

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. 9146
Order No. R-8282-B

APPLICATION OF MARATHON OIL
COMPANY FOR THE AMENDMENT OF
DIVISION ORDER NO. R-8282,
AS AMENDED, LEA COUNTY, NEW
MEXICO.

BEFORE EXAMINER CATANACH
OIL CONSERVATION DIVISION

Marathon EXHIBIT NO. 4

ORDER OF THE DIVISION

CASE NO: 9146

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on June 3, 1987, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 18th day of September, 1987, 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) Division Case Nos. 9145 and 9146 were consolidated at the time of the hearing for the purpose of testimony.

(3) The applicant, Marathon Oil Company, seeks the amendment of Division Order No. R-8282, issued in Case No. 8960 and dated August 21, 1986, which compulsorily pooled all mineral interests from the surface to the base of the Siluro-Devonian formation underlying the SE/4 SE/4 of Section 14, Township 16 South, Range 38 East, NMPM, Lea County, New Mexico, and which was affirmed by the Oil Conservation Commission by Order No. R-8282-A, dated November 4, 1986.

(4) Under the provisions of Order No. R-8282, as amended, the applicant has drilled and completed as a producing well in the Devonian formation its Benson Well No. 1 at a location 330 feet from the South line and 990 feet from the East line of said Section 14.

EXHIBIT "A"

Case No. 9146
Order No. R-8282-B

(5) In companion Case No. 9145, the applicant has sought, as a result of the completion of the Benson Well No. 1, the creation of a new oil pool for Siluro-Devonian production and the promulgation of special rules and regulations for said pool including a provision for 80-acre spacing and proration units.

(6) By Division Order No. R-8497 entered August 28, 1987, in said companion Case No. 9145, the Division promulgated special rules and regulations for the North Knowles-Devonian Pool including a provision for 80-acre spacing and proration units.

(7) The applicant now seeks to form a standard 80-acre proration unit to be dedicated to its Benson Well No. 1 by amending Order No. R-8282 to additionally compulsorily pool the SW/4 SE/4 of said Section 14.

(8) James A. Davidson (Davidson), an interest owner in the S/2 SE/4 of said Section 14 whose interest in the SE/4 SE/4 was compulsorily pooled by Marathon by Order No. R-8282 and whose interest in the SW/4 SE/4 of said Section 14 would be affected by the proposed amendment, appeared at the hearing in opposition to Marathon's application.

(9) Davidson testified that Marathon has not made any attempt to obtain his voluntary agreement to participate in the well covering the subject acreage consisting of the SW/4 SE/4 of said Section 14.

(10) Marathon testified that by giving Davidson the opportunity to voluntarily join in the well at this time by pooling his interest in the SW/4 SE/4, Davidson would not be subject to the 200 per cent risk penalty contained in Order No. R-8282, which would be unfair to Marathon who initially undertook all of the risk in drilling the well.

(11) According to Section 70-2-17, NMSA, 1978, which concerns the authority of the Division to issue force-pooling orders, the applicant in a force-pooling case is required to attempt to obtain voluntary agreement with the various interest owners in the unit prior to calling a pooling case regardless of whether or not the well has been drilled at that time.

(12) Although the circumstances in this case are unusual, the Division should, in order to abide by its statutory obligation to protect correlative rights, require that Marathon attempt to secure Davidson's voluntary agreement concerning the subject acreage prior to the hearing for a forced pooling order.

(13) The application of Marathon for the amendment of Order No. R-8282 should therefore be denied at this time.

(14) The applicant should be allowed to reopen this case upon a showing that a good faith effort has been made to reach a fair and reasonable voluntary agreement with Davidson.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marathon Oil Company for the amendment of Division Order No. R-8282, as amended, is hereby denied.

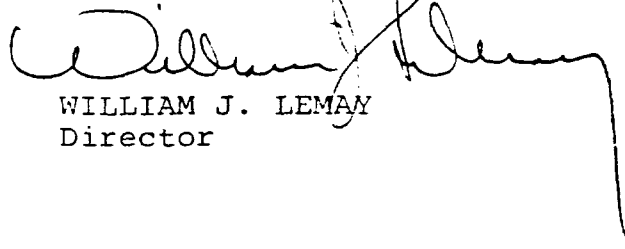
(2) All provisions set forth in Division Order No. R-8282, dated August 21, 1986, and affirmed by the Oil Conservation Commission in Order No. R-8282-A, dated November 4, 1986, shall remain in full force and effect.

(3) The applicant may reopen this case upon a proper showing that a good faith effort was made to try to reach a fair and reasonable voluntary agreement with James A. Davidson and was unable to do so.

(4) Jurisdiction of this cause is 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. LEMAN
Director

S E A L

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Continental Region
Exploration United States



**Marathon
Oil Company**

P.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626

October 19, 1987

Mr. James A. Davidson
P. O. Box 494
Midland, Texas 79702-0494

Re: Our Lease NM-3867 - Jessie Benson #1 well
S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 14, T-16-S, R-38-E,
Our East Garrett Area
Lea County, New Mexico

Dear Mr. Davidson:

Reference is made to Marathon's application to amend Division Order No. 8282 to include the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14, T-16-S, R-38-E, N.M.P.M., Lea County, New Mexico in order to form a standard 80 acre proration unit (the S $\frac{1}{2}$ SE $\frac{1}{4}$ of Section 14) for the Benson #1 well. Attached for your information please find a copy of Division Order No. R-8282-B issued on September 18, 1987 wherein the New Mexico Oil Conservation Division denied Marathon's application for an amendment of Division Order No. R-8282.

In light of the above, and in an attempt to reach a mutually acceptable resolution of our differences regarding this matter, Marathon proposes the following:

1. You contribute your 38.125% working interest in the SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14, T-16-S, R-38-E, to the 80 acre spacing unit and participate in the Benson #1 with a 19.0625% working interest in the 80 acre unit. This would result in an advance payment of approximately \$219,400 based on current booked well cost of \$1,151,100. Your 38.125% working interest in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 14 would remain subject to NMOCD Order No. R-8282.
2. In order to help you decide whether to participate, Marathon will provide production data from the Benson No. 1 for your review.

If this offer is acceptable, or if you wish to discuss this matter further, please contact me so that we may proceed accordingly.

Marathon appreciates your consideration in this matter.

Very truly yours,

10-19-87 - Hand Carried this letter to Mr. Davidson. SMD

MARATHON OIL COMPANY

Steve Daniels
Landman

SMD:mmc'
Attachment

EXHIBIT "B"