

MARATHON OIL COMPANY STATEMENT OF POSITION
CASE NUMBER 10736 BEFORE THE NEW MEXICO OIL CONSERVATION COMMISSION
APACHE WELL FEDERAL C #2
UNORTHODOX WELL HEARING, JUNE 3, 1993

MARATHON IS ONE OF SEVERAL MAJOR OPERATORS IN INDIAN BASIN FIELD. PRODUCTION IS PRIMARILY FROM THE UPPER PENN RESERVOIR WHICH IS BEST CLASSIFIED AS A MATURE WATER DRIVE SYSTEM. APPROXIMATELY 30 PERCENT OF THE ORIGINAL PRODUCTIVE ACREAGE HAS BEEN LOST DUE TO AQUIFER INFLUX.

MARATHON OIL COMPANY SUPPORTS RESERVOIR MANAGEMENT PRACTICES TO ASSURE MAXIMUM RECOVERY OF GAS FROM THE UPPER PENN RESERVOIR IN INDIAN BASIN FIELD. MARATHON BELIEVES THAT OPTIMUM RECOVERY CAN ONLY BE ACHIEVED THROUGH UNIFIED OPERATIONS IN THE FIELD, WHICH IS BEST ACCOMPLISHED WITH UNITIZATION. UNITIZATION EFFORTS TODATE HAVE BEEN UNSUCCESSFUL. SHORT OF UNITIZATION, RECOVERIES CAN BE MAXIMIZED THROUGH PEAK DELIVERABILITIES FROM LEASES LOCATED NEAR THE CURRENT GAS-WATER CONTACT, SUCH AS THE FEDERAL "C" LEASE.

CORRELATIVE RIGHTS FOR ALL LEASES MUST BE PROTECTED. THE CURRENT HEARING ON THE APACHE UNORTHODOX WELL IS BEING HELD TO INSURE THAT ALL NEARBY LEASE OWNERS ARE GIVEN THE OPPORTUNITY TO VOICE THEIR OPINION ON THE DRILLING OF THIS UNORTHODOX WELL. MARATHON, AT THIS TIME, DOES NOT KNOW IF THE CURRENT BASIS FOR SETTING ACREAGE FACTORS USING THE THREE COMMON CALCULATION METHODS IS THE MOST ACCURATE AND REPRESENTS THE BEST MEANS FOR PROTECTING CORRELATIVE RIGHTS. MARATHON IS EVALUATING OTHER ALTERNATIVES THAT MAY PROTECT CORRELATIVE RIGHTS FOR ALL LEASES TO A GREATER DEGREE OF ACCURACY.



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



BRUCE KING
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June 9, 1993

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RE: CASE NO. 10736
ORDER NO. R-9910

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Sincerely,

Sally Leichtle
Sally Leichtle
Administrative Secretary

cc: BLM Carlsbad Office
Monika Romero - OCD
T. Kellahin