



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

October 19, 2000

Lori Wrotenberg

Director

Oil Conservation Division

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

Administrative Order NSL-371-A (SD)

Dear Mr. Dueease:

Reference is made to the following: (i) your application dated September 19, 2000; (ii) two letters from Mr. William F. Carr of Santa Fe, New Mexico, Attorney for Texaco Exploration & Production, Inc., dated July 25 and October 15, 2000; (iii) a letter from Ms. Jami Bailey, Director of the Oil, Gas, & Mineral Division of the New Mexico State Land Office in Santa Fe to Mr. Carr dated October 10, 2000; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file on Division Administrative Order NSL-371: all concerning Marathon Oil Company's ("Marathon") request for an infill gas well to be drilled at an unorthodox location within an existing 640-acre gas spacing and proration unit ("GPU") comprising all of Section 29, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

(1) Marathon is proposing to drill its Federal Indian Basin "C" Gas Com Well No. 2 at a location that is 860 feet from the South line and 660 feet from the East line (Unit P) of Section 29;

(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: (i) Division Rule 605; and (ii) the "*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 GPU's 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 29 is currently dedicated to Marathon's Federal Indian Basin "C" Gas Com Well No. 1 (API No. 30-015-10788), located at an unorthodox gas well location (approved by Division Administrative Order NSL-371, dated March 9, 1966) 1700 feet from the South line and 1550 feet from the East line (Unit J) of Section 29; and

(5) The subject application for Marathon's proposed Federal Indian Basin "C" Gas Com Well No. 2 has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rule 2 (d) of the Indian Basin-Upper Pennsylvanian Gas Pool special rules and Division Rule 104.F (2), Marathon Oil Company ("Marathon") is hereby authorized to drill its proposed Federal Indian Basin "C" Gas Com Well No. 2 as an infill gas well at an unorthodox location in the Indian Basin-Upper Pennsylvanian Gas Pool 860 feet from the South line and 660 feet from the East line (Unit P) of Section 29, 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 29 is to be simultaneously dedicated to Marathon's: (i) existing Federal Indian Basin "C" Gas Com Well No. 1 (API No. 30-015-10788), located at an unorthodox gas well location (approved by Division Administrative Order NSL-371, dated March 9, 1966) 1700 feet from the South line and 1550 feet from the East line (Unit J) of Section 29; and (ii) proposed Federal Indian Basin "C" Gas Com Well No. 2, as described above.

It Is Further Ordered That:

(3) Marathon is hereby permitted to produce the allowable assigned the subject GPU from both wells in any proportion; **provided however**, total combined gas production from these two wells shall not exceed that volume assigned this GPU with its assessed an acreage factor of 0.468 for gas prorationing purposes, which assesses a 54.2% production penalty on Indian Basin-Upper Pennsylvanian Gas Pool production from this GPU.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery", followed by a large, stylized flourish or monogram.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
William F. Carr, Attorney for Texaco Exploration & Production, Inc. - Santa Fe
File: NSL-371

NSL-IBUP. 606

October 19, 2000

Rec: 9-20-00

Susp: 10-10-00

Released: 10-19-00

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552

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Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
William F. Carr, Attorney for Texaco Exploration & Production, Inc. - Santa Fe
File: NSL-371

**CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS**

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
ROBERT J. SUTPHIN, JR.

JACK M. CAMPBELL
1916-1999

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: law@westofpecos.com

October 15, 2000

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application of Marathon Oil Company for an unorthodox well location for its Indian Basin "C" Federal Gas Com Well No. 2, to be drilled 860 feet from the South Line and 660 feet from the East line of Section 29, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

Dear Mr. Stogner;

On August 28, 2000, Texaco Exploration and Production Inc. wrote Marathon Oil Company and agreed to waive objection Marathon's application for the above-referenced unorthodox well location on the condition that "Marathon ... obtain a waiver from the State of New Mexico Land Office, since the State of New Mexico owns the minerals under Section 32, T21S-R23E, Eddy County, New Mexico." A copy of Texaco's letter is enclosed.

On October 6, 2000 I discussed this location with representatives of the State Land Office and, since they were unaware of the application, provided them with a copy of the Marathon application and Texaco's letter of August 28.

On October 13, 2000 I received the enclosed letter from Jamie Bailey, Director of the Oil, Gas and Minerals Division of the State Land Office, which waived the State land Offices's objection to the location on the conditions that the well receive an allowable in the Indian Basin Upper Penn Pro Pool equal to 53.2% of the pool allowable for this pool and that

OIL CONSERVATION DIV.
OCT 16 AM 2:37

COPY

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
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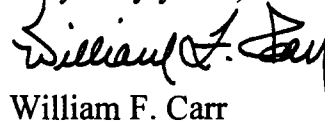
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Michael E. Stogner
October 15, 2000
Page 2

owners in offsetting Section 32 obtain like waivers of objection from Marathon.

By copy of this letter I am providing a copy of the State's letter to Marathon. If you have questions concerning this matter, please advise.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr", written over the typed name.

William F. Carr

enc.

cc: Mike Mullins
Texaco Exploration and Production Inc.

Walter Dueease
Marathon Oil Company



Texaco Exploration and Production Inc.
Permian Business Unit

500 North Loraine
Midland TX 79701

P O Box 3109
Midland TX 79702

August 28, 2000

NM192330 - State of New Mexico Lease OG-5108

Section 32, T21S-R23E,

Eddy County, New Mexico

New Mexico "DF" State Com.

Marathon Oil Company

Attn: Syed Haider

P. O. Box 552

Midland, Texas 79702

Gentlemen:

We are in receipt of your letter, dated August 23, 2000, wherein Marathon has requested approval of an unorthodox well location for your Indian Basin "C" Gas Com No. 2 well to be located 860' FSL and 660' FEL of Section 29, T21S-R23E, Eddy County, New Mexico.

To our knowledge, Marathon has not requested for approval for the drilling of this location, as yet, from the New Mexico Oil Conservation Division.

This letter is to advise Marathon that Texaco will agree to grant you a waiver for the drilling of your Indian Basin "C" Gas Com No. 2 well, on the terms proposed in your letter, dated August 23, 2000, and subject to the following conditions:

- 1) Marathon will obtain a waiver from the State of New Mexico Land Office, since the State of New Mexico owns the minerals under Section 32, T21S-R23E, Eddy County, New Mexico.
- 2) Marathon, Kerr-McGee Oil & Gas Onshore, L.L.C. and Chevron U.S.A. Production Company all will agree, in writing, to grant Texaco a waiver for a reciprocal location in the NE/4 of Section 32.
- 3) Marathon will furnish Texaco with all well information, including, but not limited to, daily drilling reports, complete set of logs and all state and federal permits and completion reports.

If you have any questions, you may contact the undersigned at 688-4488 or Mr. Mike Cervantes at 688-4544.

Very truly yours,

Mike Mullins
Landman

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766

ADMINISTRATION
Phone (505) 827-5700
Fax (505) 827-5853

GENERAL COUNSEL
Phone (505) 827-5713
Fax (505) 827-4262

PUBLIC AFFAIRS
Phone (505) 827-1245
Fax (505) 827-5766



**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

COMMERCIAL RESOURCES
Phone (505) 827-5724
Fax (505) 827-6157

MINERAL RESOURCES
Phone (505) 827-5744
Fax (505) 827-4739

ROYALTY MANAGEMENT
Phone (505) 827-5772
Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

October 10, 2000

Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87504

Attn: William F. Carr

Re: Waiver of Objection (Marathon Oil Company)
Indian Basin C Gas Com Well No. 2
860' FSL & 660' FEL, Section 29, Township 21 South, Range 23 East
Eddy County, New Mexico

Dear Mr. Carr:

On behalf of the Commissioner of Public Lands we have reviewed the request for a waiver of objection from Marathon Oil Company for the above mentioned non-standard well location.

The Commissioner waives objection to this proposal based on the agreed upon allowable of 53.2% of pool allowable for this well in the Indian Basin Upper Penn Pro Gas pool, and the ability of Texaco Exploration and Production to obtain a like waiver of objection from Marathon, Kerr-McGee, and Chevron, for possible future development in Section 32 of said township and range.

Please feel free to contact Jeff Albers at (505) 827-5759 if you have any questions.

Sincerely,

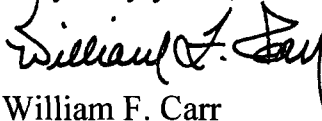
Jami Bailey, Director
Oil, Gas & Minerals Division
(505) 827-5744
JB/ja

Michael E. Stogner
October 15, 2000
Page 2

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Very truly yours,


William F. Carr

enc.

cc: Mike Mullins
Texaco Exploration and Production Inc.

Walter Dueease
Marathon Oil Company

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766



ADMINISTRATION
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GENERAL COUNSEL
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PUBLIC AFFAIRS
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Fax (505) 827-5766

COMMERCIAL RESOURCES
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MINERAL RESOURCES
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ROYALTY MANAGEMENT
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Fax (505) 827-4739

SURFACE RESOURCES
Phone (505) 827-5793
Fax (505) 827-5711

**New Mexico State Land Office
Commissioner of Public Lands
Ray Powell, M.S., D.V.M.**

October 10, 2000

Campbell, Carr, Berge & Sheridan, P.A.
110 North Guadalupe, Suite 1
Santa Fe, New Mexico 87504

Attn: William F. Carr

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860' FSL & 660' FEL, Section 29, Township 21 South, Range 23 East
Eddy County, New Mexico

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Please feel free to contact Jeff Albers at (505) 827-5759 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey".

Jami Bailey, Director
Oil, Gas & Minerals Division
(505) 827-5744
JB/ja