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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)

June 15, 1998

HAND DELIVERED

Ms. Lori Wrotenbery, Director
Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

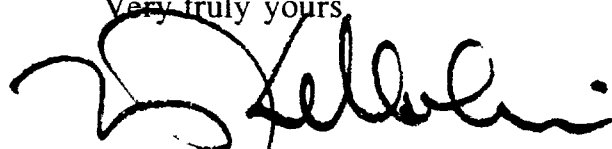
Re: *Application of Marathon Oil Company, et. al,
for the Expansion of the Indian Basin-Upper
Pennsylvanian Associated Pool and the Corresponding
Contraction of the Indian Basin-Upper Pennsylvanian
Gas Pool, and the approval of four nonstandard
proration units, simultaneous dedication and
unorthodox gas well locations.
Eddy County, New Mexico.*

Dear Ms. Wrotenbery:

On behalf of Marathon Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada), and Santa Fe Energy Resources, Inc. please find enclosed our referenced application which we request be set for hearing on the next available Examiner's docket now scheduled for July 9, 1998.

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.
Yates Petroleum Corporation
Oryx Energy Company
Devon Energy Corporation (Nevada)
Santa Fe Energy Resources, Inc.

PROPOSED ADVERTISEMENT

OK

CASE 2004 Application of Marathon Oil Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada), and Santa Fe Energy Resources, Inc. for the Expansion of the Indian Basin-Upper Pennsylvanian Associated Pool and the Contraction of the Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicants, ~~in the above styled cause~~, seeks an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool to include the E/2 of Section 36, T21S, R23E; Sections 20, 21, 28, 29, 30, 31, ^{and} 32, T21S, R24E; E/2 Section 1, E/2 Section 12, E/2 Section 13, T22S, R23E; and Section 18, T22S, R24E, ~~and the~~ and the corresponding contraction of the Indian Basin-Upper Pennsylvanian Gas Pool to delete any conflicting acreage from that pool. Applicants also seek the approval of four non-standard 320-acre gas proration and spacing units, ~~(G.P.U.)~~ for the Indian Basin-Upper Pennsylvanian Gas Pool: ~~being~~ the W/2 of Section 36, T21S, R23E to be dedicated to the Lowe State Gas Com Well No. 1; the W/2 of Section 1, T22S, R23E on which there is currently no well; ~~and~~ the W/2 of Section 12, T22S, R23E to be dedicated to the Smith Federal Gas Com Well No. 2; ^(iv) and the W/2 of Section 13, T22S, R23E to be dedicated to the HOC Federal Gas Com Well No. 2. Applicants further seek the approval of an unorthodox gas well location for the Lowe State Gas Com Well No. 1 located 1712 feet FWL and ^{spell} 1995 feet ^{spell} FNL of Section 36, T21S, R23E.

This acreage is located approximately 12 miles southwest of Seven Rivers, New Mexico.

**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:**

**APPLICATION OF MARATHON OIL COMPANY,
YATES PETROLEUM CORPORATION, ORYX
ENERGY COMPANY,DEVON ENERGY
CORPORATION (NEVADA), SANTA FE ENERGY
RESOURCES, INC.FOR THE EXPANSION OF
THE INDIAN BASIN-UPPER PENNSYLVANIAN
ASSOCIATED POOL AND THE CONTRACTION OF
THE INDIAN BASIN-UPPER PENNSYLVANIAN
GAS POOL, APPROVAL OF FOUR 320-ACRE
NON-STANDARD GAS PRORATION AND SPACING
UNITS, SIMULTANEOUS DEDICATION AND
UNORTHODOX GAS WELL LOCATIONS,
EDDY COUNTY, NEW MEXICO.**

CASE NO. 12006

A P P L I C A T I O N

Comes now Marathon Oil Company, Yates Petroleum Corporation, Oryx Energy Company, Devon Energy Corporation (Nevada), and Santa Fe Energy Resources, Inc., by and through their attorneys, Kellahin & Kellahin, and apply to the Division for an order expanding the Indian Basin-Upper Pennsylvanian Associated Pool to include the E/2 of Section 36, T21S, R23E, Sections 20, 21, 28, 29, 30, 31, 32, T21S, R24E, E/2 Section 1, E/2 Section 12, E/2 Section 13, T22S, R23E, and Section 18, T22S, R24E, NMPM and correspondingly contracting the Indian Basin-Upper Pennsylvanian Gas Pool to delete any conflicting acreage from that pool. Applicants also seek the approval four non-standard 320-acre gas proration and spacing units ("GPU") for the Indian Basin-Upper Pennsylvanian Gas Pool being the W/2 of Section 36, T21S, R23E to be dedicated to the Lowe State Gas Com Well No. 1; the W/2 of Section 1, T22S, R23E on which there is currently no well; and the W/2 of Section 12, T22S, R23E to be dedicated to the Smith Federal Gas Com Well No. 2; and the W/2 of Section 13, T22S, R23E to be dedicated to the HOC Federal Gas Com Well No. 2. Applicants further seek the approval of a unorthodox gas well location for the Lowe State Gas Com Well No. 1 located 1712 feet FWL and 1995 feet FNL of Section 36, T21S, R23E.

(1) The following described acreage is currently within the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool with the currently producing wells and operator/owner identified as follows:

Acreage	Operator/owner	Wells
T21S, R22E Section 36	Oryx	Lowe State Gas Com Well No. 1 Oryx Energy Lowe State Well No. 3
T21S, R24E Section 20	Marathon	Indian Hills Unit Well No. 6 Indian Hills Unit Well No. 2
Section 21	Marathon	Indian Hills Unit Well No. 1
Section 28	Marathon	Indian Hills Unit Well No. 4
Section 29	Marathon	Indian Hills Unit Gas Com Well No. 3 Indian Hills Unit Gas Com Well No. 13
Section 30	Devon	Martha Creek Federal Well No. 1
Section 31	Devon	Winston Gas Com Well No. 1
Section 32	Marathon	IB 32 State Well No. 1-Y IB 32 State Well No. 2
T22S, R23E Section 1	Yates	Zingaro "ANG" Fed Well No. 1
Section 12	Yates	Smith Fed Gas Com Well No. 2 Malone ASA Federal Com Well No. 1
Section 13	Yates	HOC Federal Gas Com Well No. 2

(2) The following described acreage is to be included in the Indian Basin-Upper Pennsylvanian Associated Pool but is **not** currently within the boundary of the Indian Basin-Upper Pennsylvanian Gas Pool:

T22S, R24E Section 18	Yates	no wells in Upper Penn
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as set forth on Exhibit "A" attached.

(3) The Cisco/Canyon formations are the principal productive formations within the area described in paragraph (1) above and are included within the current boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool ("Indian Basin Gas Pool") which is a prorated gas pool with rules 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.

(3) The eastern and southern boundary of the Indian Basin Gas Pool is also the current western and northern boundary of the Indian Basin-Upper Pennsylvanian Associated Pool ("Indian Basin Associated Pool").

(4) The Indian Basin Associated Pool's principal productive formations are also the Cisco/Canyon formations but its pool rules provide, among other things, for 320-acre proration and spacing units with well locations to be not closer than 660 feet to the outer boundary of said units, a special 7000 to 1 GOR and special depth bracket allowable of 1,400 BOPD.

(5) The applicants have completed geologic and petroleum engineering studies and have concluded that the acreage and wells described in paragraph (1) above should be deleted from the Indian Basin Gas Pool and placed in the Indian Basin Associated Pool.

(6) In order to protect correlative rights, prevent waste and provide for a more orderly development of the Cisco/Canyon formations, it is necessary to do the following:

(a) contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete the E/2 of Section 36, T21S, R23E, Sections 20, 21, 28, 29, 30, 31, 32, T21S, R24E, E/2 Section 1, E/2 Section 12 and the E/2 Section 13, T22S, R23E from said pool;

(b) expand the Indian Basin-Upper Pennsylvanian Associated Pool to include the E/2 of Section 36, T21S, R23E, Sections 20, 21, 28, 29, 30, 31, 32, T21S, R24E, E/2 Section 1, E/2 Section 12, E/2 Section 13, T22S, R23E, and Section 18, T22S, R24E,

(c) approve four non-standard 320-acre gas proration and spacing units ("GPU") for the Indian Basin-Upper Pennsylvanian Gas Pool being the W/2 of Section 36, T21S, R23E to be dedicated to the Lowe State Gas Com Well No. 1; the W/2 of Section 1, T22S, R23E on which there is currently no well; and the W/2 of Section 12, T22S, R23E to be dedicated to the Smith Federal Gas Com Well No. 2; and the W/2 of Section 13, T22S, R23E to be dedicated to the HOC Federal Gas Com Well No. 2.

(d) the apportionment of gas allowables for the four non-standard GPUs; and

(e) the approval of unorthodox gas well location for the following well in the Indian Basin Pool which become unorthodox as a result of the change in pool boundary: Lowe State Gas Com Well No. 1 located 1712 feet FWL and 1995 feet FNL of Section 36, T21S, R23E.

(7) The following wells are at unorthodox well locations but were previously approved at those locations by:

(a) Orders R-9487 and R-9487-A approving the Yates Petroleum Corporation's (formerly Amoco Production Company's) Smith Federal Gas Com Well No. 2 directionally drilled to an unorthodox bottom hole location within a target area 1800 feet to 2000 feet FNL and 330 feet to 430 feet FWL of Section 12, T22S, R23E; and

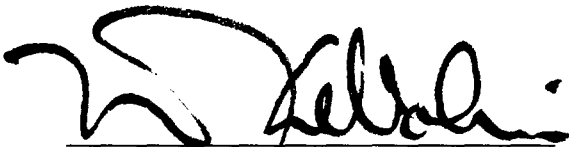
(b) Order R-9619 approving the Yates Petroleum Corporation's (formerly MW/Apache Petroleum Corporation's) HOC Federal Gas Com Well No. 2 located 330 feet FNL and 330 feet FWL of Section 13, T22S, R23E.

(8) The granting of this Application will not impair correlative rights of any owner within any of these existing 640-acre GPUs because those owners will continue to share in production from the applicable new 320-acre spacing units on the same proportional basis as they shared in production from the original 640-acre unit.

(9) Notification of this application and request for hearing to be held on July 9 1998 has been sent to the owners within the proposed expansion area and to the offset operators to each said spacing unit.

Wherefore, Applicants request that, after notice and hearing, this application be granted.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over a horizontal line.

W. Thomas Kellahin
Kellahin & Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504

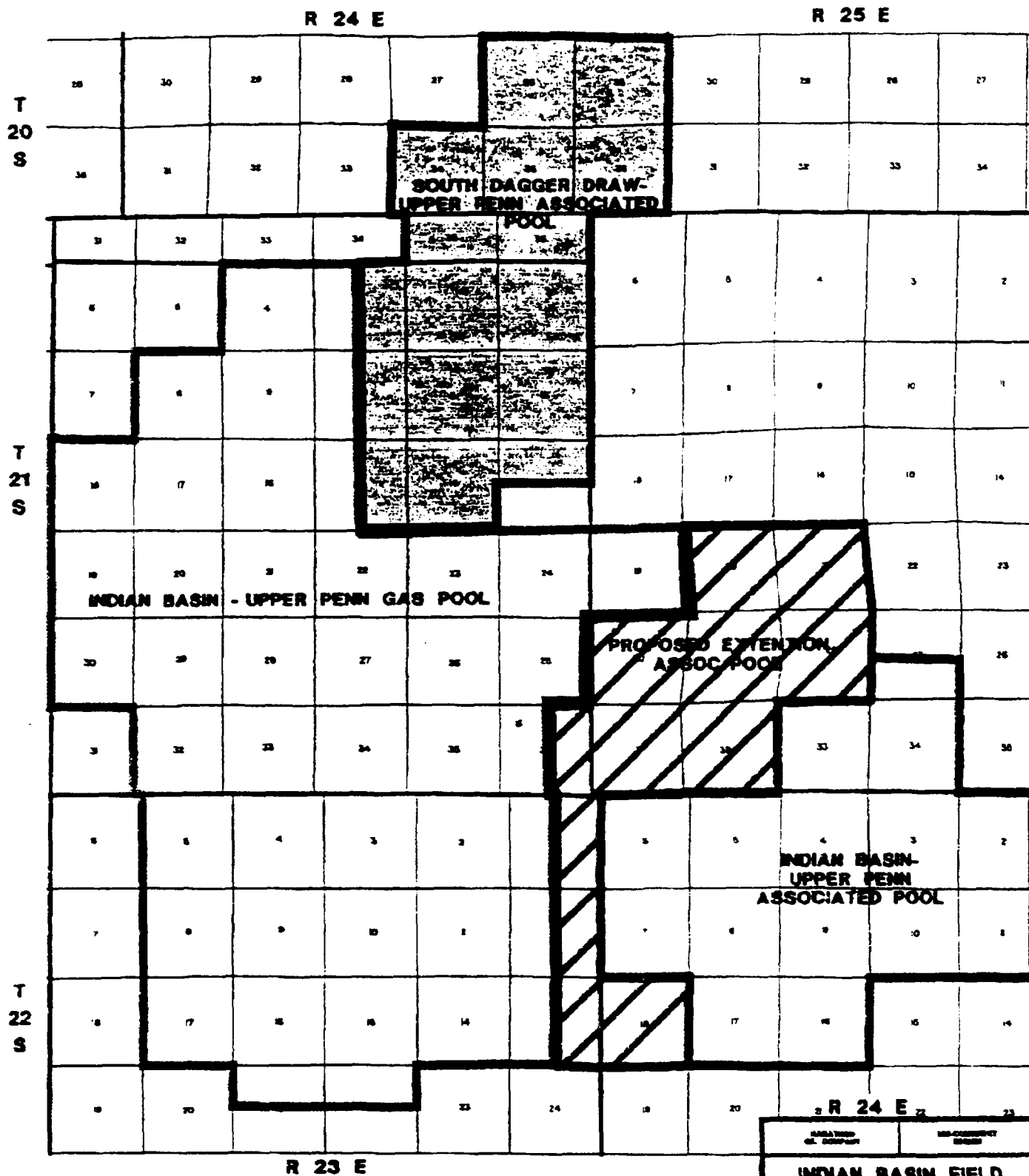


EXHIBIT
A

INDIAN BASIN FIELD AREA	
NEW COUNTY, NEW SECTION	
PROPOSED NEW POOL DESIGNATIONS	
DATE: 11-1-2014	BY: JMD
FOR: JMD	REVIEWED BY: JMD
DATE: 11-1-2014	FILE: 100-100000000