

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

CASE NO. 12135

**APPLICATION OF MARATHON OIL
COMPANY FOR SURFACE COMMINGLING
EDDY COUNTY, NEW MEXICO.**

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
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Midland, Texas 79702
(915) 687-8144
attn: Kent Bickham, Esq.

ATTORNEY

W. Thomas Kellahin
KELLAHIN AND KELLAHIN
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Santa Fe, New Mexico 87504
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STATEMENT OF CASE

1. Marathon is the operator of the Indian Hills Unit, including Com #NM-071145, which includes the following described wells being produced from the Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin Upper Pennsylvanian Associated Pool all within Township 21 South, Range 24 East:

	Well	Location	Status
(a)	Well No. 6,	SE/4SW/4 Section 20	TA
(b)	Well No. 2,	SW/4SE/4 Section 20	PA
(c)	Well No. 1,	SW/4SW/4 Section 21	active

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- (d) Well No. 4, NE/4SW/4 Section 28 TA
- (e) Well No. 3, SE/4NW/4 Section 29 active
- (f) Well No. 13, NW/4SW/4 Section 29 active
- (g) Well No. 12, SW/4NW/4 Section 33 active
- (h) Well No. 8, SW/4SW/4 Section 33 active
- (i) Well No. 9, SW/4NE/4 Section 33 active

2. Marathon also is the operator of the Indian Basin "32" State Lease in Section 32, T21S, R24E which includes the following described wells being produced from the Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin Upper Pennsylvanian Associated Pool:

- (j) Well No. 3, NE/4NE/4 Section 32 active
- (k) Well No. 2, NW/4SE/4 Section 32 active
- (l) Well No. Y-1, NW/4SE/4 Section 32 active

3. Marathon also operates a centralized facility in the SW/4 of Section 19, T21S, R24E for the gathering of production from all these wells. This facility has the capability to satellite test and lease meter liquids sent to the battery and gas sold from the individual leases. See Exhibit "A"

4. Division Rule 303 and 309 Exceptions:

(a) On April 14, 1998, the Division issued Administrative Commingling Order PLC-140 which, with the exception of wells listed as (j) and (k) in paragraph 2 above, approved the surface commingling of production and the off-lease measurement and storage.

(b) On August 10, 1998, the Division amended Order PLC-140 to add well (f) which had been inadvertently omitted from the original order and well (k) but in doing so incorrectly referenced Section 33 instead of Section 32.

(c) On January 7, 1999, Marathon sought an administrative exception from the Division to add well (j) to those wells already approved by Commingling Order PLC-140.

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5. Commingling Order PLC-140 authorized commingling "only so long as all commingled production is of identical ownership...."

6. As a result of various ownership transactions affecting the E/2 of Section 32, ownership in the commingled production is no longer identical in terms of parties or interest.

Accordingly, Marathon requests that the Division grant an exception to Division Rule 309-A and Rule 303-A and the amendment of Division Commingling Order PLC-140 to permit surface commingling, off-lease measurement and storage of Indian Basin Upper Pennsylvanian Gas Pool and Indian Basin Upper Pennsylvanian Associated Pool production from its Indian Basin "32" State Lease in Section 32 with its Indian Hills Unit covering parts of Sections 20, 21, 28, 29 and 33, all in T21S, R24E which shall be stored and measured at its centralized facility located in Unit P, Section 19, T21S, R24E.

PROPOSED EVIDENCE

APPLICANT:

WITNESSES

EST. TIME

EXHIBITS

Bryan L. Williams (petroleum engineer)

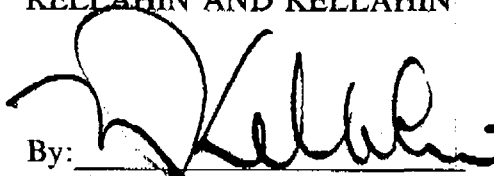
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PROCEDURAL MATTERS

None anticipated at this time

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By:

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