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

JASON KELLAHIN (RETIRED 1991)

August 14, 1995

HAND DELIVERED

RECEIVED

AUG 14 1995

Oil Conservation Division

Mr. Michael E. Stogner
Chief Hearing Examiner
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Re: NMOC Case 11316
Application of Marathon Oil Company
to Reopen Case 11316 for a Directional
Wellbore, an Unorthodox Surface and
Subsurface Oil Well Location,
Lea County, New Mexico

Dear Mr. Stogner:

On behalf of Marathon Oil Company, please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for September 7, 1995. Also enclosed is our proposed advertisement of this case for the NMOC docket.

By copy of this letter and application, sent certified mail, we are notifying all interested parties of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date.

Mr. Michael E. Stogner
August 14, 1995
Page 2.

Pursuant to the Division's Memorandum 2-90, all 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 1, 1995, with a copy delivered to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written in a cursive style.

W. Thomas Kellahin

Enclosure

cc: Marathon Oil Company
and **By Certified Mail - Return Receipt**
All Parties Listed on Exhibit "B" of Application

RECEIVED

AUG 14 1995

Oil Conservation Division

PROPOSED ADVERTISEMENT

CASE 11316: (Reopened and Readvertised) Application of Marathon Oil Company to reopen case 11316 and to amend its application for a directional wellbore, an unorthodox oil well surface and bottom hole location, Lea County, New Mexico. Applicant seeks to Reopen Case 11316 and to amend its application so that its proposed Royal Well No. 1 can be located at an unorthodox surface location 2210 feet FSL and 1310 feet FEL (Unit I) in Section 33, T17S, R35E, NMPM, Lea County, New Mexico, and can be deviated from vertical in a northerly direction to a total vertical depth of approximately 8,400 feet at the base of the Drinkard formation to a point within a 50 foot radius bottom hole target 2310 feet FSL and 1310 FEL (Unit I) in said Section 33 and for approval to produce the Blinebry formation and the Undesignated East Vacuum-Drinkard Pool at said unorthodox bottom hole location within an 40-acre spacing and proration unit consisting of the NE/4SE/4 of Section 33 being dedicated to said production. Said well is located approximately 3 miles east-southeast from Buckeye, New Mexico. **IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.**

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

RECEIVED

AUG 14 1995

**IN THE MATTER OF THE APPLICATION
OF MARATHON OIL COMPANY FOR A DIRECTIONAL** Oil Conservation Division
**WELLBORE, AN UNORTHODOX OIL WELL
SURFACE AND BOTTOM HOLE LOCATIONS,
LEA COUNTY, NEW MEXICO**

CASE NO. 11316 (Reopened)

**SECOND AMENDED
APPLICATION**

Comes now MARATHON OIL COMPANY ("Marathon") by its attorneys, Kellahin and Kellahin, and applies to the New Mexico Oil Conservation Division to Reopen Case 11316 and to amend its application so that its proposed Royal Well No. 1 can be located at an unorthodox surface location 2210 feet FSL and 1310 feet FEL (Unit I) in Section 33, T17S, R35E, NMPM, Lea County, New Mexico, and can be deviated from vertical in a northerly direction to a total vertical depth of approximately 8,400 feet at the base of the Drinkard formation to a point within a 50 foot radius bottom hole target 2310 feet FSL and 1310 FEL (Unit I) in said Section 33 and for approval to produce the Blinebry formation and the Undesignated East Vacuum-Drinkard Pool at said unorthodox bottom hole location within an 40-acre spacing and proration unit consisting of the NE/4SE/4 of Section 33 being dedicated to said production.

and in support states:

(1) Marathon is the proposed operator for and a working interest owner in the Royal Well No. 1 to be drilled at an unorthodox oil well surface location 2210 FSL and 1310 feet FEL (Unit I) of Section 33, T17S, R35E, NMPM, Lea County, New Mexico. See Exhibit "A" attached

Marathon Oil Company
NMOCD Application
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(2) Marathon proposes that its Royal Well No. 1 can be located at an unorthodox surface location 2210 feet FSL and 1310 feet FEL (Unit I) in Section 33, T17S, R35E, NMPM, Lea County, New Mexico, and can be deviated from vertical in a northerly direction to a total vertical depth of approximately 8,400 feet at the base of the Drinkard formation to a point within a 50 foot radius bottom hole target 2310 feet FSL and 1310 FEL (Unit I) in said Section 33 and for approval to produce the Blinebry formation and the Undesignated East Vacuum-Drinkard Pool at said unorthodox bottom hole location within an 40-acre spacing and proration unit consisting of the NE/4SE/4 of Section 33 being dedicated to said production.

(3) The subject well is within one mile of the current boundary of the East Vacuum Drinkard Pool and therefore is subject to Division's statewide Rules and Regulations which provide that an oil well shall be located not closer than 330 feet to the outer boundary of a 40-acre spacing unit consisting of a single governmental quarter-quarter section.

(4) A 3-D seismic survey indicates that the optimum location for a well in the NE/4SE/4 of Section 33 is at an unorthodox bottom hole location within a 50 foot radius target 2310 FSL and 1310 FEL of said Section 33.

(5) Because of the congestion of various gathering lines in this area, it is not possible to place the surface location over the proposed bottom hole location.

(6) The nearest suitable surface location is an unorthodox surface location 2210 FSL and 1310 FEL of said Section 33.

(7) The direction of encroachment is towards the NW/4SE/4 of said Section 33 which involves the same owners with the same percentages as those who will participate in the subject well.

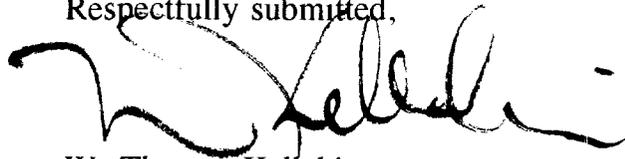
**Marathon Oil Company
NMOCD Application
Page 3**

(8) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of the hydrocarbons in the affected pool and thereby protecting correlative rights and potentially recover hydrocarbons that might otherwise not be recovered thereby preventing waste.

(9) In accordance with Division notice requirements, notice of this application and applicant's request for a hearing to be set on September 7, 1995 has been sent to those parties listed on Exhibit "B" attached.

WHEREFORE, Marathon requests that this application be set for hearing and that after notice and hearing as provided for by Division rules, the application be granted as requested.

Respectfully submitted,

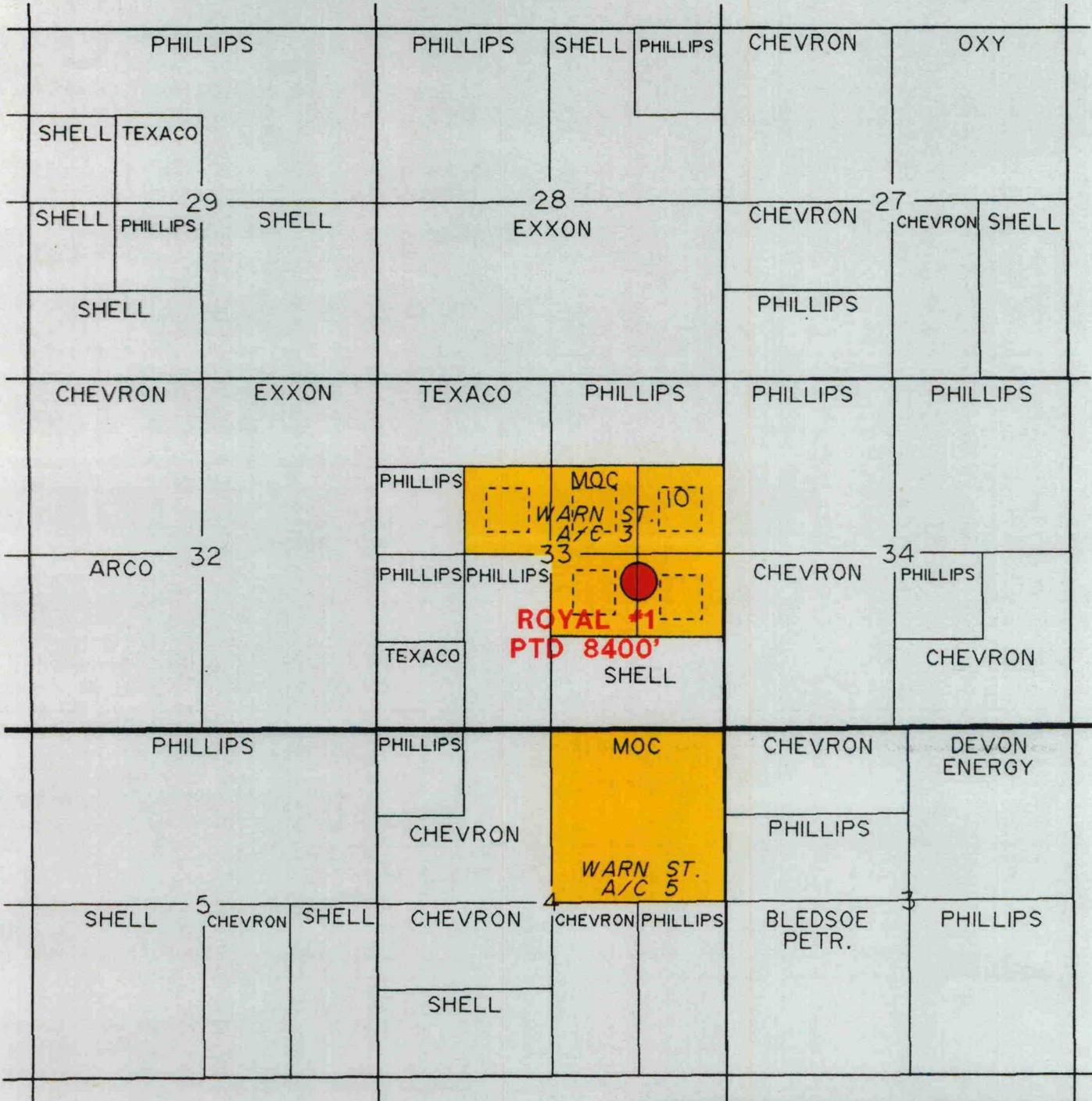


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Thomas C. Lowry, Esq.
Marathon Oil Company
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Midland, Texas 79702

ATTORNEYS FOR APPLICANT

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 PROPOSED LOCATION

MARATHON OIL COMPANY
MID-CONTINENT REGION

ROYAL PROSPECT
LEA COUNTY, NEW MEXICO

LAND PLAT

BEFORE THE
OIL CONSERVATION DIVISION
SANTA FE, NEW MEXICO
MARATHON OIL CO. EXHIBIT NO. 1
CASE NO. 11316
JULY 13, 1995

K. MILLER
1/95

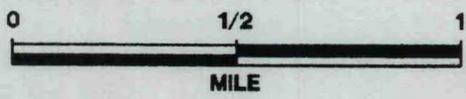


EXHIBIT "B"
TO
APPLICATION

Shell Oil Company
P. O. Box 576
Houston, Texas 77001
Attn: D. M. Champlin