

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,
LEA COUNTY, NEW MEXICO.

CASE NO. 1091-4

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 the surface to the base of the Cisco formation underlying Section 36, T20-1/2S, R23E, NMPM, Lea County, New Mexico, forming either a standard 345.4-acre oil-gas spacing and proration unit for any and all formations and/or pools developed on 320-acre spacing within said vertical extent, which may presently include but is not necessarily limited to the South Dagger Draw-Upper Pennsylvanian Associated Pool, OR IN THE ALTERNATIVE forming a non-standard 345.4-acre gas spacing and proration unit for any and all formations and/or pools developed on 640-acre spacing within said vertical extent, which may presently include but is not necessarily limited to the Indian Basin Upper Pennsylvanian Gas Pool. Said unit is to be dedicated to a well to be drilled and completed at a standard well location in Section 36, which is an unorthodox well location if dedicated to the Indian Basin Upper Pennsylvanian Gas Pool. 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 applicant as the operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 10 miles southeast from Hope, New Mexico.

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

1. Marathon has a working interest ownership in the oil and gas minerals underlying a portion of Section 36, T20-1/2S, R23E, NMPM, Eddy County, New Mexico.

2. The subject Section is located south from and within one mile of the South Dagger Draw-Upper Pennsylvanian Associated Pool which is spaced on 320-acre oil spacing and proration units.

3. The subject Section is also located north-east from and approximately one mile of the Indian Basin Upper Pennsylvanian Gas Pool which is spaced on 640-acre gas spacing and proration units.

4. In addition, the inclusion of the subject Section into the South Dagger Draw-Upper Pennsylvanian Associated Pool is the subject of Division Case 10881.

5. If the well to be drilled on the subject tract is dedicated to the South Dagger Draw Upper Pennsylvanian Associated Pool or any other pool spaced on 320-acre spacing and proration units, then Marathon proposes that a standard 345.4-acre spacing and proration unit consisting of all of said Section 36 be pooled and dedicated to its well to be drilled and located 660 feet FNL and 1650 feet FEL of said Section 36.

6. If the well to be drilled on the subject tract is dedicated to the Indian Basin Upper Pennsylvanian Gas Pool or any other pool spaced on 640-acre spacing and proration units, then Marathon proposes that a non-standard 345.4-acre spacing and proration unit consisting of all of said Section 36 be pooled and dedicated to its well to be drilled and located at an unorthodox gas well location 660 feet FNL and 1650 feet FEL of said Section 36.

7. All of the working interest ownership of the oil & gas minerals from the surface to the base of the Cisco formation underlying Section 36 have voluntarily agreed to the formation of this spacing unit for this well with the exception of an interest apparently formerly owned by Prudential-Bache Energy Income Production Partnership VP-20,21,22 but now owned by one or more of the Parker & Parsley entities. Therefore a pooling order is sought as to this interest and notice is being sent to each of the following:

Parker & Parsley Petroleum Company
Parker & Parsley Producing Company
Parker & Parsley Development Company
P. O. Box 3178
Midland, Texas 79702
Attn: Mr. Steve Owen

Prudential-Bache Energy Income Production
Partnership VP-20,21,22
c/o Graham Royalty , Ltd.
P. O. Box 3134
Covington, Louisiana 70434-3134

8. Marathon has proposed the subject well to all parties but, as of the date of this application, Marathon has not been able to obtain a written voluntary agreement from the appropriate parties listed in paragraph (7) above.

9. 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, Marathon needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

10. In accordance with the Division's notice requirements, a copy of this application has been sent to the interest parties listed in paragraph (7) above notifying them 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 February 17, 1994.

WHEREFORE, Marathon, as applicant, requests that this application be set for hearing on February 17, 1994 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 this spacing unit for the drilling of the subject well at the proposed well location upon terms and conditions which include:


(1) Marathon Oil Company be named operator;

(2) The order make 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) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name and address.

W. THOMAS KELLAHIN
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Marathon Oil Company

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