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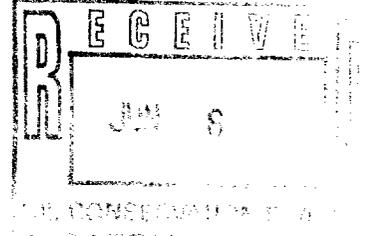
W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
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JASON KELLAHIN (RETIRED 1991)

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June 18, 1996



HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87504

Re: Indian Basin "C" Well No. 2
Application of Marathon Oil Company
to Reopen Case 11088 and to Amend Order R-10198,
Indian Basin-Upper Pennsylvanian Gas Pool,
Eddy County, New Mexico

Dear Mr. Stogner:

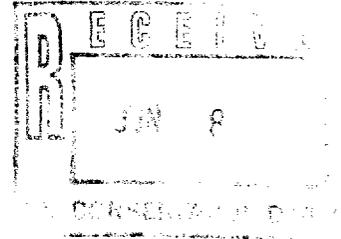
On behalf of Marathon Oil Company, please find enclosed our Application to Reopen Case 11088 and to amend Order R-10198 which we request be set for hearing on the next available Examiner's docket now scheduled for July 11, 1996. Also enclosed is our proposed notice for the advertisement.

Very truly yours,

A handwritten signature in black ink, appearing to read "W. Thomas Kellahin". The signature is fluid and cursive, written over the typed name below it.

W. Thomas Kellahin

cc: Thomas C. Lowry, Esq. (Midland)



Proposed notification/advertisement for OCD docket

Case 11088: Application of Marathon Oil Company to Reopen Case 11088 and to Amend Order R-10198 to provide for the concurrent production of both the Indian Basin "C" Well No. 1 (API No. 30-015-10332) located at a standard location in Unit F and the Indian Basin "C" Well No. 2 located at an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) both Section 26, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of said Section 26 is concurrently dedicated to said wells forming a standard 640-acre gas spacing and proration unit. Said unit is located approximately 20 miles west of Carlsbad, New Mexico. **IN THE ABSENCE OF OBJECTION THIS APPLICATION WILL BE TAKEN UNDER ADVISEMENT.**

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

IN THE MATTER OF THE APPLICATION
OF MARATHON OIL COMPANY TO REOPEN
NMOCD CASE 11088 AND TO AMEND
ORDER R-10198, INDIAN BASIN-UPPER
PENNSYLVANIAN GAS POOL,
EDDY COUNTY, NEW MEXICO

CASE: 11088

APPLICATION

Comes now MARATHON OIL COMPANY, by and through its attorneys, KELLAHIN and KELLAHIN, and applies to the New Mexico Oil Conservation Division to Reopen Case 11088 and to Amend Order R-10198 to provide for the concurrent production of both the Indian Basin "C" Well No. 1 (API No. 30-015-10332) located at a standard location in Unit F and the Indian Basin "C" Well No. 2 located at an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) both Section 26, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of said Section 26 is concurrently dedicated to said wells forming a standard 640-acre gas spacing and proration unit.

In support thereof, Applicant states:

1. Applicant, Marathon Oil Company, has the right to drill and test for Pennsylvanian gas production in Section 26, T21S, R23E, N.M.P.M, Eddy County, New Mexico.

2. This section is subject to the Indian Basin-Upper Pennsylvanian Gas Pool which was created by Order R-2440 dated March 1, 1963 and was initially spaced on 640 acre spacing, Rule 2(A), with Rule 2(B) setting standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit. On April 14, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

3. On September 22, 1994, the Division entered Order R-10198 which approved the application of Marathon Oil Company to drill its Indian Basin "C" Well No. 2 at an unorthodox well location in Unit M of section 26, T21S, R23E as a replacement well for its Indian Basin "C" Well No 1 located 1650 feet from the North line and 1650 feet from the West line which watered out in May, 1994.

4. Order R-10198 contains Finding (7) which references a stipulation between Marathon and Apache Corporation which is predicated upon the assumption that the Indian Basin "C" Well No. 1 will be replaced by the Indian Basin "C" Well No. 2.

5. Marathon believes that it may be possible to return the Indian Basin "C" Well No. 1 to production by utilizing submersible pump equipment.

6. Since issuance of Order R-10198, Marathon is now the offsetting operators towards whom the subject Indian Basin "C" Well No 2 is unorthodox having acquired the offsetting interest formerly controlled by Apache Corporation.

7. Marathon seeks no change in the current acreage factor of 0.65 assigned to this unit because of the unorthodox well.

8. Because there is no offsetting parties adversely affected by this request, Marathon requests that this case be docketed on the Division hearing docket set for July 1, 1996 and in the absence of objection be taken under advisement without presentation of technical witnesses.

2. This section is subject to the Indian Basin-Upper Pennsylvanian Gas Pool which was created by Order R-2440 dated March 1, 1963 and was initially spaced on 640 acre spacing, Rule 2(A), with Rule 2(B) setting standard well locations to be no closer than 1650 feet to the outer boundary of the spacing unit. On April 14, 1965, the Division entered Order R-1670-F in Case 3237 which established gas proration for the pool.

3. On September 22, 1994, the Division entered Order R-10198 which approved the application of Marathon Oil Company to drill its Indian Basin "C" Well No. 2 at an unorthodox well location in Unit M of section 26, T21S, R23E as a replacement well for its Indian Basin "C" Well No 1 located 1650 feet from the North line and 1650 feet from the West line which watered out in May, 1994.

4. Order R-10198 contains Finding (7) which references a stipulation between Marathon and Apache Corporation which is predicated upon the assumption that the Indian Basin "C" Well No. 1 will be replaced by the Indian Basin "C" Well No. 2.

5. Marathon believes that it may be possible to return the Indian Basin "C" Well No. 1 to production by utilizing submersible pump equipment.

6. Since issuance of Order R-10198, Marathon is now the only offsetting operator towards whom the subject Indian Basin "C" Well No. 2 is unorthodox having acquired the offsetting interest formerly controlled by Apache Corporation.

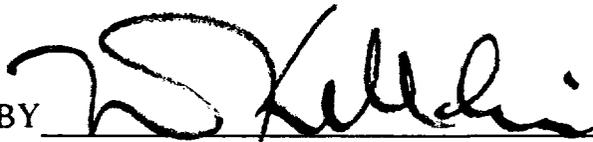
7. Marathon seeks no change in the current acreage factor of 0.65 assigned to this unit because of the unorthodox well.

8. Because there are no offsetting parties adversely affected by this request, Marathon requests that this case be docketed on the Division hearing docket set for July 1, 1996 and in the absence of objection be taken under advisement without presentation of technical witnesses.

9. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

WHEREFORE, Applicant requests that, after notice and hearing, this Application be approved as requested.

KELLAHIN and KELLAHIN

BY 

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

Thomas C. Lowry, Esq.
Marathon Oil Company

ATTORNEYS FOR APPLICANT