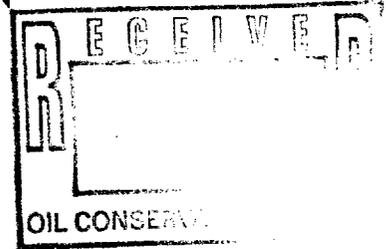


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

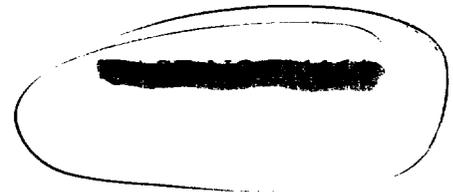
IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:



APPLICATION OF MARATHON OIL COMPANY
TO AMEND THE SPECIAL RULES AND
REGULATIONS FOR THE LEA-DEVONIAN POOL,
LEA COUNTY, NEW MEXICO.

CASE NO. 11163

APPLICATION OF MARATHON OIL COMPANY
FOR AN UNORTHODOX OIL WELL LOCATION
LEA COUNTY, NEW MEXICO



**CONSOLIDATED
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 522
Midland, Texas 79702
Attn: Dow Campbell, Esq.

ATTORNEY

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

STATEMENT OF CASE

APPLICANT:

Marathon Oil Company ("Marathon"), is the only operator of oil wells currently producing in the Lea-Devonian Pool which is an oil pool with a very active bottom water drive with oil wells currently producing in the range of 88 % water-cut.

On December 21, 1961, the Oil Conservation Commission adopted certain Special Rules and Regulations for the Lea-Devonian Pool as set forth in Order R-1826-A which include:

"RULE 3. The initial well in any 160-acre unit in said pool shall be located within 150 feet of the center of either the NW/4 or SE/4 of the quarter section on which the well is located."

Rule 3 has become obsolete and is unnecessarily restricting the opportunity to locate additional "in-fill" wells within a 160-acre oil spacing unit at locations necessary in order to effectively and efficiently recovery the reserves under those spacing units in the Pool.

Geologic and engineering evaluations have concluded that modification of the current well location rules for the Pool will afford an opportunity to recover additional oil from the pool without the necessity of obtaining special exceptions from the Division for locations which are currently "unorthodox."

A 3-D seismic survey indicates that the remaining optimum locations in the Pool for "in-fill" wells are at locations which would currently be considered to be either an unorthodox "footage" or an "off-pattern" location.

In Case 11163, Marathon seeks the adoption of an amendment to Rule 3 as follows:

"RULE 3. Each well completed or recompleted on any 160-acre spacing unit shall be located not closer than 330 feet to the outer boundary nor closer than 330 feet to any interior boundary of said spacing unit with no more than one well per 40-acre tract within said spacing unit.

In the alternative, in NMOCD Case 11164, Marathon seeks approval of its proposed Lea Unit Well No 17 to be drilled at an unorthodox oil well location 900 feet FSL and 1756 feet FEL of Section 13 to be dedicated to a standard 160-acre spacing unit consisting of the SE/4 of said Section 13. This location is necessary in order to obtain upstructure oil which cannot be produced by existing wells.

PROPOSED EVIDENCE

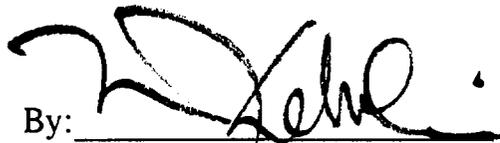
APPLICANT

WITNESSES	EST. TIME	EXHIBITS
April Parson (geologist)	25 min.	5
Wade Wardlow (reservoir engineer)	25 min.	10

PROCEDURAL MATTERS

None applicable at this time.

KELLAHIN AND KELLAHIN



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