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April 16, 1992

Mr. David Catanach
New Mexico Oil Conservation
Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Mr. Robert Stovall
New Mexico Oil Conservation
Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: **Case No. 10,462; Application of Marathon Oil Company for
Termination of Prorating in the Vacuum-Glorieta Pool
("the Pool")**

Gentlemen:

This letter constitutes the written closing argument
submitted jointly by Phillips Petroleum Company and Exxon
Corporation.

Exxon and Phillips support Marathon's application for
unrestricted allowables for existing wells in the Pool, provided
that termination of allowables is temporary. A brief period of
unrestricted allowables will benefit interest owners in the Pool
by allowing data acquisition which will permit unitization to
proceed. Furthermore, termination of prorating will not
materially harm any operations in the Pool.

Marathon is suffering no harm under the existing allowable
limits. The drive mechanism of the Pool is solution gas with a

Mr. Robert Stovall
Mr. David Catanach
April 16, 1992
Page 2

water drive component. Marathon's wells are on the east side of the unit, and water influx is from the north and east. In effect, Marathon's wells are benefitting from a natural water flood or pressure maintenance. This is shown by the fact that the GOR's on Marathon's two top allowable wells are below solution GOR even though the reservoir pressure is well below the bubble point pressure. In areas of the Pool where pressure support is limited, GOR's are well above the solution GOR.

Because Marathon's wells are not being harmed, the only basis for allowing unrestricted allowables is to collect data necessary to allow unitization to proceed. There are many marginal operations in the eastern part of the Pool. The quicker unitization is instituted the better off all interest owners in the Pool will be, including Mobil and Marathon.

Mobil is worried about potential reservoir damage caused by water influx. However, adverse effects on marginal operations are aggravated by a delay in unitization. Any speculative negative effects of temporary, unrestricted allowables are minimal compared to the problems of waiting too long to unitize.

The main issue which has delayed unitization is obtaining reliable data on remaining primary reserves from the top allowable wells. The only way to accurately and quickly obtain this data is by decline curve analysis. Thus, temporarily terminating allowables is vital for unitization to proceed. Mobil has proposed obtaining sheer wave logs in lieu of establishing decline curves. However, as Mobil's engineer admitted at hearing, such data cannot establish decline curves. Rather, it can only establish original oil in place. Original oil in place is not a disputed participation parameter. Thus the test proposed by Mobil is useless.

A temporary 9 month period of unrestricted production should allow sufficient data collection for unitization purposes. As part and parcel of this data collection process, we urge the Division to require the well tests requested by Exxon and Phillips. The information collected by those tests is vital to the engineering committee, and may well settle any existing disputes over unit participation formulas.

We request the application be granted with the two conditions requested by Exxon and Phillips.


HINKLE, COX, EATON, COFFIELD & HENSLEY

Mr. Robert Stovall
Mr. David Catanach
April 16, 1992
Page 3

Also, enclosed are the proposed findings and conclusions submitted jointly by Phillips and Exxon.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

A handwritten signature in cursive script, appearing to read "James Bruce", is written over the typed name.

By: James Bruce

ATTORNEYS FOR PHILLIPS
PETROLEUM COMPANY AND EXXON
CORPORATION

JB:le

cc w/enc: John Nelson
W. Perry Pearce

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

PROPOSED FINDINGS AND CONCLUSIONS SUBMITTED
BY PHILLIPS PETROLEUM COMPANY AND EXXON CORPORATION

(NOTE: As requested by the Examiner, Phillips and Exxon are not submitting a complete proposed order. Rather, their proposed findings and conclusions are limited to the issues on which Phillips and Exxon presented testimony.)

FINDINGS:

(a) The top allowable wells in the Vacuum-Glorieta Pool ("the Pool") are not being harmed by fluid withdrawal from wells offsetting the top allowable wells.

(b) The primary purpose served by unrestricted allowables is to collect data which will allow unitization discussions to proceed regarding the eastern part of the Pool.

(c) A nine month period of unrestricted allowables is a sufficient time to collect data with which to better estimate remaining primary reserves from the leases with top allowable wells.

(d) Better remaining primary reserve estimates will likely decrease the time until unitization is instituted.

(e) Delay in unitization will be detrimental to marginal operations in the Pool.

(f) A testing program should be required to ensure collection of adequate data for the engineering committee.

IT IS THEREFORE ORDERED THAT:

(a) The application of Marathon Oil Company to terminate prorationing in the Vacuum-Glorieta Pool is hereby granted for a nine month period commencing _____, 1992.

(b) The operators of any wells or proration units capable of producing in excess of 107 barrels of oil per day average during a month are required to conduct the following tests or collect the following data, and provide all data to the engineering committee:

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

(ii) Monthly pumping fluid levels, to coincide with a production test;

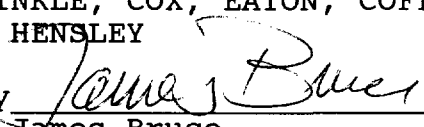
(iii) A multi-rate flow test to enable calculation of the well's Productivity Index; and

(iv) 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.

Respectfully submitted,

HINKLE, COX, EATON, COFFIELD &
HENSLEY

By


James Bruce

500 Marquette, N.W.

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(505) 768-1500

Attorneys for Phillips
Petroleum Company and
Exxon Corporation


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

Case No. 10462
Order No. R-

CERTIFICATE OF SERVICE

I certify that I caused a true and correct copy of the foregoing Closing Statement of Opponent and Proposed Order to be mailed to James G. Bruce, Esq., 505 Marquette, N.W., #800, Albuquerque, New Mexico 87102 on this 23rd day of April, 1992.


W. Perry Pearce

OL COUNSEL
RE
'92 MAR 30 PM 9 47

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A PROFESSIONAL ASSOCIATION

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VIA FAX - 827-5741

March 26, 1992


Ms. Florene Davidson
Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

RE: Application of Marathon Oil Company
Case No. 10462
Docket of April 2, 1992

Dear Ms. Davidson:

Pursuant to our conversation, I am transmitting to you herewith by fax a copy of Marathon's Pre-Hearing Statement. I will mail the original and one copy to you by regular mail.

Yours truly,


John Nelson

JSN/le

Encs.

cc: Mr. Thomas C. Lowry
Mobil Producing Texas & New Mexico, Inc.

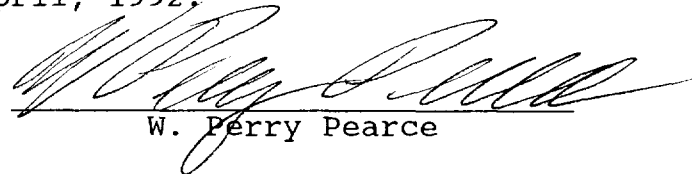
STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

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

Case No. 10462
Order No. R-

CERTIFICATE OF SERVICE

I certify that I caused a true and correct copy of the foregoing Closing Statement of Opponent and Proposed Order to be mailed to Rod M. Schumacher, Post Office Drawer 700, Roswell, New Mexico 88201 on this 23rd day of April, 1992.


W. Perry Pearce

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

APR 23 1992

OIL CONSERVATION DIV.
SANTA FE

Case No. 10462
Order No. R-

CLOSING STATEMENT OF OPPONENT
MOBIL EXPLORATION & PRODUCING U.S.

The Application filed by Marathon Oil Company in this case for termination of oil prorationing in the Vacuum-Glorieta Oil Pool in Lea County, New Mexico, should be denied. The denial of this Application will operate to prevent waste of natural resources and will operate to protect the correlative rights of other interest owners in the Vacuum-Glorieta Oil Pool as is required by the Oil and Gas Act and the Rules and Regulations of the Division.

Marathon appears before the Division seeking the termination of oil prorationing and an exemption from the provisions of General Rule 505, because the various interest owners in the area which would be the Vacuum-Glorieta West Unit area have been unable to agree on a participation formula to be used in the proposed secondary recovery unit. Although it may be correct that the interest owners have not been able to agree, such disagreement among interest owners is not sufficient reason to threaten waste of natural resources and impairment of interest owners correlative rights.

Testimony and exhibits presented by Mobil Exploration and Producing U.S. ("Mobil") demonstrate that the eastern part of the Vacuum-Glorieta Oil Pool has already experienced significant water influx. The geological evidence presented by both parties to this hearing indicates that the Vacuum-Glorieta Pool is a particularly heterogeneous reservoir which is composed of zones of varying permeability and porosity and it is this heterogeneity which causes the threat of waste and correlative rights impairment.

The combination of existing water influx and varying permeability zones indicates that if the top allowable wells in the Vacuum-Glorieta Oil Pool are allowed to produce at capacity coning of water to the wellbore of these wells, through the higher permeability zones, is likely to cause the isolation of oil resources that will be bypassed by the water migrating through the higher permeability zones. Isolating these resources in the high porosity low permeability stringers will cause the waste of these natural resources and will make the ultimate recovery of oil from this pool significantly lower.

At the hearing, Applicant indicated that only by allowing the top allowable wells to produce at capacity could decline curves be constructed and accurate participation formulas be derived. Mobil's witness testified that there is modern technology available which will indicate more precise information about the reservoir without the danger inherent in increased production and that this information could be utilized in discussions among interest owners in the proposed unit area to resolve their differences.

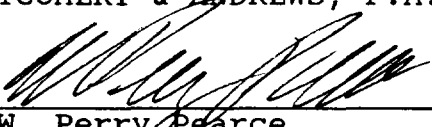
In a somewhat novel application, Marathon Oil Company requests that the Division void the provisions of a statewide rule which has been applicable to all wells and all operators in the Vacuum-Glorieta Oil Pool since the discovery and development of this pool in the early 1960's. The justification for this departure from longstanding operating practices and statewide rule is that interest owners within a proposed unit area are unable to agree, and apparently are unwilling to compromise, in order to facilitate the formation of a secondary recovery unit which would facilitate the production of additional reserves.

Mobil agrees that unitization of the Vacuum-Glorieta West Unit area is an appropriate step, however, Mobil is concerned that the granting of this application is certainly not assured of being successful in getting agreement among interest owners in the unit to facilitate unitization and because of the geology of the Vacuum-Glorieta Pool, the granting of this Application threatens to cause waste of natural resources and threatens to impair the correlative rights of other interest owners by causing damage to the reservoir itself. Based upon the availability of alternative and more precise logging technology and because of the threat of waste and impairment of correlative rights, the Application of Marathon Oil Company for the termination of oil prorationing in the Vacuum-Glorieta Oil Pool should be denied.

Respectfully submitted,

MONTGOMERY & ANDREWS, P.A.

By



W. Perry Pearce
Post Office Box 2307
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Attorneys for Mobil Exploration
and Producing U.S.

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
ORDER NO. _____

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

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APR 2 1992

OIL CONSERVATION DIVISION

CLOSING ARGUMENT

THIS Closing Argument is submitted on behalf of Marathon Oil Company pursuant to the instructions of the Examiner following the hearing held in connection with the above referenced Application on April 2, 1992.

The Vacuum-Glorieta Pool was discovered on January 11, 1963, and the Pool was established at a meeting held by the New Mexico Oil Conservation Commission in Hobbs, New Mexico, on January 9, 1963. Following initial discovery of the Pool, rapid development extended the field to the north and east from the initial discovery in Section 36, Township 17 South, Range 34 East. Wells were drilled on statewide 40 acre spacing, and as of January 1, 1990, 185 wells had been productive.

Efforts have long been underway to unitize the field. Production characteristics served to divide the field into proposed western and eastern units, and the top allowable wells which are the subject of this Application are located in the proposed eastern

Case No. 10462
Order No. _____
Page 2

unit in Sections 28, 32 and 33, Township 17 South, Range 35 East. The current allowable is 107 barrels of oil per day, and Marathon has asked through this Application that the allowable be set at current capacity.

Increased allowables will protect correlative rights of those leaseholds developed by top allowable wells by allowing them to compete for remaining reservoir energy with offset wells which are producing at higher reservoir fluid voidage rates. Average voidage rates for the top allowable wells is 260 BPD, while the Pool average is much higher at 366 BPD.

Increased allowables will also help to prevent waste by allowing those wells on which production is now restricted by allowables to recover more oil from their proration units prior to depletion of available reservoir energy. Because of the heterogeneity of the pool, this will not impair the correlative rights of other producers in the pool.

In close proximity to the Marathon wells, there are two wells on a single proration unit due north producing approximately 500 barrels total voidage per day. Another well to the northwest produces 790 barrels total voidage per day. In all, there are 57 wells producing at higher voidage rates than the top allowable wells. As illustrated in Marathon's Exhibit 13, increased production from the top allowable wells in the field would result

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Page 3

in a 15% increase in the oil production rate with only a 2% increase in the total voidage rate from the field.

Increased production from these wells will not cause any significant increase in the rate of water encroachment. Marathon Exhibits 8, 9, and 10 demonstrate that the current rate of water production remains essentially unchanged even after infill drilling in the area of the top allowable wells. Exhibit 8 demonstrates, for example, that after the drilling of two infill wells and one replacement well in early 1989, there is no indication that the previously demonstrated production decline had increased. Similarly, Exhibit 9 demonstrates that the water-oil ratio associated with the oil production shown in Exhibit 8 has not apparently undergone any unusual increase, indicating that increased total reservoir voidages did not increase water influx.

Producers from this field are generally agreed that the reservoir is heterogeneous in character, and that there is little correlation between structural position and production characteristics. This makes it difficult to calculate primary reserves accurately, without actual production decline figures for the top allowable wells. If the top allowable wells are allowed to produce at capacity, producers of these wells will then be able to collect sufficient data upon which to base accurate primary reserve calculations, and this should expedite the unitization efforts currently underway. Without such data, it will be virtually

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Page 4

impossible for the producers in the proposed east unit to agree to a participation formula, resulting in further delays in the unitization process.

In summary, granting of Marathon's application will result in more efficient use of available reservoir energy, greater production of oil prior to depletion of reservoir energy, and will provide data which may lead to the successful unitization of the eastern portion of the pool. These goals will be achieved without damage to the reservoir, without an increase in water influx, and without impairment of the correlative rights of producers in the pool.

Respectfully submitted,

ATWOOD, MALONE, MANN & TURNER, P.A.

By 
Rod M. Schumacher

P.O. Drawer 700
Roswell, New Mexico 88202
(505) 622-6221

I hereby certify that on this
22^d day of April, 1992,
a true and correct copy of the
foregoing was mailed to:

James G. Bruce, Esq.
W. Perry Pearce, Esq.



ATWOOD, MALONE, MANN & TURNER

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RICHARD J. VALLE

VIA FAX - 827-5741

April 22, 1992

Oil Conservation Division
P. O. Box 2088
Santa Fe, NM 87504

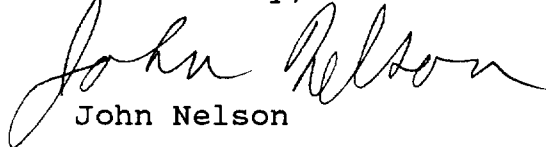
Attention: Ms. Florene Davidson

RE: Application of Marathon Oil Company
No. 10462

Dear Ms. Davidson:

Pursuant to the instructions of Mr. Catanach, enclosed in connection with the referenced case is Marathon's proposed Order. Marathon's Closing Argument has been or will be hand delivered to you today. By copy of this letter, I am furnishing copies of the Closing Argument and the proposed Order to James Bruce and Perry Pearce, counsel for the other parties who entered appearances.

Yours truly,


John Nelson

JSN/le

cc: Mr. James Bruce (w/encs.)
Mr. Perry Pearce (w/encs.)
Mr. Thomas C. Lowry

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

ORDER NO. _____

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

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 2, 1992, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this _____ day of _____, 1992, 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) The applicant, Marathon Oil Company, is the operator of 2 wells currently capable of producing at the depth bracket allowable of 107 BOPD in the Vacuum-Glorieta Pool which comprises all or portions of Sections 24, 25, 26, 35, 36, Township 17 South, Range 34 East; Sections 1 and 2, Township 18 South, Range 34 East; Section 26, 27, 28, 29, 30, 31, 32, 33 and 34, Township 17 South, Range 35 East; and Sections 5 and 6, Township 18 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) The applicant seeks the assignment of a special depth bracket allowable pursuant to General Rule 505(D), whereby the allowable for each well producing from said pool would equal its producing capacity. Any proration unit on which an additional well or wells are drilled after the effective date of the new allowable would be permitted to produce only the greater of 107 BOPD or the capacity of the best well on the unit.

Case No. 10462
Order No. _____
Page 2

(4) Presently, there are 5 proration units in the Vacuum-Glorieta Pool (4 with one well and 1 with 2 wells) that are capable of producing in excess of the current depth bracket allowable.

(5) The evidence presently available indicates that an increased rate of production from wells in said pool will not result in damage to the reservoir nor have an adverse effect on the ultimate recovery from the pool but rather ultimate recovery should be improved thereby.

(6) Approval of the subject application will serve to prevent waste and will not violate correlative rights.

(7) The subject application should be approved.

IT IS THEREFORE ORDERED THAT:

(1) EFFECTIVE _____, 199__, a special depth bracket allowable equal to the producing capacity of each well currently drilled in the pool is hereby established for the Vacuum-Glorieta Pool, Lea County, New Mexico. Should any additional well be drilled on an existing proration unit after the effective date of this order, then the allowable for the unit shall be the greater of 107 BOPD or the capacity of the best well on the unit.

(2) The Division Director may, at any time it appears that reservoir damage is apparent or other evidence of waste occurring, rescind the provisions of the order and cause the top unit allowable for the Vacuum-Glorieta Pool to revert back to 107 barrels of oil per day.

(3) 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

(SEAL)

WILLIAM J. LEMAY
Director

Shell Western E&P Inc.
An Affiliate of Shell Oil Company



P.O. Box 576
Houston, TX 77001

March 31, 1992

RECEIVED

APR 1 1992

OIL CONSERVATION DIVISION

Federal Express

William J. LeMay
Chairman and Director
Oil Conservation Division
State of New Mexico
Energy, Minerals and Natural Resources Department
P. O. Box 2088
Santa Fe, NM 87504-2088

Dear Mr. LeMay:

Shell Western E&P Inc., operator of eleven State of New Mexico leases and one fee lease in the Vacuum Glorieta Pool located in Lea County, New Mexico recommends that Marathon Oil Company's application (Case No. 10,462) to establish a special pool allowable for the Vacuum Glorieta Pool be denied.

It is the opinion of Shell Western E&P Inc. that approval of the proposed Marathon pool allowable request would result in a significant reduction of the ultimate oil recovery from this limited natural water influx drive type reservoir.

Your consideration of Shell Western's concern for efficient depletion of the Vacuum Glorieta Pool is respectfully requested.

Very truly yours,

A handwritten signature in dark ink, appearing to read "W. F. N. Kelldorf", written over a horizontal line.

W. F. N. Kelldorf
Technical Manager Environmental
Western Division

RLS:CAC

Shell Western E&P Inc.

An Affiliate of Shell Oil Company



P.O. Box 876
Houston, TX 77001

March 31, 1992

Federal Express

William J. LeMay
Chairman and Director
Oil Conservation Division
State of New Mexico
Energy, Minerals and Natural Resources Department
P. O. Box 2088
Santa Fe, NM 87504-2088

Dear Mr. LeMay:

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Very truly yours,

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W. F. N. Kelldorf
Technical Manager Environmental
Western Division

RLS:CAC



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



BRUCE KING
GOVERNOR

ANITA LOCKWOOD
CABINET SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

May 22, 1992

HINKLE, COX, EATON,
COFFIELD & HENSLEY
Attorneys at Law
500 Marquette, NW
Suite 800
Albuquerque, New Mexico 87102

RE: CASE NO. 10462
ORDER NO. R-9677

Dear Sir:

Enclosed herewith are four copies of the above-referenced Division orders recently entered in the subject cases.

Sincerely,

A handwritten signature in cursive script, appearing to read "Florene Davidson".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad
Perry Pearce



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



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SANTA FE, NEW MEXICO 87504
(505) 827-5800

September 10, 1992

KELLAHIN, KELLAHIN & AUBREY
Attorneys at Law
P. O. Drawer 2265
Santa Fe, New Mexico 87504

RE: CASE NO. 10462
ORDER NO. R-9677-A

Dear Sir:

Enclosed herewith are two copies of the each of the above-referenced Division order recently entered in the subject case.

Sincerely,

A handwritten signature in cursive script that reads "Florene".

Florene Davidson
OC Staff Specialist

FD/sl

cc: BLM - Carlsbad
J. Bruce

ATWOOD, MALONE, MANN & TURNER

A PROFESSIONAL ASSOCIATION

ATTORNEYS AT LAW

400 NORTH PENNSYLVANIA

1100 UNITED BANK PLAZA

P. O. DRAWER 700

ROSWELL, NEW MEXICO 88202

TEL. (505) 622-6221

FAX (505) 624-2883

June 19, 1992

RUSSELL D. MANN
BOB F. TURNER
JOHN W. BASSETT
ROBERT E. SABIN
BRIAN W. COPPLE
STEVEN L. BELL
WILLIAM P. LYNCH
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VICTORIA S. ARENDS
SUSAN ZELLER
JEFFERY D. TATUM
CRAIG A. ORRAJ
BRYAN EVANS
RICHARD J. VALLE

OIL CONSERVATION DIVISION
RECEIVED

JUN 21 1992 JUN 8 36
JEFFERY D. TATUM (1983-1960)
ROSS L. MALONE (1910-1974)

CHARLES F. MALONE
OF COUNSEL

VIA TELEFAX AND U.S. MAIL

Ms. Florene Davidson
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Application of Marathon Oil Company for Termination of Oil Prorating in the
Vacuum-Gloriet Pool, Lea County, New Mexico

Dear Ms. Davidson:

Attached is an Application for Hearing De Novo submitted on behalf of Marathon Oil Company in connection with the above referenced case and Order. The original will follow by regular mail, and I would appreciate receiving a file stamped copy. I have enclosed a self-addressed stamped envelope for this purpose.

We would prefer that this matter be placed on the August docket.

Sincerely,



Rod M. Schumacher

RMS:dk

xc: James Bruce, Esquire
W. Perry Pearce

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

RECEIVED

JUN 24 1992

OIL CONSERVATION DIVISION

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

CASE NO. 10462
Order No. R-9677

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

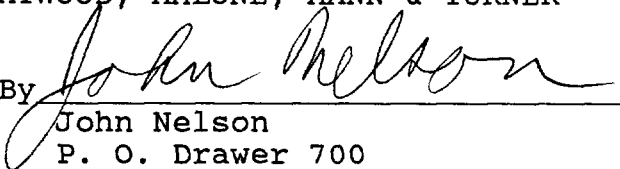
APPLICATION FOR HEARING DE NOVO

The Division rendered its Order No. R-9677 on May 22, 1992. Pursuant to §70-2-13 NMSA (1978) and Rule 1220 of the Division's Rules and Regulations, the Applicant, Marathon Oil Company, hereby requests that its Application be heard de novo before the Oil Conservation Commission. Marathon's request for a hearing de novo is limited to the issue of whether the relief requested by Marathon's Application should be allowed for a limited test period of nine months.

Respectfully submitted,

ATWOOD, MALONE, MANN & TURNER

By


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

Attorneys for Marathon Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Hearing De Novo was mailed this 19 day of June, 1992, to James Bruce, P. O. Box 2068, Santa Fe, NM 87504, attorney for Phillips Petroleum Company and Exxon Company USA, and to W. Perry Pearce, P. O. Box 2307, Santa Fe, NM 87504, attorney for Mobil Exploration & Producing U.S., Inc.



John Nelson

ATWOOD, MALONE, MANN & TURNER

A PROFESSIONAL ASSOCIATION

ATTORNEYS AT LAW

400 NORTH PENNSYLVANIA

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June 19, 1992

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CHARLES F. MALONE
OF COUNSEL

VIA TELEFAX AND U.S. MAIL

Ms. Florene Davidson
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

Re: Application of Marathon Oil Company for Termination of Oil Prorationing in the
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Sincerely,



Rod M. Schumacher

RMS:dk

xc: James Bruce, Esquire
W. Perry Pearce

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

RECEIVED

JUN 2 1992

OIL CONSERVATION DIVISION

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

CASE NO. 10462
Order No. R-9677

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

ATWOOD, MALONE, MANN & TURNER

By



John Nelson

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

Attorneys for Marathon Oil Company

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Application for Hearing De Novo was mailed this 15 day of June, 1992, to James Bruce, P. O. Box 2068, Santa Fe, NM 87504, attorney for Phillips Petroleum Company and Exxon Company USA, and to W. Perry Pearce, P. O. Box 2307, Santa Fe, NM 87504, attorney for Mobil Exploration & Producing U.S., Inc.



John Nelson

KELLAHIN, KELLAHIN AND AUBREY

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*
KAREN AUBREY*

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

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

JASON KELLAHIN (RETIRED 1991)

July 6, 1992

William J. LeMay
Oil Conservation Commission
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

RE: OCD Case No. 10462 - DeNovo
Application of Marathon Oil
Company for termination of oil
prorationing in the Vacuum-
Glorieta Pool, Lea County,
New Mexico

RECEIVED

JUL 07 1992

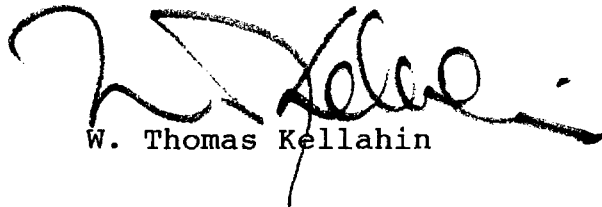
OIL CONSERVATION DIVISION

Dear Mr. LeMay:

Please enter my appearance on behalf of Marathon Oil Company
in the reference case which is now set for a DeNovo hearing on
July 16, 1992

We request that this case be continued to the August 13,
1992 Commission docket. By copy of this letter I am notifying
all counsel of record of our request.

Very truly yours,



W. Thomas Kellahin

WTK/jcl

xc: Robert Stovall, Esq. (by hand)
Gary Kilpatric, Esq.
James Bruce, Esq.
Thomas C. Lowry, Esq. - Marathon Oil Co.

ltrt706.092

ATWOOD, MALONE, MANN & TURNER

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June 19, 1992

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CHIEF OF COUNSEL

VIA TELEFAX AND U.S. MAIL

Ms. Florene Davidson
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504

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Sincerely,



Rod M. Schumacher

RMS:dk

cc: James Bruce, Esquire
W. Perry Pearce



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79762
4001 PENBROOK

EXPLORATION AND PRODUCTION GROUP
Permian Basin Area

RECEIVED AUG 12 1992

August 3, 1992

NMOCD Case 10462 (DeNovo)
Application of Marathon Oil Company
for an Order Establishing a Special
Allowable for the Vacuum-Glorieta Pool,
Lea County, New Mexico

Mr. William J. LeMay
Chairman
Oil Conservation Commission
310 Old Santa Fe Trail
Santa Fe, New Mexico 87501

Dear Mr. LeMay:

Phillips Petroleum Company supports any effort to expedite the unitization of the Vacuum-Glorieta Pool. Unitization and the initiation of secondary recovery operations is essential to the efficient recovery of remaining Glorieta reserves. To this end, Phillips Petroleum Company continues to support its original testimony which called for 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.

The granting of this application will be useful in promoting the unitization of the Vacuum-Glorieta East Unit which Phillips Petroleum Company is seeking as unit operator. The main issue which has precluded the working interest owners from obtaining a 75% majority has been the lack of reliable data on remaining primary reserves for the top allowable wells.

The granting of this application will provide an opportunity to produce at capacity thereby generating production decline curves from which to estimate remaining primary production for those wells.

Phillips Petroleum Company's support is predicted upon Marathon Oil Company's evidence which will show:

- 1) That there will be no damage to the reservoir;
- 2) That data gathered will encourage unitization;

Mr. William J. LeMay
Oil Conservation Commission
NMOCD Case 10462 (DeNovo)
August 3, 1992
Page 2

- 3) And that the operators of any wells or proration units capable of producing in excess of 107 barrels of oil per day average during a month are required to conduct the following tests or collect or collect the following data, and provide all data to the engineering committee for the unit:
- a) A minimum 24-hours 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 calculation of the well's Productivity Index; and
 - 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.

Very truly yours,



D. R. Wier *cat 804*
Director, Reservoir Engineering

LDH:jj