

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

JUL 9 1996

CASE NO. 11568

Oil Conservation Division  
APPLICATION OF MARATHON OIL COMPANY  
FOR AN UNORTHODOX GAS WELL LOCATION,  
EDDY COUNTY, NEW MEXICO.

**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  
Box 552  
Midland, Texas 79702  
Attn: Thomas C. Lowry, 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 is the operator of the North Indian Basin Unit which includes all of Section 10, Township 21 South, Range 23 East, Eddy County, New Mexico, and other lands not subject to this Application.

The Cisco/Canyon formation is the principal productive formation within the area described in paragraph (1) above and is included within the current boundaries of both the Indian Basin-Upper Pennsylvanian Gas Pool and the Indian Basin-

Morrow Gas Pool which provide, among other things, for 640-acre proration and spacing units with well locations to be not closer than 1650 feet to the outer boundary of said units.

The Morrow formation within this area is approximately 1600 feet below the Cisco/Canyon formation and is a secondary objective which only can be economically explored in conjunction with the drilling of a well for production from the Cisco/Canyon formation.

In order to afford the optimum opportunity to drill a well in this section to test both the Cisco/Canyon formation of the Indian Basin-Upper Pennsylvanian Gas Pool and the Morrow formation, it is necessary to have the Division approve the proposed unorthodox well location.

### **PROPOSED EVIDENCE**

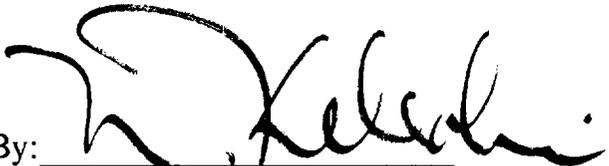
#### APPLICANT

<b>WITNESSES</b>	<b>EST. TIME</b>	<b>EXHIBITS</b>
John Chapman (geologist)	20-Min.	est. 4
Ron Folse (petroleum engineer)	20-Min.	est. 4

### **PROCEDURAL MATTERS**

None at this time

KELLAHIN AND KELLAHIN

By: 

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**CASE 11566:** Application of Matador Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to re-enter and deepen its Chevron Federal "7" Well No. 1 at an unorthodox gas well location 663 feet from the North line and 665 feet from the East line (Unit A) of Section 7, Township 16 South, Range 28 East. If the subject well is capable of production from any formation from the top of the Wolfcamp to the top of the Morrow formation, then the N/2 of said Section 7 is to be dedicated to the well forming a standard 320-acre gas spacing and proration unit, including but not limited to the Diamond Mound Atoka Gas Pool and the Diamond Mound Morrow Gas Pool. Said well is located approximately 13 miles northeast of Artesia, New Mexico.

**CASE 11567:** Application of Conoco Inc. to extend the vertical limits for the Warren San Andres Pool, to rename said pool and for the promulgation of special rules and regulations therefor, Lea County, New Mexico. Applicant seeks to extend the vertical limits in the Warren San Andres Pool to include the Grayburg formation and to rename the pool the Warren-San Andres-Grayburg Pool which currently includes the SE/4 of Section 28, Township 20 South, Range 38 East. Applicant further seeks the promulgation of special rules and regulations for said pool including a maximum oil allowable of 200 BOPD per 40-acre spacing unit and a special gas-oil ratio of 10,000 cubic feet of gas per barrel of oil. Said pool is located approximately 7 miles north of Eunice, New Mexico.

**CASE 11568:** Application of Marathon Oil Company for an unorthodox gas well location, Eddy County, New Mexico. Applicant seeks approval to drill its proposed North Indian Basin Unit Well No. 30 at an unorthodox gas well location 660 feet from the North line and 660 feet from the East line (Unit A) of Section 10, Township 21 South, Range 23 East, and to produce said well concurrently with its North Indian Basin Unit Well No. 1 located in Unit M of said Section 10, for any production from either the Indian Basin-Upper Pennsylvanian Gas Pool or the Indian Basin-Morrow Gas Pool. All of said Section 10 is to be 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.

**CASE 11088:** (Reopened)

Application of Marathon Oil Company to reopen Case 11088 and to amend Order No. R-10198, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicant seeks to reopen Case 11088 and to amend Order No. 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 located in Section 26, Township 21 South, Range 23 East, 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.

**CASE 11544:** (Continued from June 13, 1996, Examiner Hearing.)

Application of SDX Resources, Inc. for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Drinkard formation underlying Lot 7 of Irregular Section 4, Township 21 South, Range 37, East forming a standard 40.4-acre oil spacing and proration unit for any and all formations and/or pools developed on 40-acre spacing within said vertical extent, which presently includes but is not limited to the North Eunice Blinbry-Tubb-Drinkard Pool. Said unit is to be dedicated to its Exxon Fee Well No. 1 to be drilled and completed at a standard well location in Lot 7 of said Section 4. Also to be considered will be the cost 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 operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 6 miles north of Eunice, New Mexico.

**CASE 11569:** Application of Richardson Operating Company for compulsory pooling and unorthodox well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the SE/4 of Section 15, Township 29 North, Range 13 West, forming a standard 160-acre spacing and proration unit to be dedicated to its ROPCO 15 GW PC Well No. 2 which is to be located at an unorthodox gas well location 476 feet from the South line and 1800 feet from the East line (Unit O) of said Section 15 for production from the Fulcher Kutz-Pictured Cliffs Gas Pool or the West Kutz-Pictured Cliffs Gas Pool. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefrom, as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well. Said well is located near the intersection of the Bloomfield Highway and Carlton Avenue within the City of Farmington, New Mexico.

**CASE 11570:** Application of Richardson Operating Company for compulsory pooling, downhole commingling and an unorthodox gas well location, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Pictured Cliffs formation underlying the NE/4 and all mineral interests in the Basin Fruitland Coal Gas Pool underlying the E/2 of Section 15, Township 29 North, Range 13 West, forming standard 160-acre spacing and 320-acre spacing and proration units, respectively. Said units are to be dedicated to its ROPCO 15 GW "A" PC, "B" FC Well No. 1 which is to be located at an unorthodox gas well location 2275 feet from the North line and 991 feet from the East line (Unit H) of said Section 15 for downhole commingled production from the Fulcher Kutz-Pictured Cliffs Gas Pool or the West Kutz-Pictured Cliffs Gas Pool and the Basin-Fruitland Coal Gas Pool. Also to be considered will be the costs of participation in said well, including but not limited to the costs of drilling, completing and equipping, with the inclusion of a risk factor penalty and the allocation of those costs and income therefrom, as well as actual operating costs and charges for supervision, and the designation of applicant as the operator of the well. Said well is located near the intersection of US Highway 64 and Meadow View Drive within the City of Farmington, New Mexico.

**CASE 11529:** (Continued from June 13, 1996, Examiner Hearing.)

Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator for (i) an amendment to Division Order No. R-5448, (ii) an acreage rededication, (iii) the formation of two non-standard gas proration units, (iv) an unorthodox gas well location, (v) compulsory pooling, and (vi) an order requiring Meridian Oil, Inc. to compensate applicant for certain revenues received by Meridian corresponding to the 320-acre non-standard gas proration unit previously approved by Division Order No. R-5448, Lea County, New Mexico. Applicant seeks to amend Division Order No. R-5448, dated June 8, 1977, which authorized the formation of a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the W/2 E/2 and E/2 W/2 of Section 7, Township 20 South, Range 37 East, and had dedicated thereon the Britt Well Nos. 3 and 12, located in Units "G" and "C", respectively, of said Section 7 (both wells are now operated by Meridian Oil, Inc.), by rededicating to said wells a 200-acre non-standard gas proration unit to comprise the W/2 NE/4, E/2 NW/4, and NE/4 SW/4 of said Section 7 and the formation of a 120-acre non-standard gas proration unit to comprise the SE/4 SW/4 and W/2 SE/4 of said Section 7. The applicant further seeks an order pooling all mineral interests within said Eumont Gas Pool underlying the proposed 120-acre non-standard gas spacing and proration unit, which is to be dedicated to a well to be drilled and completed at an orthodox location within said unit. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and unit and a charge for risk involved in drilling and completing said well. Further, the applicant seeks an order from the Division directing Meridian Oil, Inc. to compensate Doyle Hartman, Oil Operator its proportional share of revenues, for the period September 1, 1991 to the present, corresponding to the 320-acre non-standard unit previously approved under Order No. R-5448. Said 320-acre tract is located approximately 3 miles south southwest of Monument, New Mexico.

**CASE 11476:** (Continued from June 13, 1996, Examiner Hearing.)

Application of Doyle Hartman and Margaret Hartman, d/b/a Doyle Hartman, Oil Operator, for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in the SW/4 of Section 23, Township 26 South, Range 37 East for all formations developed on 160-acre spacing. Said unit is to be dedicated to a well to be drilled at a standard location 1980 feet from the South line and 660 feet from the West line of said Section 23 and drilled to the Rhodes Yates-Seven Rivers Gas Pool. Also to be considered will be the cost 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 operator of the well and a charge for the risk involved in drilling said well. Said area is located approximately 5 miles south-southeast of Jal, New Mexico.