

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

RECEIVED

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING THE APPLICATION OF
MARATHON OIL COMPANY FOR
TERMINATION OF OIL PRORATIONING
IN THE VACUUM-GLORIETA POOL,
LEA COUNTY, NEW MEXICO

MAR 27 1992

OIL CONSERVATION DIV.
SANTA FE

Case No. 10462

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted on behalf of Mobil Exploration & Producing U.S., Inc. as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

Opponent: Mobil Exploration & Producing U.S., Inc.
Post Office Box 633
Midland, Texas 79702

Contact
Person: Dan E. Burnham

Attorney: W. Perry Pearce
Montgomery & Andrews, P.A.
Post Office Box 2307
Santa Fe, New Mexico 87504
(505) 982-3873

OPPONENT'S STATEMENT OF OPPOSITION

Mobil Exploration & Producing U.S. Inc. opposes this application because it believes that termination of oil prorating in the Vacuum-Glorieta Pool threatens to cause waste of natural resources and damage the correlative rights of various interest owners within the pool.

OPPONENT'S PROPOSED EVIDENCE

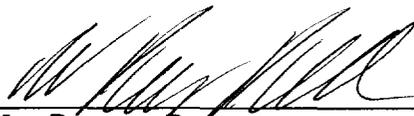
Opponent plans to call two witnesses and introduce 10 or fewer exhibits in opposition to this application. Opponent believes that the direct presentation of its testimony and exhibits will require approximately 30 minutes.

PROCEDURAL MATTERS

Opponent is not aware of any procedural matters which must be resolved prior to the hearing of this matter.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By 

W. Perry Pearce
Post Office Box 2307
Santa Fe, New Mexico 87504-2307
(505) 982-3873

Attorneys for Mobil Exploration &
Producing U.S., Inc.

CERTIFICATE OF SERVICE

I certify that I had mailed a copy of this Pre-Hearing Statement to John Nelson, Esq., Post Office Drawer 700, Roswell, New Mexico on March 27, 1992.



W. Perry Pearce

[WPP/214]

Case file

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 MARATHON OIL COMPANY'S
APPLICATION FOR AN ORDER ESTABLISHING
A SPECIAL POOL ALLOWABLE FOR THE
VACUUM-GLORIETTA POOL, LEA, COUNTY,
NEW MEXICO.

CASE NO. 10462

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Exxon Corporation as required by the Oil Conservation Division. Exxon Corporation plans to appear in support of the above application with appropriate constraints. Applicant's address and attorney are listed below:

Exxon Corporation
c/o William T. Duncan, Jr.
P. O. Box 1600
Midland, Texas 79702
(915) 688-7538

Represented by James Bruce
Winkle, Cox, Eaton, Coffield
& Hensley
500 Marquette NW, Suite 740
Albuquerque, New Mexico 87102
(505) 768-1500

PROPOSED EVIDENCE

| <u>Witnesses</u> | <u>Estimated Time</u> | <u>Exhibits</u> |
|---------------------------------|-----------------------|---|
| (1) William T. Duncan, Engineer | 10 - 15 mins. | 1-3 Exhibits, possibly including maps |

William T. Duncan, Jr.
William T. Duncan, Jr.,
Staff Engineer
Exxon Corporation
P. O. Box 1600
Midland, Texas 79702
(915) 688-7538

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OIL CONSERVATION DIVISION

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. 10462 (DeNovo)

APPLICATION OF MARATHON OIL COMPANY
FOR TERMINATION OF OIL PRORATIONING
IN THE VACUUM-GLORIETA POOL,
LEA 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 552
Midland, TX 79702
ATTN: Thomas C. Lowry, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN, KELLAHIN & AUBREY
P.O. Box 2265
Santa Fe, NM 87504
(505) 982-4285

OTHER PARTIES

Exxon Corporation
c/o William T. Duncan, Jr.
P. O. Box 1600
Midland, Texas 79702
(915) 688-7538

ATTORNEY

James Bruce, Esq.
Hinkle Law Firm
P. O. Drawer 2068
Santa Fe, New Mexico 87102

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Case No. 10462 (DeNovo)
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OTHER PARTIES

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79767

Mobil Explor. & Produc.
P. O. Box 633
Midland, Texas 79702

ATTORNEY

Elizabeth Harris, Esq
Phillips Petroleum Company
Odessa, Texas 79767
(915) 368-1278

Gary Kilpatrick, Esq
Montgomery Law Firm
P. O. Box 2307
(505) 982-3873

STATEMENT OF CASE

APPLICANT

The Vacuum-Glorieta Oil Pool is in an advanced stage of depletion with only 6 wells out of 121 active wells still capable of producing in excess of the 107 barrels of oil per day top allowable.

Unitization of the pool for waterflooding is necessary in order to recover an estimated 22 million barrels of additional oil.

There is no data now available from which to accurately determine the remaining recoverable primary oil for the remaining top allowable wells.

In the absence of such data, unitization of the area cannot be accomplished either voluntarily or by statutory unitization. Further efforts to unitize have been stalemated by the lack of this data.

On April 2, 1992, Marathon Oil Company appeared before the Division Examiner seeking the permanent termination of oil prorationing in the Vacuum-Glorieta Oil Pool. The granting of that request would have removed the production limitation which was affecting 6 wells out of 121 active wells in the pool.

One of the primary results of termination of prorationing would have been the production of the top allowable wells at capacity which would established production decline curves from which accurate calculations of remaining recoverable oil reserves for those wells could be made and negotiations for unitization advanced.

Phillips Petroleum Company and Exxon Corporation supported Marathon's application provided that termination of allowables was for a nine month period and further subject to certain testing and data collection requirements.

Mobil appeared in opposition to the application.

On May 22, 1992, the Division entered order R-9677 denying the Marathon application.

Subsequent to the entry of that order, Marathon Oil Company has modified its request and now seeks the following:

(1) The granting of a special allowable for the Vacuum-Glorieta Pool equal to the producing capacity of each well currently drilled in the pool for a period of nine months;

(2) That the operators of any wells capable of producing in excess of 107 barrels of oil per day average during a month, regardless of how many wells are within a single spacing and proration unit, shall have the right to produce each such well at capacity provided that the following tests are conducted and/or data are collected and provided to the unitization engineering committee:

a. A minimum 24-hour production test of oil, water, and gas volumes to be performed twice monthly;

b. Monthly pumping fluid levels, to coincide with a production test;

c. A multi-rate flow test to enable calculations of the well's Productivity Index; and

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Case No. 10462 (DeNovo)
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d. A shut-in bottom hole pressure test, either by direct measurement or fluid level, for any one well on the lease during the period. This test may be taken on any well, even non-top allowable wells.

OPPOSITION OR OTHER PARTY

Marathon Oil Company has contacted Exxon, Phillips and Mobil concerning this modified request and has obtained the support of Phillips and Exxon. In addition, Mobil has withdrawn its opposition.

PROPOSED EVIDENCE

APPLICANT

| WITNESSES | EST. TIME | EXHIBITS |
|-------------------------------------|-----------|----------------|
| Craig Kent Petroleum Engineer | 2 hrs. | 20-25 exhibits |
| John Chapman Petroleum Geologist | 1/2 hr. | 4-6 exhibits |

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Case No. 10462 (DeNovo)
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PROCEDURAL MATTERS

Amendment of the original application to conform to
Marathon Oil Company's modified request.

KELLAHIN, KELLAHIN & AUBREY

By: 

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285
ATTORNEYS FOR APPLICANT

phst807.038

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

APPLICATION OF MARATHON OIL
COMPANY FOR AN ORDER ESTABLISHING
A SPECIAL POOL ALLOWABLE FOR THE
VACUUM-GLORIETA POOL, LEA COUNTY,
NEW MEXICO

CASE NO. 10462

PRE-HEARING STATEMENT

This Pre-Hearing Statement is submitted by Marathon Oil
Company as required by the Oil Conservation Division.

Appearances of Parties

Applicant

Marathon Oil Company
c/o Thomas C. Lowry
P. O. Box 552
Midland, TX 79702
(915) 682-1626

Attorneys

Rod M. Schumacher
John S. Nelson
Atwood, Malone, Mann & Turner
P. O. Drawer 700
Roswell, New Mexico 88202
(505) 622-6221

Applicant's Statement of Case

Applicant requests an Order establishing a special allowable for wells producing from the Vacuum-Glorieta Pool equal to the producing capability of each well. With respect to proration units on which there are, or in the future may be, two or more wells, Applicant requests that the order establish the allowable for the proration unit as the greater of 107 barrels per day or the producing capability of any single well on the proration unit with the greatest producing capability. The reasons for the Applicant's request are as follows:

1. Continuation of the current allowable restrictions will result in waste and damage to the correlative rights of Marathon as owner and operator of certain top allowable wells in the Vacuum-Glorieta Pool. Because the reservoir energy is being depleted by non-top allowable wells in said pool, Marathon will not be able to use its just and equitable share of the reservoir energy in the pool to recover its just and equitable share of oil in the pool. This will result in unrecovered oil production which might otherwise have been recovered by permitting the top allowable wells to produce at full capacity.

2. Phillips Petroleum Company has proposed the unitization of the eastern portion of the Vacuum-Glorieta pool. There does not currently exist sufficient data to establish a fair, reasonable and equitable formula for the allocation of costs and production in the proposed unit. In order to obtain such data, it will be necessary to produce the top allowable wells in said pool at their full capacity.

Applicant's Proposed Evidence

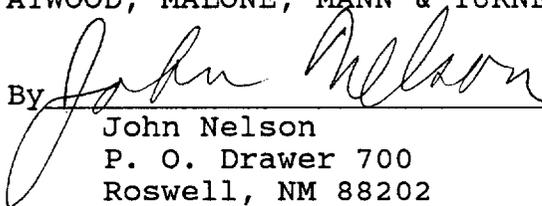
| | <u>Witnesses</u> | <u>Est.Time</u> | <u>Exhibits</u> |
|----|-------------------------|-----------------|--|
| 1. | Paul Tauscher, Engineer | 45 mins. | 11 exhibits, consisting of maps and graphs |
| 2. | John Chapman, Geologist | 30 mins. | 6 exhibits, consisting of maps and logs |

Procedural Matters

None.

ATWOOD, MALONE, MANN & TURNER

By

A handwritten signature in cursive script, appearing to read "John Nelson", is written over a horizontal line.

John Nelson
P. O. Drawer 700
Roswell, NM 88202
(505) 622-6221

Attorneys for Applicant, Marathon Oil
Company

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

APPLICATION OF MARATHON OIL
COMPANY FOR TERMINATION OF
PRORATIONING IN THE VACUUM-
GLORIETA POOL, LEA COUNTY,
NEW MEXICO.

Case No. 10,462

PRE-HEARING STATEMENT

This prehearing statement is submitted by Phillips
Petroleum Company as required by the Oil Conservation
Division.

APPEARANCES OF PARTIES

APPLICANT

ATTORNEY

Marathon Oil Company

John S. Nelson

OTHER PARTY

ATTORNEY

Phillips Petroleum Company
4001 Penbrook, Suite 401
Odessa, Texas 79767
Attention: Elizabeth Harris
(915) 368-1278

James Bruce
Hinkle, Cox, Eaton,
Coffield & Hensley
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

STATEMENT OF CASE

APPLICANT

OTHER PARTY

Phillips Petroleum Company supports the application of Marathon Oil Company, but requests that termination of prorationing be limited to a six month period.

PROPOSED EVIDENCE

APPLICANT

WITNESS

EST. TIME

EXHIBITS

OTHER PARTY

WITNESS

EST. TIME

EXHIBITS

Larry Hallenbeck
(Engineer)

15 minutes

- (a) Plat of proposed unit area.
- (b) Summary of unit participation parameters.
- (c) Proposed well testing program.

PROCEDURAL MATTERS

-None-

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

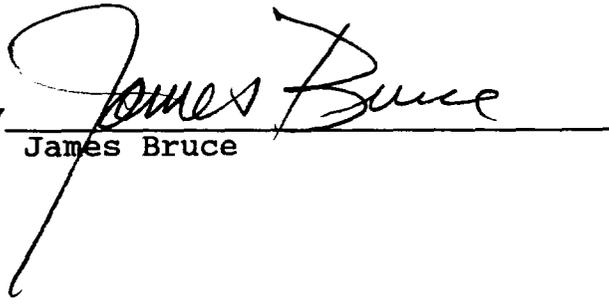
By 

James Bruce
500 Marquette, N.W.
Suite 800
Albuquerque, N.M. 87102
(505) 768-1500

Attorneys for Phillips
Petroleum Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of
the foregoing Pre-Hearing Statement was mailed this 26th day
of March, 1992 to John S. Nelson, P. O. Drawer
700, Roswell, New Mexico 88203.

By 

James Bruce