

**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:**

**CASE NO. 10703
Order No. R-9888**

**APPLICATION OF MARATHON OIL COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on April 8, 1993, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 27th day of April, 1993, 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, Marathon Oil Company, seeks approval to drill its proposed Indian Hills Well No. 5 at an unorthodox gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 36, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(3) The applicant proposes to dedicate the S/2 of Section 36 to the subject well forming a standard 320-acre gas spacing and proration unit for said pool.

(4) The proposed well is located within the Cemetery-Morrow Gas Pool which is currently governed by Statewide Rules and Regulations which require standard 320-acre gas spacing and proration units with wells to be located no closer than 1980 feet from the end boundary nor closer than 660 feet from the side boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary.

(5) According to applicant's evidence, the subject well is proposed to be completed in both the Cemetery-Morrow Gas Pool and the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(6) The South Dagger Draw-Upper Pennsylvanian Associated Pool is currently governed by Special Rules and Regulations as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil or gas spacing units with wells to be located no closer than 660 feet to the nearest end or side boundary of the tract nor closer than 330 feet to any quarter-quarter section line or subdivision inner boundary.

(7) The proposed well is at a standard location for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(8) According to applicant's evidence and testimony, the proposed unorthodox location is necessitated by geologic considerations in both the Cisco/Canyon and Morrow formations.

(9) Applicant's geologic evidence indicates that a well drilled at a standard Morrow location in the S/2 of Section 36 would be located in closer proximity to the zero dolomite line or non-productive area in the South Dagger Draw-Upper Pennsylvanian Associated Pool than a well drilled at the proposed location.

(10) Applicant's geologic evidence further indicates that a well located at the proposed unorthodox location should encounter a greater amount of gross sand in both the "B-3" and "B-1" Morrow intervals than a well drilled at a standard Morrow location thereon, thereby increasing the likelihood of obtaining commercial gas production.

(11) Division records show that the S/2 of Section 36 has previously been developed in the Cemetery-Morrow Gas Pool by the Marathon Oil Company Indian Hills State Com Well No. 2 located at an unorthodox gas well location 660 feet from the South and East lines (Unit P). This well produced approximately 48 MMCFG before being shut-in during October, 1990.

(12) Division records further indicate that Marathon has filed an intent to recomplete the Indian Hill State Com Well No. 2 to the Strawn formation.

(13) The applicant presented as evidence in this case a signed waiver of objection to the proposed unorthodox gas well location from Conoco Inc, being the affected offset operator to the west in Section 35.

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

(15) Approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the gas in the affected pools, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells and will otherwise prevent waste and protect correlative rights.

(16) The applicant should not be allowed to produce the proposed Indian Hills Well No. 5 and the Indian Hills State Com Well No. 2 simultaneously or alternately without further approval by the Division.

IT IS THEREFORE ORDERED THAT:

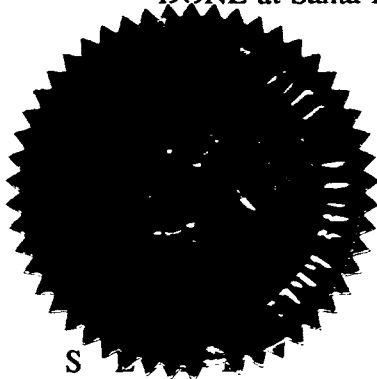
(1) The applicant, Marathon Oil Company, is hereby authorized to drill its Indian Hills Well No. 5 at an unorthodox gas well location 1980 feet from the South line and 660 feet from the West line (Unit L) of Section 36, Township 20 South, Range 24 East, NMPM, Cemetery-Morrow Gas Pool, Eddy County, New Mexico.

(2) The S/2 of Section 36 shall be dedicated to the above-described well forming a standard 320-acre gas spacing and proration unit for said pool.

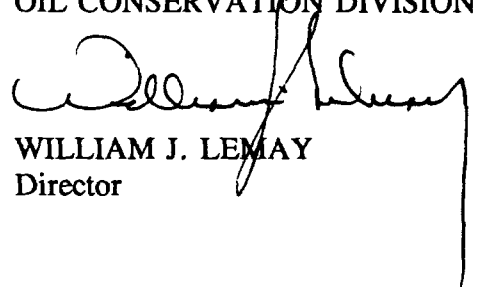
(3) The applicant shall not produce the Indian Hills Well No. 5 and the Indian Hills State Com Well No. 2 (as described in Finding No. (11) above) simultaneously or alternately without further approval by the Division.

(4) 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.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director