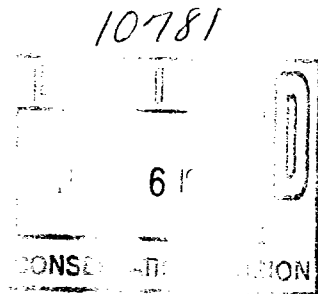


STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION
OF MARATHON OIL COMPANY FOR APPROVAL
OF AN UNORTHODOX COAL GAS WELL LOCATION,
SAN JUAN 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 and Kellahin, and applies to the New Mexico Oil Conservation Division for approval of an unorthodox well location in the Basin Fruitland Coal Gas Pool for its proposed Schwerdtfeger Well No. 17-2 to be drilled at an unorthodox well location 1135 feet FEL and 1605 feet FSL (Unit I) of Section 17, T27N, R11W, NMPM, San Juan County, New Mexico and to be dedicated to a 320 acre spacing unit consisting of the E/2 of Section 17, and in support states:

(1) Marathon Oil Company ("Marathon") is the proposed operator of the subject well and is the current operator of the Schwerdtfeger Well No. 17-1 which is an existing coal gas well located 790 feet FNL and 1845 feet FEL (Unit B) of said Section 17.

(2) On October 8, 1990, Marathon completed its Schwerdtfeger 17-1 Well at a standard location in the NE/4 of Section 17 and dedicated the E/2 of Section 17 to the well. See Exhibit "A" and Exhibit "B" attached.

(3) The Schwerdtfeger 17-1 Well was completed by setting 5-1/2" casing and sand fracturing the Fruitland Coal. On initial gauge, the well produced a volume of gas too small to measure. A second sand fracturing treatment was performed on the well in January, 1991 and a pumping unit was installed to test the well. Initial rates of only 15 MCFPD were measured and the well was shut-in. In October, 1992, an attempt was made to reactivate the well, however it did not produce at commercial rates and was again shut-in.

(4) While the entire E/2 of Section 17 is potentially productive, Marathon has been unsuccessful in its attempts to obtain a commercial well in a standard quarter section in this spacing unit.

(5) Marathon proposes to dedicate the E/2 of Section 17 to the well which is the same spacing unit that was dedicated to the original well.

(6) Marathon seeks to drill its Schwerdtfeger 17-2 Well in the Basin Fruitland Coal Gas Pool at an unorthodox location in the SE/4 being 1135 feet FEL and 1605 feet FSL of Section 17 as a replacement well for its existing Schwerdtfeger 17-1 Well located in the NE/4 being 790 feet FNL and 1845 feet FEL of Section 17 which will be used as an observation well.

(7) The proposed location is standard as to the footage requirements but is unorthodox in that it is "off-pattern" for the Basin-Fruitland Coal Gas Pool because it is located in the SE/4 of the section rather than the NE/4 or the SW/4 of the section.

(8) The proposed unorthodox location is located within the "NAPI" Irrigation Project and has received preliminary approval from all necessary surface regulatory agencies.

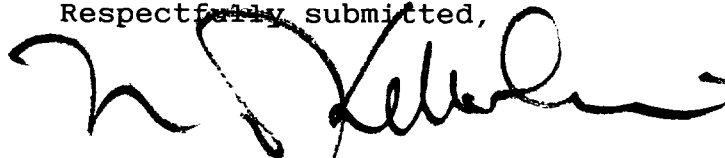
(9) The proposed unorthodox location is necessary in order for the applicant to economically recover Basin-Fruitland Coal Gas Pool reserves that are present in the E/2 of Section 17.

(10) Marathon requests that this matter be docketed for hearing on the Division Examiner docket now scheduled for July 29, 1993.

(11) A copy of this application has been sent to all offsetting operators and interested parties who might be affected by this application as identified on Exhibit "C" attached to this application.

WHEREFORE, Marathon Oil Company requests that this matter be set for hearing on July 29, 1993 before a duly appointed Examiner of the Oil Conservation Division and that after notice and hearing as required by law, the Division enter its order granting this application.

Respectfully submitted,

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

W. Thomas Kellahin
Kellahin and Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504-2265
(505) 982-4285

Thomas C. Lowry, Esq.
Marathon Oil Company
Box 552
Midland, Texas 79702

Attorneys for Applicant

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MARATHON	MARATHON 	MARATHON	MARATHON	3	
SOUTHLAND ROYALTY 	5		4 		
MARATHON	MARATHON 	MARATHON 	MARATHON 	R & G DRILLING 10 	
	8		9 		
SOUTHLAND ROYALTY	MARATHON 	MARATHON	MARATHON 	MARATHON	BONNEVILLE FUELS 
	17 		16		15
20		MARATHON	MARATHON 	BONNEVILLE FUELS	BONNEVILLE FUELS 
			21		22

EXHIBIT "A"

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Aramis, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator MARATHON OIL COMPANY			Lease SCHWERTFEGGER		Well No. 17-2
Unit Letter I	Section 17	Township 27 N	Range 11 W	County San Juan	
Actual Footage Location of Well: 1605 feet from the South line and 1135 feet from the East line					
Ground level Elev. 6210	Producing Formation		Pool	Dedicated Acreage: Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, forced-pooling, etc.?

☐ Yes ☐ No If answer is "yes" type of consolidation

If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.

0 330 660 990 1320 1650 1980 2310 2640 2970 3300 3630 3960 4290 4620 4950 5280 5610 5940 6270 6600 6930 7260 7590 7920 8250 8580 8910 9240 9570 9900 10230 10560 10890 11220 11550 11880 12210 12540 12870 13200 13530 13860 14190 14520 14850 15180 15510 15840 16170 16500 16830 17160 17490 17820 18150 18480 18810 19140 19470 19800 20130 20460 20790 21120 21450 21780 22110 22440 22770 23100 23430 23760 24090 24420 24750 25080 25410 25740 26070 26400 26730 27060 27390 27720 28050 28380 28710 29040 29370 29700 30030 30360 30690 31020 31350 31680 32010 32340 32670 33000 33330 33660 33990 34320 34650 34980 35310 35640 35970 36300 36630 36960 37290 37620 37950 38280 38610 38940 39270 39600 39930 40260 40590 40920 41250 41580 41910 42240 42570 42900 43230 43560 43890 44220 44550 44880 45210 45540 45870 46200 46530 46860 47190 47520 47850 48180 48510 48840 49170 49500 49830 50160 50490 50820 51150 51480 51810 52140 52470 52800 53130 53460 53790 54120 54450 54780 55110 55440 55770 56100 56430 56760 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EXHIBIT "C"
OFFSET INTERESTED PARTY NOTICE LIST

Southland Royalty Company
c/o Meridian Oil Inc.
P. O. Box 4289
Farmington, New Mexico 87499
Attn: Mr. Alan Alexander

Meridian Oil Inc.
P. O. Box 4289
Farmington, New Mexico 87499
Attn: Mr. Alan Alexander

El Paso Production Company
801 Cherry Street
Fort Worth, Texas 76102