the gas and condensate will not be reduced by surface commingling.

(5) Applicant sent notice to all interest owners affected by this application and no other interest owners appeared at the hearing in opposition to the application.

(6) The Division should amend Division Order R-11186 to permit surface commingling as requested by the applicant.

(7) Approval of this application is necessary to operate the wells effectively and prevent premature abandonment of these wells due to excessive operating costs.

(8) Pursuant to Division notice rules, Marathon has notified all interest owners and no affected party has filed an objection.

(9) The addition of production from wells in Section 16, 17 or 19 of Township 21 South, Range 24 East for surface commingling of production in this facility will not violate the correlative rights of any interest owner.

(10) The approval of commingling of production from these sections will extend the economic life of those wells and thereby increase ultimate recovery from these formations.

(11) Approval of this application is in the best interest of conservation, the prevention of waste and the protection of correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Marathon Oil Company ("Marathon"), Division Order R-11186 is hereby amended and Marathon is authorized to commingle gas production from existing and future wells from its Indian Hills Unit Well No. 32. (**API #30-015-31591**) located in Unit M of Section 16, T21S, R24E and any other well drilled in Sections 16, 17 and 19, Township 21 South Range 24 East which produces from the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Upper Pennsylvanian Associated Pool.

(2) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

LORI WROTENBERY
Director.