

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

W. THOMAS KELLAHIN*

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

TELEPHONE (505) 982-4285

TELEFAX (505) 982-2047

JASON KELLAHIN (RETIRED 1991)

June 3, 1997

HAND DELIVERED

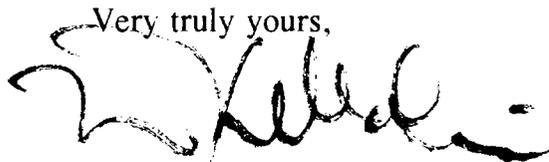
Mr. William J. LeMay, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

**Re: APPLICATION TO REOPEN NMOCD CASE 11774
Jim Bowie "11" Federal Com Well No. 1
Application of Marathon Oil Company
to Reopen Case 11774 to amend its
proposed unorthodox well location,
Eddy County, New Mexico**

Dear Mr. LeMay:

On behalf of Marathon Oil Company, please find enclosed our referenced application which we request be set for hearing on the Examiner's docket now scheduled for June 26, 1997. Also enclosed is our proposed advertisement of this case for the NMOCD docket.

Very truly yours,



W. Thomas Kellahin

cc: Marathon Oil Company
Attn: Thomas C. Lowry, Esq.
cc: William F. Carr, Esq.
cc: James Bruce, Esq.

CASE 11774 (Reopened): Application of Marathon Oil Company to reopen Case 11774 and to amend its proposed unorthodox gas well location, Eddy County, New Mexico. Applicant seeks to reopen Case 11774 concerning an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2, the SE/4 and the SE/4SE/4 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico, to be dedicated to its Jim Bowie "11" Federal Well No. 1 and to amend its proposed unorthodox gas well location 1000 feet from the South line and 700 feet from the East line to a new unorthodox gas well location 990 feet from the south and east lines (Unit P) of said Section 11. Said unit is located approximately 15 miles southeast from Artesia, 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 TO REOPEN
CASE 11774 AND TO AMEND ITS PROPOSED
UNORTHODOX GAS WELL LOCATION
EDDY COUNTY, NEW MEXICO.**

CASE NO. 11774

APPLICATION

Comes now MARATHON OIL COMPANY by its attorneys, Kellahin & Kellahin, seeks to reopen Case 11774 concerning an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2, the SE/4 and the SE/4SE/4 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico, to be dedicated to its Jim Bowie "11" Federal Well No. 1 and to amend its original unorthodox gas well location 1000 feet from the South line and 700 feet from the East line to a new unorthodox gas well location 990 feet from the south and east lines (Unit P) of said Section 11.

In support of its application, Marathon Oil Company, ("Marathon") states:

1. Marathon has a working interest ownership in the oil and gas minerals from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico.

2. On May 1 and 29, 1997, the Division heard Case 11774 in which Marathon sought an order pooling all mineral interests from 500 feet below the top of the San Andres formation to the base of the Morrow formation underlying the S/2, the SE/4 and the SE/4SE/4 of Section 11, T18S, R28E, NMPM, Eddy County, New Mexico, to be dedicated to its Jim Bowie "11" Federal Well No. 1 to be drilled at a proposed unorthodox gas well location 1000 feet from the South line and 700 feet from the East line (Unit P) of said Section 11.

3. Marathon proposed the subject well and its appropriate spacing unit to the working interest owners in the spacing unit as identified on Exhibit "A."

4. The unorthodox location encroaches towards portions of adjoining Sections 12 and 13 which are operated by Harvey E. Yates Company ("HEYCO") as listed on Exhibit "B".

5. Subsequent to the hearing held on May 29, 1997, counsel for Marathon became aware of the fact that Marathon had agreed with HEYCO to move Marathon's proposed well location to 990 feet from the south and east lines of said Section 11 and to stipulate to a 25% production penalty in order to satisfy the objections of HEYCO.

6. The subject well is to be drilled at an amended unorthodox gas well location 990 feet from the South and 990 feet from the East line (Unit P) of Section 11 to test any and all formations in the pooled interval from the surface to the base of the Morrow formation and to be dedicated to the appropriate sized spacing unit for the appropriate pool.

7. Marathon has advised all parties to be pooled of the change in location and stipulated penalty.

8. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.

9. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest is to be pooled as listed on Exhibit "A" and to the offset operator towards whom the well encroaches has shown on Exhibit "B" notifying each of this case and of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 26, 1997.

WHEREFORE, Marathon Oil Company, as applicant, requests that this application be set for hearing on June 26, 1997 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of the subject well at the amended unorthodox well location upon terms and conditions which include:

- (1) Marathon Oil Company be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor penalty of 200 %;
- (4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;
- (5) a stipulated production penalty equal to 25% of the current deliverability of said well into the pipeline from the Morrow formation or any other formations spaced on 320 acres with deliverability defines as the total volume produced into the production pipeline for a 24-hour period.
- (6) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
P. O. Box 2265
Santa Fe, New Mexico 87501

EXHIBIT "A"

Atlantic Richfield Company ("ARCO")
P. O. Box 1610
Midland, Texas 79702-1610
Attn: Lee Scarborough

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
Attn: Janet Richardson

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Prkwy, Ste 600
Oklahoma City, OK 73134
Attn: Rusty Waters

EXHIBIT "B"

Atlantic Richfield Company ("ARCO")
P. O. Box 1610
Midland, Texas 79702-1610
Attn: Lee Scarborough

Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
Attn: Janet Richardson

Louis Dreyfus Natural Gas Corp.
14000 Quail Springs Prkwy, Ste 600
Oklahoma City, OK 73134
Attn: Rusty Waters

Enron Oil & Gas Co.
P. O. Box 2267
Midland, Texas 79702

Read & Stevens, Inc.
P. O. Box 1518
Roswell, New Mexico 88202

Harvey E. Yates Company
P. O. Box 1933
Roswell, New Mexico 88202-1933
Attn: Shari Darr