



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

April 12, 1999

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702-0552
Attention: Walter Dueease

Administrative Order NSL-4255(SD)

Dear Mr. Dueease:

Reference is made to the following: (i) your application dated March 23, 1999; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file in Case No. 10736: all concerning Marathon Oil Company's ("Marathon") request for a second infill gas well to be drilled at an unorthodox gas well location within an existing 640-acre standard gas spacing and proration unit comprising all of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

(1) Marathon is proposing to drill its Federal "C-35" Well No. 3 (API No. 30-015-30619) at a location that is 1500 feet from the South line and 2080 feet from the East line (Unit J) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico;

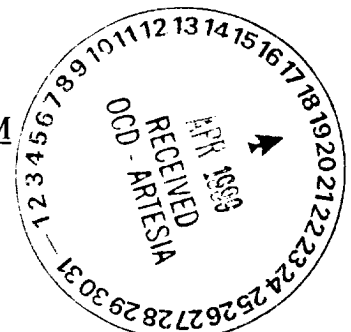
(2) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
-------------	-----



TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Sections 2 through 5:	All
Sections 8 through 11:	All
Section 12:	W/2
Section 13:	W/2
Sections 14 through 17:	All
Section 21:	N/2
Section 22:	All;

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, which require standard 640-acre gas spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(4) All of Section 35, being a standard 640-acre GPU, is currently simultaneously dedicated to Marathon's: (i) Federal "C-35" Well No. 1 (API No. 30-015-10403), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 35; and (ii) Federal "C-35" Well No. 2 (API No. 30-015-27629), located at an unorthodox gas well location (approved by Division Order No. R-9910, issued in Division Case No. 10736 dated June 9, 1993) 800 feet from the South and West lines (Unit M) of Section 35;

(5) By Order No. R-9910, issued in Case No. 10736 dated June 9, 1993, the Division authorized: (i) the drilling of the above-described Federal "C-35" Well No. 2 at an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool; and (ii) officially assigned this 640-acre unit an acreage factor of 0.62 for gas prorationing purposes, which assesses a 38% production penalty on Indian Basin-Upper Pennsylvanian Gas Pool production from this GPU;

(6) The subject application for Marathon's proposed Federal "C-35" Well No. 3 has been duly filed under the provisions of Division Rule 104.F; and

(7) By the authority granted me under the provisions of: (i) **RULE 2(d)** of the "*General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, and Division **RULE 104.F(2)**, the subject application for the above-described unorthodox infill gas well location for Marathon's proposed Federal "C-35" Well No. 3 is hereby approved.

It Is Therefore Ordered That:

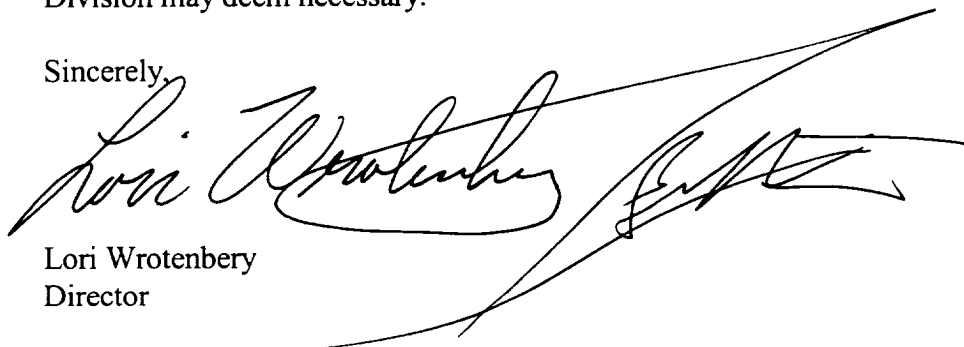
(1) Marathon Oil Company ("Marathon") is hereby authorized to drill its Federal "C-35" Well No. 3 (API No. 30-015-30619) at an unorthodox second-infill gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 1500 feet from the South line and 2080 feet from the East line (Unit J) of Section 35, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing 640-acre gas spacing and proration unit ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool that comprises all of Section 35 is to be simultaneously dedicated to Marathon's: (i) existing Federal "C-35" Well No. 1 (API No. 30-015-10403), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 35; (ii) existing Federal "C-35" Well No. 2 (API No. 30-015-27629), located at an unorthodox gas well location (approved by Division Order No. R-9910, issued in Division Case No. 10736 dated June 9, 1993) 800 feet from the South and West lines (Unit M) of Section 35; and (iii) proposed Federal "C-35" Well No. 3, as described.

(3) As prescribed in Division Order No. R-9910, issued in Division Case No. 10736 dated June 9, 1993, Marathon is hereby permitted to produce the allowable assigned the subject GPU from all three wells in any proportion; **provided however**, total combined gas production from these three wells shall not exceed that volume assigned this GPU with its assessed acreage factor of 0.62.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia /
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin, Counsel for Marathon Oil Company - Santa Fe
File: Case No. 10736