

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:

NOMENCLATURE
CASE NO. 11853
ORDER NO. R-10909

**APPLICATION OF MARATHON OIL COMPANY FOR POOL CREATION AND
THE PROMULGATION OF SPECIAL RULES AND REGULATIONS THEREFOR,
LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on September 18, 1997 at Santa Fe, New Mexico, before Examiner Michael E. Stogner.

NOW, on this 31st day of October, 1997, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) The applicant in this matter, Marathon Oil Company ("Marathon"), is the owner and operator of the Hanson State Well No. 7 (API No. 30-025-33967), located at a standard oil well location for any and all formations and/or pools developed on statewide 40-acre spacing 330 feet from the North line and 1650 feet from the East line (Unit B) of Section 16, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico, which was drilled to a total depth of 7,600 feet. It was Marathon's original intent to drill this well to a depth of 6,000 feet (see OCD Form C-101 dated May 13, 1997) as a potential oil well in the Undesignated Monument-Paddock Pool, Undesignated Weir-Blinbry Pool, and Undesignated Eunice-Monument Grayburg-San Andres Pool. Sometime in the drilling of this well Marathon decided to drill deeper in order to test the Abo formation.

(3) This well is located within one mile of the current western boundary of the Skaggs-Abo Gas Pool, which pool is currently subject to the Division's Statewide Rule 104.C(2)(a), which requires standard 160-acre gas spacing and proration units with wells to be located no closer than 660 feet from the outer boundary of such tract nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary nor closer than 1320 feet to the nearest well drilling to or capable of producing from the Abo formation. The Skaggs-Abo Gas Pool currently includes four active producing gas wells.

(4) Subsequently, Marathon completed the Hansen State Well No. 7 in the Abo formation sometime in July, 1997 (see OCD Form C-104 dated July 29, 1997) through the perforated interval from 7034 feet to 7244 feet.

(5) Marathon has performed production tests on the Hanson State Well No. 7 which indicate that it is an oil well with a producing gas/oil ratio ("GOR") of approximately 6600 MCF of gas per barrel of oil produced. Furthermore, step rate tests conducted on the subject well indicate that attempts to restrict this well to the statewide 2000 to 1 limiting GOR adversely impacts the well's ability to maximize oil production.

(6) Marathon's engineering evidence indicates that the production characteristics of the Hanson State Well No. 7 is typical of wells in the Monument-Abo Pool which has a 10,000 to 1 limiting GOR (pursuant to Division Order No. R-8614, as amended) and is located three miles to the northwest. Because the Hanson State Well No. 7 is located further than one mile from the Monument-Abo Pool it is not within the governing limits of these special provisions.

(7) The geological and engineering evidence presented by Marathon indicates that the Hansen State Well No. 7 has discovered a new and separate common source and supply in the Abo formation and that producing gas wells in the Skaggs-Abo Gas Pool are not associated with the oil production from the Hansen State Well No. 7.

(8) Through the evidence and testimony presented in this case there is need for the creation of a new pool for this newly discovered Abo oil production, which is to bear the designation of "***Southeast Monument-Abo Pool***" and is to initially comprise the NE/4 of Section 16, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(9) Marathon proposes that the Division adopt statewide 40-acre oil spacing and proration units and well location restrictions as provided for in Division General

Rule 104.C(1)(a) for the Southeast Monument-Abo Pool; however, the applicant is seeking the promulgation of temporary special pool rules therefor including a provision for a limiting GOR of 10,000 cubic feet of gas per barrel of oil.

(10) The evidence presented and the records on file with the Division indicates that Marathon owns and operates the Hansen State Lease (New Mexico State lease No. A-03071) comprising the NE/4 of Section 16, Township 20 South, Range 37 East, NMPM, Lea County, New Mexico.

(11) The evidence presented in this matter, along with the records on file with the Division, indicates a need for the creation of this pool and the promulgation of any special rules therefor be made retroactive as of August 1, 1997.

(12) No other operator and/or interest owner appeared at the hearing in opposition to the subject application.

(13) Evidence and testimony in this case was insufficient to justify the permanent establishment of the proposed GOR limit for the Southeast Monument-Abo Pool, and so in order to properly assess the long term effects of this increased GOR limit, the Special Rules and Regulations promulgated herein should only be in effect for a temporary period of two years, thereby allowing all operators in the pool to obtain data from which to determine the most efficient rate of production for the proper development and depletion of the Southeast Monument-Abo Pool thereby preventing waste.

(14) Further, the temporary approval of this application will allow Marathon the opportunity to economically recover their share of the oil and gas in this newly discovered pool, is in the best interest of conservation, and will not violate correlative rights.

(15) This case should therefore be reopened at an examiner hearing in October, 1999, to permit the operators in the subject pool to appear and show cause why the limiting gas/oil ratio for the Southeast Monument-Abo Pool should not revert to the statewide standard 2,000 to one.

IT IS THEREFORE ORDERED THAT:

(1) The effective date for this order and all provisions included therein shall be made retroactive back to August 1, 1997.

(2) A new oil pool in Lea County, New Mexico, classified as an oil pool for Abo production is hereby created and designated the **Southeast Monument-Abo Pool**,

consisting of the following described area:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
Section 16: NE/4.

(3) Temporary Special Rules and Regulations for the Southeast Monument-Abo Pool are hereby promulgated as follows:

**SPECIAL RULES AND REGULATIONS FOR
THE SOUTHEAST MONUMENT-ABO POOL**

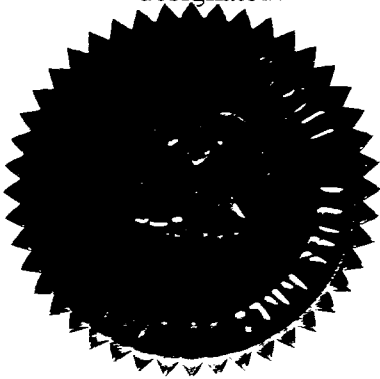
RULE 1. The limiting gas-oil ratio for the Southeast Monument-Abo Pool is 10,000 cubic feet of gas for each barrel of oil.

IT IS FURTHER ORDERED THAT:

(4) This case shall be reopened at an examiner hearing in October, 1999, to permit the operators in the subject pool to appear and show cause why the limiting gas/oil ratio for the Southeast Monument-Abo Pool should not revert back to the statewide standard 2,000 to one.

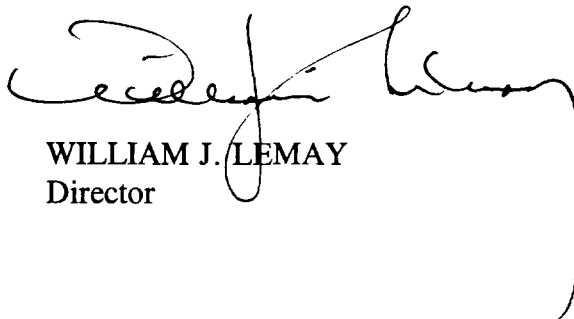
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director