

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

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

JASON KELLAHIN (RETIRED 1991)

March 15, 1993

Mr. William J. LeMay
Oil Conservation Division
State Land Office Building
310 Old Santa Fe Trail, Room 219
Santa Fe, New Mexico 87501

HAND DELIVERED

10704

RE: Application of Marathon Oil
Company for an Amendment to
Division Order R-9503, to
Increase the Vertical Limits
Authorized for Injection in
Certain Injection Wells in the
McDonald State a/c-1 Lease
Waterflood Project, Lea County, NM

Dear Mr. LeMay:

On behalf of Marathon Oil Company, please find enclosed our Application for an Amendment to Division Order R-9503 as referenced above, which we request be set for hearing on the next available Examiner's docket now scheduled for April 8, 1993.

By copy of this letter and application, sent certified mail-return receipt requested, we are notifying all interested parties offsetting the subject well and its proposed spacing and proration unit of their right to appear at the hearing and participate in this case, including the right to present evidence either in support of or in opposition to the application and that failure to appear at the hearing may preclude them from any involvement in this case at a later date. Also, all parties entitled to notice are hereby informed that pursuant to Division requirements all parties appearing in this case are required to file a Pre-Hearing Statement with the Division no later than 4:00 p.m. on Friday, April 2, 1993.

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this case.

Very truly yours,



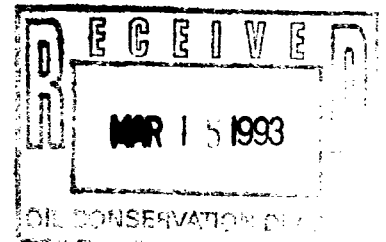
W. Thomas Kellahin

WTK/jcl
Enclosures

cc: with Enclosures
Thomas C. Lowry, Esq. - Marathon Oil Co.

By Certified Mail - Return Receipt
All Parties Listed on Exhibit "B" of Application

ltr315.092



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

IN THE MATTER OF THE HEARING
CALLED BY THE DIVISION FOR THE
PURPOSES OF CONSIDERING:

CASE NO. 10704

APPLICATION OF MARATHON OIL
COMPANY FOR AN AMENDMENT TO
DIVISION ORDER R-9503, TO INCREASE
THE VERTICAL LIMITS AUTHORIZED FOR
INJECTION IN CERTAIN INJECTION WELLS
IN A WATERFLOOD PROJECT, LEA COUNTY,
NEW MEXICO

A P P L I C A T I O N

COMES NOW MARATHON OIL COMPANY, by and through its attorneys, Kellahin & Kellahin, and applies to the New Mexico Oil Conservation Division for an amendment to Division Order R-9503 to authorize an increase in the upper limits of the waterflood injection interval to 100 feet above the top of the Queen formation which is the top of the South Eunice Seven Rivers-Queen Pool in the McDonald State A/C-1 Lease Waterflood Project for its Injection Wells Nos. 33, 34 and 40 located in Units H, H and I, respectively, Section 16, T22S, R36E, NMPM, Lea County, New Mexico and in support thereof states:

Application of Marathon Oil Company

Page 2

(1) Marathon Oil Company ("Marathon") is the operator of the McDonald State A/C-1 Lease Waterflood Project located in the W/2 of Section 15 and in the E/2,SE/4NW/4 and SW/4 of Section 16, T22S R36E, Lea County, New Mexico, as shown on Exhibit A, attached.

(2) By Order No. R-9503 dated May 10, 1991, the Division authorized Marathon to institute a waterflood project on its McDonald State A/C-1 Lease by the injection of water into the South Eunice Seven Rivers-Queen Pool through twelve injection wells.

(3) Order No. R-9503 further contained a provision whereby injection within the McDonald State A/C-1 Wells 30, 31, 33, 34 and 40 was limited to that portion of the South Eunice Seven Rivers-Queen Pool extending from the top of the Queen formation to the top of the Grayburg formation.

(4) The vertical limits of the South Eunice Seven Rivers-Queen Pool in this area currently extend from 100 feet above the top of the Queen formation down to the top of the Grayburg formation. The lower vertical limit of the Jalmat Gas Pool in this area corresponds to the top of the South Eunice Seven Rivers-Queen Pool.

(5) The injection interval within the wells described in paragraph (3) above was limited by the Division Order R-9503 in order to provide protection to certain offset wells currently producing from the Jalmat Gas Pool from possible "watering out" of gas reserves within the Seven Rivers formation which may occur as a result of waterflood operations.

(6) Division Order R-9503 further provided that Marathon may seek the determination of the Division for approval to inject above the top of the Queen formation in these currently limited injection wells.

(7) On April 7, 1992, the Division entered Order R-9503-A which removed this limitation from Injection Well No 30.

(8) Now, Marathon seeks to remove this limitation from Injection Wells Nos. 33, 34 and 40 thereby expanding the top vertical limit of the approved injection interval to 100 feet above the top of the Queen formation which is the top of the South Eunice Seven Rivers-Queen Pool.

(9) Marathon has purchased all leasehold interests owned by Atlantic Richfield Company ("ARCO") in the

McDonald "WN" State Lease insofar as that lease covers the W/2 of Section 15, T22S, R36E, NMPM, Lea County, New Mexico, including all Jalmat Gas rights previously owned by ARCO in those lands, and in the McDonald "WN" State Nos. 15 and 23 Jalmat Gas wells. Marathon now owns all interest in production from the W/2 of Section 15, other than the royalty interest of the State of New Mexico.

(10) A review of the records pertaining to the McDonald "WN" State No 15 Well, located 1650 feet FSL and 330 feet FWL of Section 15 indicates that there is a question as to whether the well is adequately cemented from total depth up through the well's producing zones in the Jalmat Gas Pool. Because of this uncertainty as to cement in the McDonald "WN" State No 15 Well, there is some risk of migration of injection fluids into the Jalmat formation at the McDonald "WN" State No 15 well if injection in the McDonald State A/C-1 Injection wells Nos 33 and 34 is permitted above the top of the Queen formation without first completing remedial work on the McDonald "WN" State No 15 Well.

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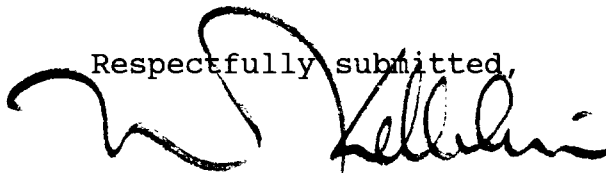
(12) Marathon seeks approval to commence injection into an expanded injection interval up to a point 100 feet above the top of the Queen formation in the McDonald State A/C-1 Injection Wells Nos. 33 and 34 upon presentation of evidence to the Oil Conservation Division District Supervisor-Hobbs' Office that the remedial work on the McDonald "WN" State No 15 Well has been successfully completed.

(13) Marathon seeks authority to immediately commence injection in the McDonald State A/1 Injection Well No 40 up to 100 feet above the top of the Queen formation.

(14) In accordance with Division notice requirements, copies of this application have been sent, certified mail-return receipt, to those parties listed on Exhibit "B" notifying them that the Applicant requests that this matter be set for hearing on the Division Examiner's docket now scheduled for April 8, 1993.

WHEREFORE, Marathon requests that this matter be set on the Division Examiner docket and that after hearing, the application be approved to authorize an expansion in the approved injection interval for the Injection Wells Nos. 33, 34 and 40 to include the entire vertical limits of the South Eunice Seven Rivers-Queen Pool and for authority to be effective immediately upon entry of the order for the Injection Well No 40, and upon presentation of evidence as to the success of remedial work on the McDonald "WN" State No 15 Well as to Injection Wells Nos 33 and 34.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', is written over the typed name and address.

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

Thomas C. Lowry, Esq.
Marathon Oil Company
P. O. Box 552
Midland, Texas 79702
ATTORNEYS FOR APPLICANT

Proposed Notice for OCD Hearing Advertisement and Docket:

Case _____: Application of Marathon Oil Company to amend Division Order R-9503 to increase the vertical limits authorized for injection in certain injection wells in a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order R-9503 to authorize an increase in the upper limits of the waterflood injection interval to correspond to the entire vertical limits of the South Eunice Seven Rivers-Queen Pool in the McDonald State A/C-1 Lease Waterflood Project for its injection wells Nos. 33, 34 and 40 located in Units A, H and I, respectively, Section 16, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico. Said project area is located approximately 7 miles south of Oil Center, New Mexico.

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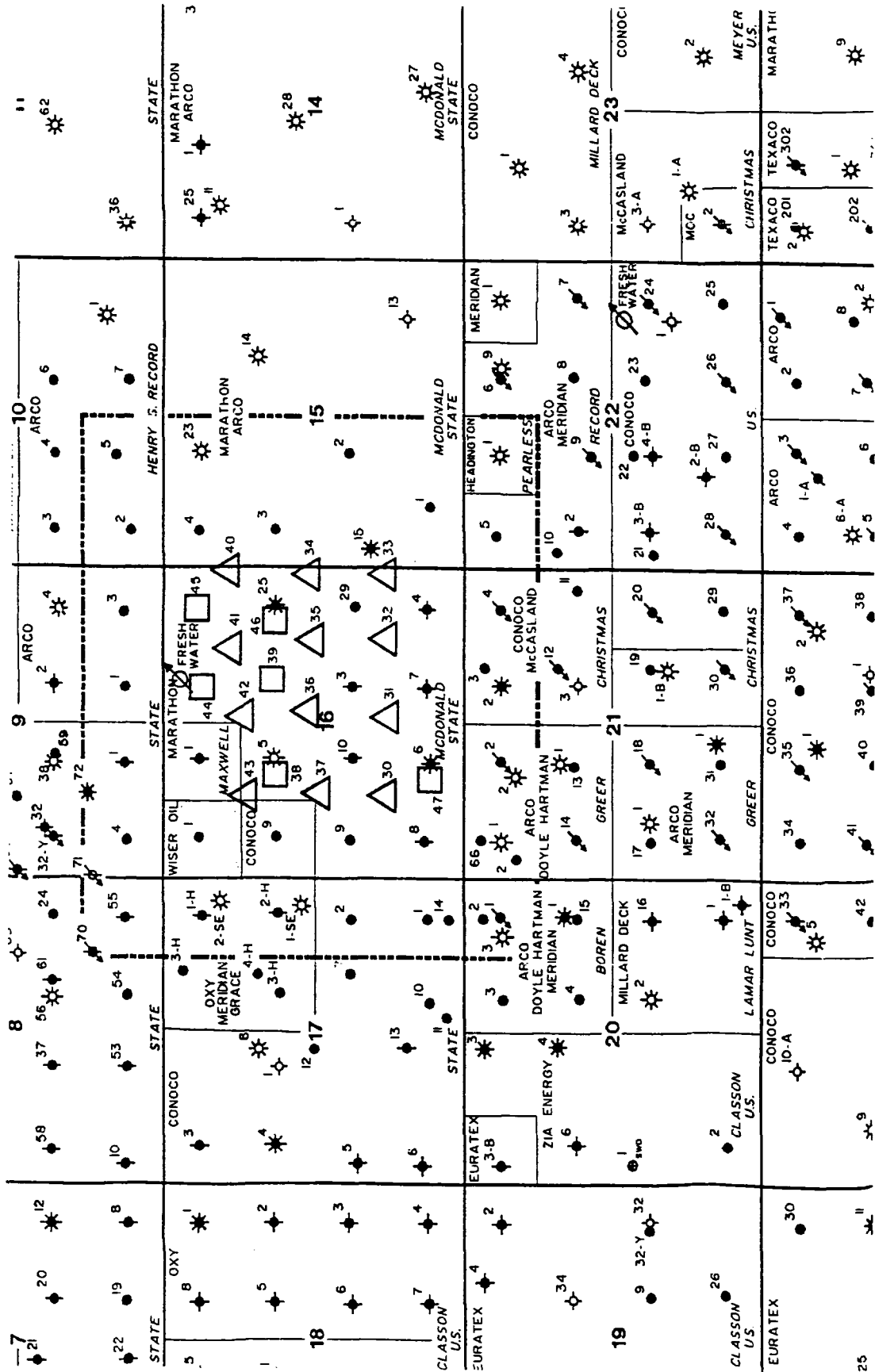


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SURFACE OWNERS AND LESSEES:

State of New Mexico
c/o Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Dasco Land Corporation
P.O. Box 2545
Hobbs, New Mexico 88240

OFFSET OPERATORS:

ARCO Oil and Gas Company
P.O. Box 1610
Midland, Texas 79702

Conoco, Inc.
ATTN: Jerry W. Hoover
10 Desta Drive West, Suite 100W
Midland, Texas 79705-4500

Meridian Oil Inc.
21 Desta Drive
Midland, Texas 79701

Headington Oil
7557 Rambler Road, Suite 1150
Dallas, Texas 75231

Dallas McCasland
P.O. Box 206
Eunice, New Mexico 88231

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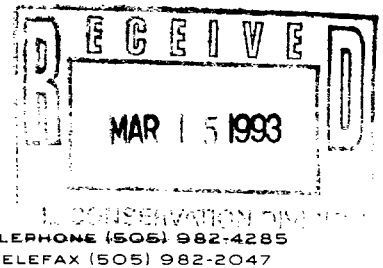
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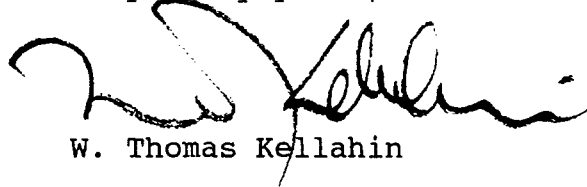
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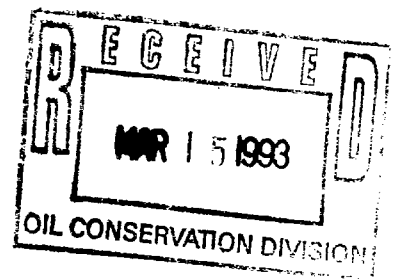
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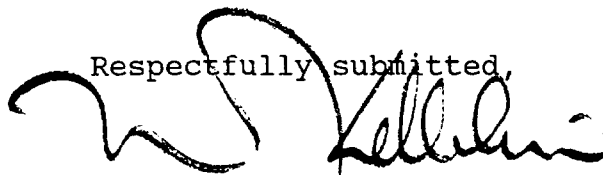
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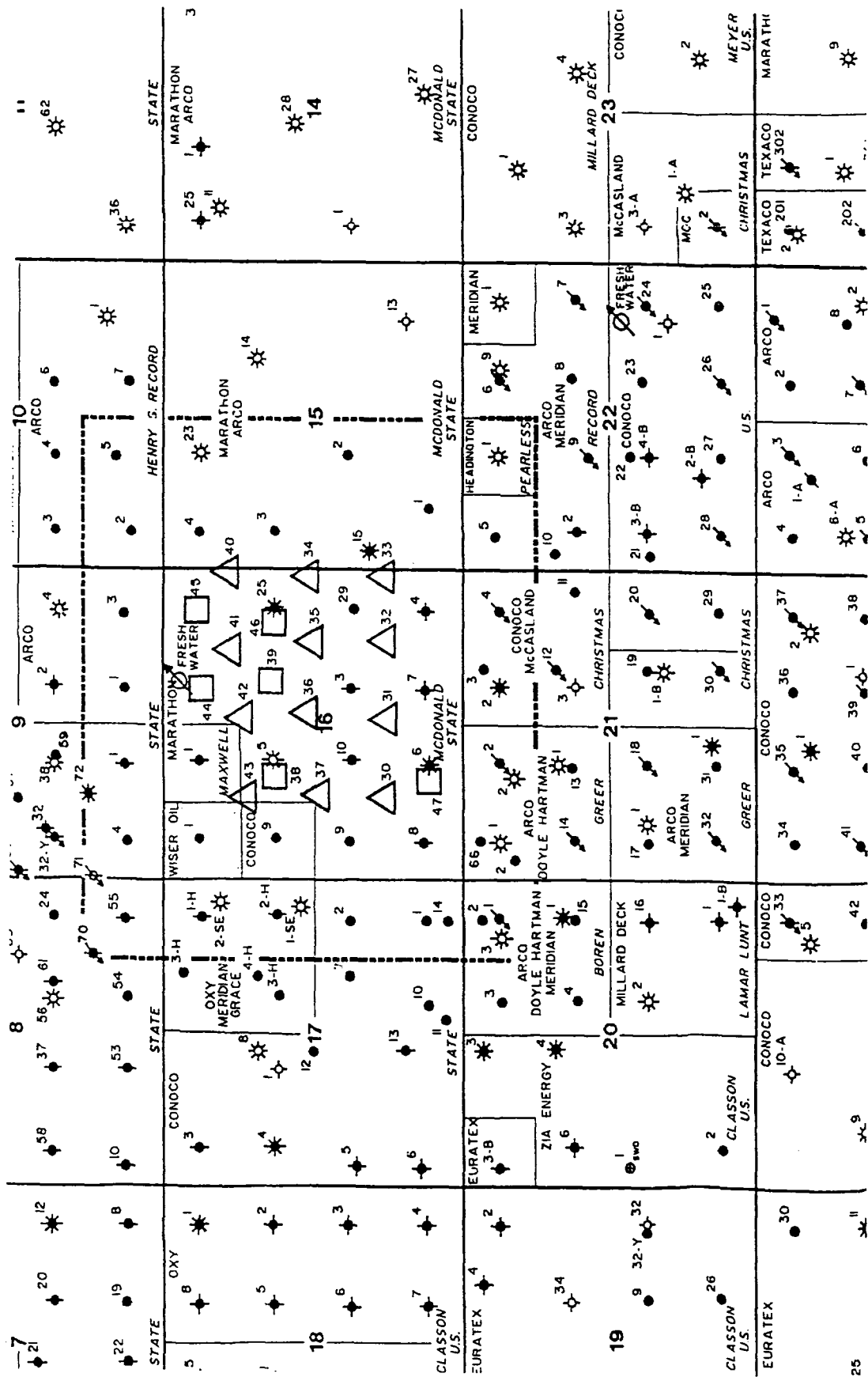


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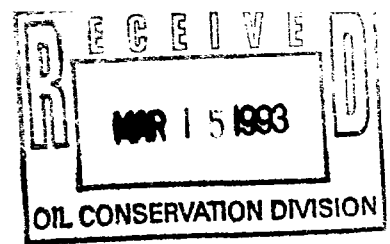
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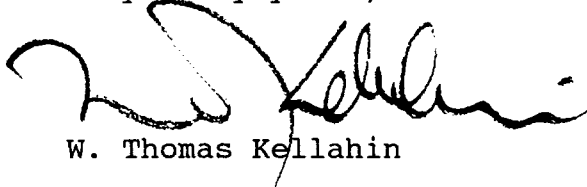
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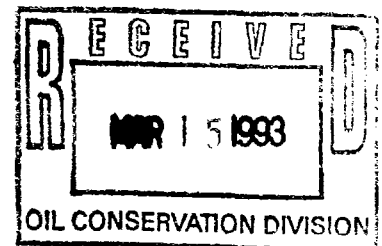
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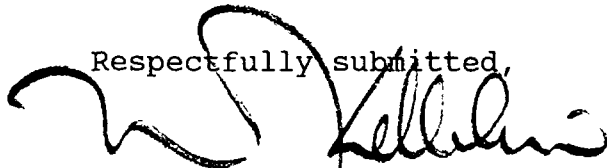
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(13) Marathon seeks authority to immediately commence injection in the McDonald State A/1 Injection Well No 40 up to 100 feet above the top of the Queen formation.

(14) In accordance with Division notice requirements, copies of this application have been sent, certified mail-return receipt, to those parties listed on Exhibit "B" notifying them that the Applicant requests that this matter be set for hearing on the Division Examiner's docket now scheduled for April 8, 1993.

WHEREFORE, Marathon requests that this matter be set on the Division Examiner docket and that after hearing, the application be approved to authorize an expansion in the approved injection interval for the Injection Wells Nos. 33, 34 and 40 to include the entire vertical limits of the South Eunice Seven Rivers-Queen Pool and for authority to be effective immediately upon entry of the order for the Injection Well No 40, and upon presentation of evidence as to the success of remedial work on the McDonald "WN" State No 15 Well as to Injection Wells Nos 33 and 34.

Respectfully submitted,



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

Thomas C. Lowry, Esq.
Marathon Oil Company
P. O. Box 552
Midland, Texas 79702
ATTORNEYS FOR APPLICANT

Proposed Notice for OCD Hearing Advertisement and Docket:

Case _____: Application of Marathon Oil Company to amend Division Order R-9503 to increase the vertical limits authorized for injection in certain injection wells in a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an amendment to Division Order R-9503 to authorize an increase in the upper limits of the waterflood injection interval to correspond to the entire vertical limits of the South Eunice Seven Rivers-Queen Pool in the McDonald State A/C-1 Lease Waterflood Project for its injection wells Nos. 33, 34 and 40 located in Units A, H and I, respectively, Section 16, Township 22 South, Range 36 East, NMPM, Lea County, New Mexico. Said project area is located approximately 7 miles south of Oil Center, New Mexico.

EXHIBIT "A"

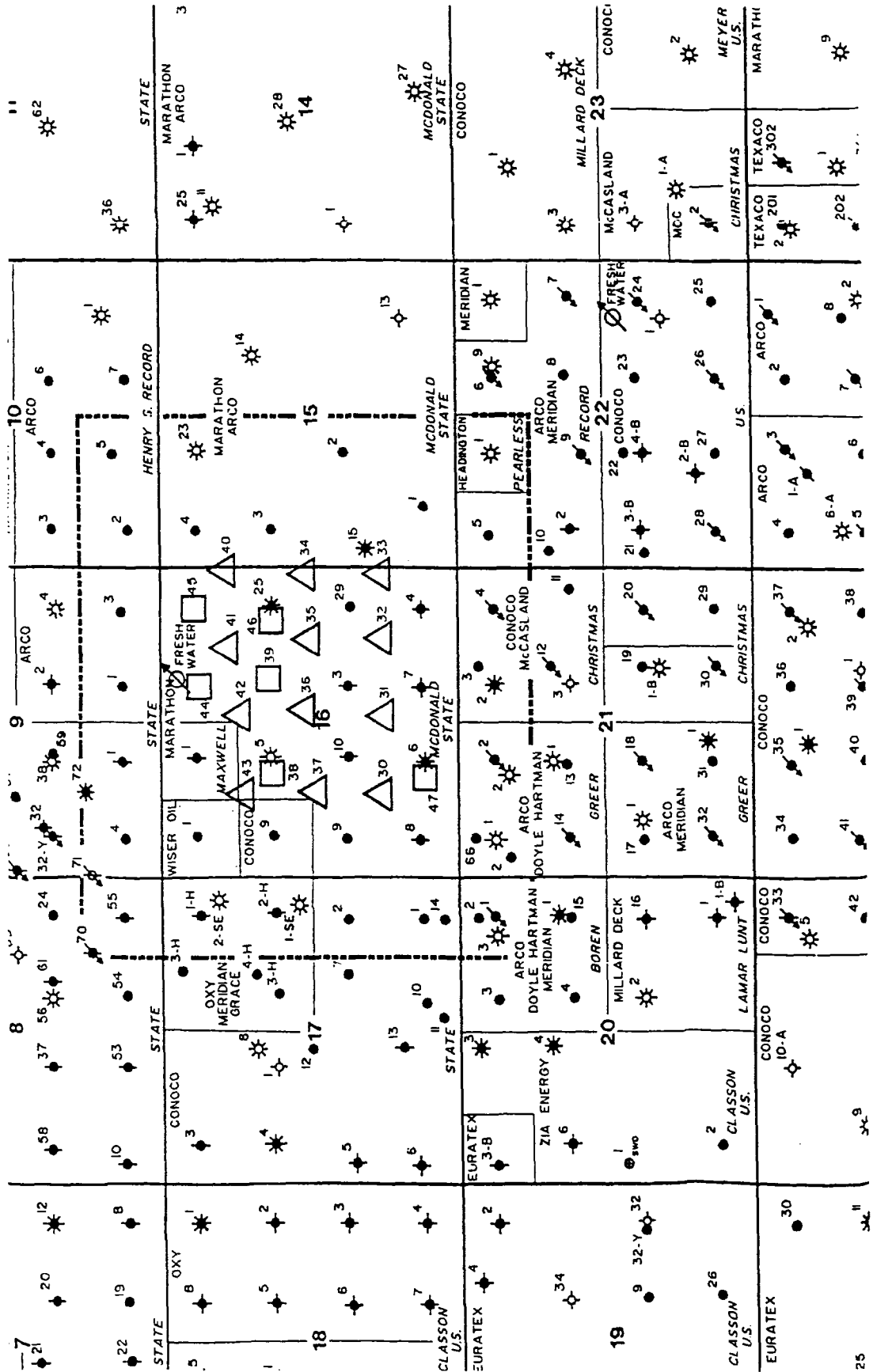


EXHIBIT "B"

Application of Marathon Oil Company to amend Division Order R-9503 to increase the vertical limits authorized for injection in certain injection wells in a waterflood project, Lea County, New Mexico.

SURFACE OWNERS AND LESSEES:

State of New Mexico
c/o Commissioner of Public Lands
P.O. Box 1148
Santa Fe, New Mexico 87504-1148

Dasco Land Corporation
P.O. Box 2545
Hobbs, New Mexico 88240

OFFSET OPERATORS:

ARCO Oil and Gas Company
P.O. Box 1610
Midland, Texas 79702

Conoco, Inc.
ATTN: Jerry W. Hoover
10 Desta Drive West, Suite 100W
Midland, Texas 79705-4500

Meridian Oil Inc.
21 Desta Drive
Midland, Texas 79701

Headington Oil
7557 Rambler Road, Suite 1150
Dallas, Texas 75231

Dallas McCasland
P.O. Box 206
Eunice, New Mexico 88231