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*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
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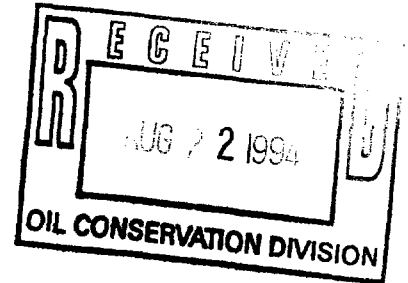
JASON KELLAHIN (RETIRED 1991)

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August 22, 1994

HAND DELIVERED

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



11088

Re: Indian Basin "C" Well No. 2
Application of Marathon Oil Company
for an Unorthodox Gas Well Location,
Indian Basin-Upper Pennsylvanian Gas Pool,
Eddy County, New Mexico

Dear Mr. Stogner:

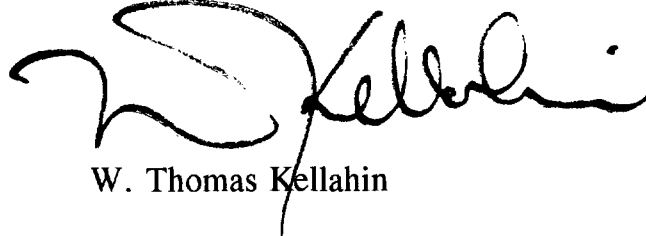
On behalf of Marathon Oil Company, please find enclosed our Application for An Unorthodox Gas Well Location for its Indian Basin "C" Well No. 2 which we request be set for hearing on the next available Examiner's docket now scheduled for September 15, 1994. Also enclosed is our proposed notice for the advertisement.

By copy of this letter, including the Application to all parties, we are notifying them by certified mail return-receipt requested, that they have the right to appear at the hearing, to make a statement to the Division, to present evidence and cross-examiner witnesses either in support of or in opposition to the Application.

Oil Conservation Division
August 22, 1994
Page 2.

Pursuant to the Division's Memorandum 2-90, all interested parties are hereby informed that if they appear in this case, then they are requested to file a Pre-Hearing Statement with the Division not later than 4:00 PM on Friday, September 9, 1994, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin'. The signature is fluid and cursive, with a large initial 'W' and a long, sweeping underline.

W. Thomas Kellahin

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

cc: **CERTIFIED MAIL:**

All parties shown in application

Proposed notification/advertisement for OCD docket

Case 11088: Application of Marathon Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) Section 26, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of said Section 26 is to be dedicated to said well forming a standard 640-acre gas spacing and proration unit. Said unit is located approximately 20 miles west of Carlsbad, New Mexico.

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

IN THE MATTER OF THE APPLICATION
OF MARATHON OIL COMPANY FOR APPROVAL OF
AN UNORTHODOX GAS WELL LOCATION,
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 for approval to drill its Indian Basin "C" Well No 2 at an unorthodox gas well location 990 feet from the South line and 660 feet from the West line (Unit M) Section 26, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool. All of said Section 26 is to be dedicated to said well 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. The proposed gas well will be located within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool.

3. The subject pool 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.

4. The existing well in Section 26 is the 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.

5. The proposed Indian Basin "C" Well No. 2 will be a replacement well and will be drilled at unorthodox location in order to gain sufficient structural position in its spacing unit to attempt to recover any remaining recoverable gas reserves underlying Section 26 and thereby protect correlative rights.

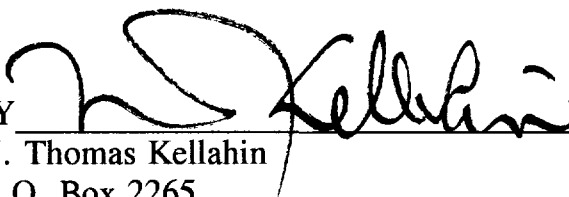
6. Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the remaining gas underlying this unit, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive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

7. The Applicant is the working interest owner or operator for all spacing units towards which the subject well encroaches except for one offsetting unit to the south. Notification of this application has been sent to that offsetting operator as follows:

Apache Corporation
2000 Post Oak Blvd
Suite 100
Houston, Texas 77056-4400
Attn: Ceci Leonard

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