

overproduction from the subject 320-acre GPU consisting of the W/2 equivalent of said Section 3, during the gas proration periods from April 1, 1995 through March 31, 1998 such that as of August 1, 1997 the accumulated over-under production shall be 340,625 mmcf of underproduction credit.

(17) Marathon also provided evidence which demonstrates the granting of the subject application will not impair correlative rights of any owner within any of the existing 640-acre, more or less, GPU's because those owners will continue to share in production from the applicable new 320-acre, more or less, GPU's on the same proportional basis as they shared in production from the original 640-acre units.

(18) Therefore the Canyon formation underlying the E/2's of Sections 3, 10 and 15 and all of said Sections 2, 11, and 14 is a single reservoir (ie, one single common source of supply) the development of which has occurred such that wells in the Sections 2, 11, and 14 have been dedicated to the South Dagger Draw-Upper Penn Associated Pool while wells located or to be located in the E/2 of Sections 3, 10 and 15 have been or will be dedicated to the Indian Basin-Upper Pennsylvanian Gas Pool. Further, in order to afford an opportunity to drill a well to develop the Canyon Two formation of the South Dagger Draw-Upper Pennsylvanian Associated Pool, it is necessary to have the E/2 of Sections 3, 10 and 15 spaced on the same 320-acre spacing pattern as established for the South Dagger Draw-Upper Pennsylvanian Associated Pool.

(19) In order to prevent waste, to prevent the drilling of unnecessary wells, to protect correlative rights and provide for a more orderly development of the Cisco/Canyon formations, it is necessary to do the following:

- (a) contract the Indian Basin-Upper Pennsylvanian Gas Pool to delete the E/2's of Sections 3, 10 and 15 from that pool;
- (b) approve the three above-described non-standard 320-acre, more or less, GPU's within the Indian Basin-Upper Pennsylvanian Gas Pool;
- (c) treat the W/2 equivalent of said Section 3 as a marginal 320-acre non-standard GPU beginning on December 1, 1995 such that underproduction in the amount of 932,314 MMCF shall be credited against overproduction during the gas proration periods from April 1, 1995 through March 31, 1998 such that as of August 1, 1997 the