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TO: David R. Catanach
OF: Oil Conservation Division
FAX NO: (505) 827-8177

FROM: W. THOMAS KELLAHIN, Esq.

REF: NMOCD Cases 11935 to 11938
Applications of Chevron U.S.A. Production Company
for re-instatement of cancelled underproduction

Dear Mr. Catanach:

Attached is Marathon's pre-hearing statement for the hearing of these cases set for March 5, 1998.

Because I will not be available, I am entering my appearance as local counsel for Marathon in association with Tom Lowry, Marathon's attorney. Because I will not be available for this hearing, Mr. Lowry will be coming to present Marathon's witness.

Regards,



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**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:**

**APPLICATIONS OF CHEVRON USA PRODUCTION
COMPANY FOR REINSTATEMENT OF UNDERPRODUCTION,
INDIAN BASIN-UPPER PENNSYLVANIAN GAS POOL,
EDDY COUNTY, NEW MEXICO**

- | | |
|--|-------------------|
| (1) Federal Gas Com "33" Well Nos. 1 & 2
Section 33, T21S, R23E | CASE 11935 |
| (2) Bogel Flats Unit Well Nos. 5 & 18
Section 16, T22S, R23E | CASE 11936 |
| (3) Bogel Flats Unit Well Nos. 3 & 17
Section 9, T22S, R23E | CASE 11937 |
| (4) Bogel Flats Unit Well Nos. 1 & 10
Section 3, T22S, R23E | CASE 11938 |

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
P. O. Box 552
Midland, Texas 79702
(915) 687-8144
attn: Thomas C. Lowry, Esq.

ATTORNEY

W. Thomas Kellahin
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(505) 982-4285

NMOCD CASES 11935-11938
Marathon Oil Company
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STATEMENT OF CASE

(1) Chevron is the operator of the certain 640-acre gas proration and spacing units in the Indian Basin-Upper Pennsylvanian Gas Pool as referenced in the caption.

(2) In each instant case, Chevron seeks the reinstatement of underproduction in this prorated gas pool which is governed by Order R-8170-H dated December 10, 1990.

(3) Marathon is an operator of other gas proration and spacing units in the Indian Basin-Upper Pennsylvanian Gas Pool and is an interested party affected by this application.

(4) The reinstatement of underproduction in these gas proration units ("GPUs") in this prorated gas pool are subject to the following applicable rules contained in Division Order R-8170-H dated December 10, 1990:

(a) Rule 14(b) REINSTATEMENT OF STATUS:

A GPU reclassified to non-marginal under the provisions of Rule 14(a) shall have reinstated to it all underproduction which accrued or would have accrued as a no-marginal GPU from the current production¹(sic) period, under production from the prior proration period may be reinstated after notice and hearing. All uncompensated-for overproduction accruing to the GPU while marginal shall be chargeable upon reclassification to non-marginal.

(b) Rule 10(a) UNDERPRODUCTION:

Any non-marginal GPU which has an underproduced status as of the end of a gas proration period shall be allowed to carry such underproduction forward in the next gas proration period and may produce such underproduction in addition to the allowable assigned during such succeeding period.² Any underproduction carried forward into a gas proration period and remaining unproduced at the end of such gas proration period shall be cancelled.³

¹ This is a typographical error and should be "proration"

² For example, in Case 11935 this means that this GPU is not eligible for a credit for any underproduction prior to April 1, 1995.

³ For example, in Case 11935, this means that for this GPU if there is any underproduction credit not used by April 1, 1997, it is automatically canceled.

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(5) In each instant case, and in accordance with paragraph (4) above, the reinstatement of underproduction in this prorated gas pool is in accordance with Division Order R-8170-H dated December 10, 1990 and in such amounts that all overproduction for each GPU shall be eliminated as of the date indicated below. In addition, each GPU shall have any excess underproduction cancelled so that the GPU shall be neither overproduced nor underproduced as of the date indicated:

CASE 11935:

No under or overproduction as of April 1, 1997

CASE 11936:

No under or overproduction as of April 1, 1997

CASE 1193:

No under or overproduction as of April 1, 1998

CASE 11938:

No under or overproduction as of April 1, 1998

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME EXHIBITS

John Kloosterman (petroleum engineer)

30 Min. @ 6 exhibits

PROCEDURAL MATTERS

None anticipated at this time

KELLAHIN AND KELLAHIN



By: _____
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