

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

JASON KELLAHIN (RETIRED 1991)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

August 25, 1997

HAND DELIVERED

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

Re: Application of Marathon Oil Company
for pool creation and the adoption of
special pool rules therefor
Lea County, New Mexico.

Dear Mr. LeMay:

On behalf of Marathon Oil Company, please find our application in the referenced case which we request be set on the next available Division Examiner's docket on scheduled for September 18, 1997.

Also enclosed is our suggested advertisement for the Division docket.

Very truly yours,



W. Thomas Kellahin

cfx: Marathon Oil Company
Attn: Thomas C. Lowry, Esq.
cc: OCD-Hobbs
Attn: Paul Kautz

RECEIVED

AUG 27 1997

FILED

Case 11853

PROPOSED ADVERTISEMENT

CASE 11853 Application of Marathon Oil Company for pool creation and the adoption of special rules therefor, Lea County, New Mexico. Applicant seeks the creation of a new oil pool for oil production from the Abo formation to be governed by the Division's General Statewide rules except for the promulgation of special limiting gas oil ratio of 10,000 mcf of gas for each barrel of oil produced for its Hansen State Well No. 7 located in Unit B of Section 16, T20S, R37E, NMPM, Lea County, New Mexico. Said well is located in the approximately 12-1/2 miles southwest of Hobbs, New Mexico.

RECEIVED

AUG 27 1997

Oil and Gas Division

**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:

RECEIVED

APR 23 1997

Oil Conservation Division

APPLICATION OF MARATHON OIL COMPANY
FOR POOL CREATION INCLUDING ADOPTION
OF A SPECIAL LIMITING GAS-OIL RATIO
LEA COUNTY, NEW MEXICO.

CASE NO. 11853

A P P L I C A T I O N

Comes now Marathon Oil Company ("Marathon") by its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation for the creation of a new oil pool for oil production from the Abo formation to be governed by the Division's General Statewide rules except for the promulgation of special limiting gas oil ratio of 10,000 mcf of gas for each barrel of oil produced for its Hansen State Well No. 7 located in Unit B of Section 16, T20S, R37E, NMPM, Lea County, New Mexico.

and in support thereof states:

1. On June 30, 1997, Marathon commenced drilling its Hansen State Well No. 7, located 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. See plat attached as Exhibit "A".

2. Marathon's Hansen State Well No. 7 was originally drilled as a potential oil well in the Paddock formation, but on July 26, 1997, Marathon recompleted it for production from the Abo formation.

3. This well is located within one mile of the current western boundary of the Skaggs Abo Gas Pool which is spaced on statewide 160-acre gas spacing.

4. The Skaggs Gas Pool currently includes four active producing gas wells located in portions Sections 11, 12 and 13 of T20S, R37E, no production in the N/2 of Section 14, and including Conoco's Britt B Well No. 27 located in Unit G of Section 15, T20S, R37E.

5. However, production tests have confirmed that the Hansen State Well No. 7 is an oil well with a producing gas-oil ratio of approximately 6600 mcf of gas per barrel of oil produced.

6. In addition, step rate tests conducted on the Hansen State Well No. 7 indicate that attempts to restrict this well to a statewide 2,000 to 1 limiting GOR adversely impacts the well's ability to maximize oil production and therefore is wasteful.

7. Marathon has concluded that the Hansen State Well No. 7 is typical of the Abo production from the Monument Abo Oil Pool which has a 10,000 to 1 limiting GOR but whose eastern boundary is some 2 miles west of the Hansen State Well No. 7.

8. Because the Hansen State Well No. 7 is currently located more than one mile from the Monument Abo Oil Pool, it is not eligible to including in that oil pool despite the fact that its production is characteristic of production from that pool.

9. In addition, presently available data indicates that gas wells producing from the Skaggs Abo Gas Pool are not associated with the oil production from the Hansen State Well No. 7 and therefore it is not presently necessary to consider reclassifying the Skaggs Gas Pool as an associated oil-gas pool.

10. Accordingly, Marathon seeks the creation of a new pool the creation of a new oil pool for oil production from the Abo formation to be governed by the Division's General Statewide rules except for the promulgation of special limiting gas oil ratio of 10,000 mcf of gas for each barrel of oil produced for its Hansen State Well No. 7 located in Unit B of Section 16, T20S, R37E, NMPM, Lea County, New Mexico.

11. In accordance with Division Rule 1207, Marathon has sent a copy of this application and notice for hearing to be held on September 18, 1997 to all operators of Abo production within one mile of the outer boundary of this proposed new pool as set forth on Exhibit "B" attached.

Wherefore, Applicant's request that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a stylized, flowing script.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87501

The map displays a grid-like street pattern across the Los Angeles basin. Major freeways are shown as thick lines with their respective shields. Numerous smaller roads and localities are labeled throughout. Red annotations include several circled numbers (e.g., 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40) and the word 'HAYSON' written vertically in a stylized font. A prominent black rectangular stamp in the bottom right corner contains the word 'EXHIBIT' above a large letter 'A'. Other notable labels include 'EAST OXY', 'MONTANA', 'GREEN HILL', and 'SAGUO'. The map also shows various geographical features like mountains and bodies of water.

EXHIBIT "B"

Conoco, Inc.
10 Desta Drive, Suite 100W
Midland, Texas 79705
Attn: Jerry Hoover

Texaco Exploration and Production, Inc.
P. O. Box 3109
Midland, Texas 79702
Attn: Ron Lanning.