

11/13/07		Brooks	11/13/07	SD	PKVR0731741251 DS
11/13/07		Brooks	11/13/07	NSL	PKVR0731741741 NSL
DATE IN	SUSPENSE	ENGINEER	LOGGED IN	TYPE	APP NO.

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION

- Engineering Bureau -

1220 South St. Francis Drive, Santa Fe, NM 87505



Marathon Oil CO
JL Muncy #23#3
5746

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
 [A] Location - Spacing Unit - Simultaneous Dedication
☒ NSL ☐ NSP ☒ SD
 Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
 [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
 [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
 [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☒ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☐ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

- [4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Charles E. Kendrick
Print or Type Name

Charles E. Kendrick
Signature

Reg. Compliance Rep.
Title

11/10/07
Date

celkendrix@marathonoil.com
e-mail Address



Southern Business Unit

RECEIVED
P. O. Box 3487
Houston, TX 77253-3487
5555 San Felipe Road
Houston, TX 77056-2799
Telephone: (713) 296-2096
FAX: (713) 499-6750
2007 NOV 13 AM 10:50

November 10, 2007

New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

RE: Application for Simultaneous Dedication of Acreage & Non-Standard Location
NSP-1474-A pMES0-515234714

TO: Mr. David Catanach

Dear Mr. Catanach,

Marathon Oil Company is requesting that NSP-1474-A be amended to include an additional Tubb completion that Marathon is seeking to add to the J.L. Muncy No 3 well.

Currently, NSP-1474-A establishes a non-standard 80 acre proration unit, which is dedicated to the J.L. Muncy No 2 well. Marathon Oil is requesting that the J.L. Muncy No 3 well be simultaneously dedicated to this non-standard proration unit. In addition to the revision of the proration unit, Marathon is also requesting that a non-standard location for a gas well be approved for the J.L. Muncy No 3, which sets at a legal location 350" FSL & 1720 FWL of section 24, T- 22-S, R-37-E. Currently, the J.L. Muncy No 2 is not producing from the Tubb formation, however Marathon wishes to keep this well as one of two completions assigned to this gas proration unit in the event that we should decide to re-active the J.L. Muncy No 2 in the Tubb formation. Due to the condition of oil depletion of the Tubb pool underlying the J.L. Muncy lease, Marathon expects the J.L. Muncy No 3 to produce with a rate that will exceed the GOR limit for oil wells in the Tubb formation thus the need for the amended gas proration unit. Marathon does not expect the J.L. Muncy No 3 to exceed gas allowables.

A copy of this application for simultaneous dedication of acreage and non-standard location for the J.L. Muncy No 3 has been sent to all affected offset operators. A plat (C-102) showing the location of the two wells is included with this filing and with letters to the offset operators. In addition a map with the operators nearest wells is included in that mailing. A copy of the letters to these operators and maps is also included with this filing.

If you need any further information please contact me at 713-296-2096 or through email @ cekendrix@marathonoil.com.

Sincerely,

A handwritten signature in cursive script that reads 'Charles E. Kendrix'.

Charles E. Kendrix
Regulatory Compliance Representative
Marathon Oil Company

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-102
Revised October 12, 2005

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-10442		² Pool Code 86440	³ Pool Name Tubb (Gas)
⁴ Property Code 006442	⁵ Property Name J.L. Muncy		⁶ Well Number 3
⁷ OGRID No. 14021	⁸ Operator Name Marathon Oil Company		⁹ Elevation 3310'

¹⁰ Surface Location

UL or lot no. N	Section 24	Township 22S	Range 37E	Lot. Idn	Feet from the 330	North/South line South	Feet from the 1720	East/West line West	County Lea
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 80	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------------	------------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. <u>Charles E. Kendrix</u> 11/10/07 Signature Date Charles E. Kendrix Printed Name Reg Compliance Rep
	¹⁸ SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.
	Date of Survey Signature and Seal of Professional Surveyer:
	Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

Form C-102
Revised October 12, 2005

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-10441		² Pool Code 86440		³ Pool Name Tubb (Gas)	
⁴ Property Code 006442		⁵ Property Name J.L. Mincy			⁶ Well Number 2
⁷ OGRID No. 14021		⁸ Operator Name Marathon Oil Company			⁹ Elevation 3310'

¹⁰ Surface Location

UL or lot no. K	Section 24	Township 22S	Range 37E	Lot. Idn	Feet from the 1980	North/South line South	Feet from the 1980	East/West line West	County Lea
---------------------------	----------------------	------------------------	---------------------	----------	------------------------------	----------------------------------	------------------------------	-------------------------------	----------------------

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot. Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 80		¹³ Joint or Infill Y		¹⁴ Consolidation Code NSP-1474-A		¹⁵ Order No.			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>¹⁶</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Charles E. Kendrix</i> 11/10/07 Signature Date</p> <p>Charles E. Kendrix Printed Name Reg Compliance Rep</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>Date of Survey Signature and Seal of Professional Surveyer:</p> <p>Certificate Number</p>

J.L. Muncy Offset Operators List

Chevron USA
11111 S. Wilcrest
Houston, Texas 77099

Conoco Phillips
3401 E. 30th Street
Farmington, New Mexico 87402

John Hendrix Corporation
P.O. Box 3040
Midland, Texas 79702

S & D Partnership
P.O. Box 186
Eunice, New Mexico 88231



**Marathon
Oil Company**

Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

November 11, 2007

Chevron USA Incorporated
11111 S. Wilcrest
Houston, Texas 77099

RE: Simultaneous Dedication of Acreage
for the Tubb Oil & Gas Pool
Marathon Oil Company, J.L. Muncy Lease
Section 24, T-22-S, R-37-E
Lea County, New Mexico

To Whom It May Concern:

Marathon Oil Company has applied to the New Mexico Oil Conservation Division for permission to amend simultaneous dedication of UL's K & N, section 24, T-22-S, R-37-E. to allow the addition of the J.L. Muncy No 3 well. In addition Marathon is requesting that a non-standard gas well location be approved for the J.L. Muncy No 3. Please see the application letter for details of Marathon's plan. Included with this letter is a map with legend showing a list of your wells that border on the affected area.

Any objections to Marathon's application for permit must be addressed in writing to the New Mexico Oil Conservation Division in Santa Fe with-in 20 days of receipt of the application letter by the NMOCD. The NMOCD mailing address is:

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

In the event you need to contact the NMOCD by phone, the number is 505-476-3466. This number will put you in touch with Mr. David Catanach with the NMOCD in Santa Fe.

If you should need any further information from Marathon Oil Company on this issue please contact me by phone at 713-296-2096 or through email at cekendrix@marathonoil.com.

Sincerely,

A handwritten signature in cursive script that reads 'Charles E. Kendrix'.

Charles E. Kendrix
Regulatory Compliance Representative
Marathon Oil Company



Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

November 11, 2007

ConocoPhillips Company
3401 E. 30th Street
Farmington, New Mexico 87402

RE: Simultaneous Dedication of Acreage
for the Tubb Oil & Gas Pool
Marathon Oil Company, J.L. Muncy Lease
Section 24, T-22-S, R-37-E
Lea County, New Mexico

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Sincerely,

A handwritten signature in cursive script that reads 'Charles E. Kendrix'.

Charles E. Kendrix
Regulatory Compliance Representative
Marathon Oil Company



**Marathon
Oil Company**

Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

November 11, 2007

John Hendrix Corporation
P. O. Box 3040
Midland, Texas 79702

RE: Simultaneous Dedication of Acreage
for the Tubb Oil & Gas Pool
Marathon Oil Company, J.L. Muncy Lease
Section 24, T-22-S, R-37-E
Lea County, New Mexico

To Whom It May Concern:

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Santa Fe, New Mexico 87505

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Sincerely,

Charles E. Kendrix

Charles E. Kendrix
Regulatory Compliance Representative
Marathon Oil Company



**Marathon
Oil Company**

Southern Business Unit

P. O. Box 3487
Houston, TX 77253-3487

5555 San Felipe Road
Houston, TX 77056-2799

Telephone: (713) 296-2096
FAX: (713) 499-6750

November 11, 2007

S & D Partnership
P.O. Box 186
Eunice, New Mexico 88231

RE: Simultaneous Dedication of Acreage
for the Tubb Oil & Gas Pool
Marathon Oil Company, J.L. Muncy Lease
Section 24, T-22-S, R-37-E
Lea County, New Mexico

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Santa Fe, New Mexico 87505

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If you should need any further information from Marathon Oil Company on this issue please contact me by phone at 713-296-2096 or through email at cekendrix@marathonoil.com.

Sincerely,

Charles E. Kendrix
Charles E. Kendrix

Regulatory Compliance Representative
Marathon Oil Company

Date: 9/17/2007

Time: 3:02 PM

J.L. Muncy No 3 Off Set Operators

Chevron USA Offset Wells (Highlighted)

Ella No 1 A-25-22S-37E

Ella No 2 B-25-22S-37E



23

24

19

[illegible]

J.L. Muncy No 3

017494

029455

006385

006385

017494

017494

017494

017494

017494017494

26

25

30

Date: 9/17/2007

Time: 3:02 PM

J.L. Muncy No 3 Off Set Operators

[illegible]

Date: 9/17/2007

Time: 3:03 PM

J.L. Muncy No 3 Off Set Operators

John Hendrix Corporation Offset Wells (Highlighted)	Operator Code	Operator Name
Cossatot C No 1	006385	Chevron USA
Cossatot C No 2	212844	Conoco Phillips
Cossatot C No 3	017494	John Hendrix Corporation
Cossatot C No 4	029455	S & D Partnership
Ella Drinkard No 1	021224	Marathon Oil Company
Ella Drinkard No 2		
Sims No 1		
Sims No 2		

26

25

30

24

J.L. Muncy No 3

19

Date: 9/17/2007

Time: 3:02 PM

J.L. Muncy No 3 Off Set Operators

S & D Partnership Offset Well (Highlighted)

Drinkard Homestead No 1 C-25-22S-37E

Operator Code	Operator Name
006385	Chevron USA
212844	Conoco Phillips
017494	John Hendrix Corporation
029455	S & D Partnership
021224	Marathon Oil Company

23

24

19

J.L. Muncy No 3

26

25

30

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

ConocoPhillips Company
3401 E. 30th Street
Farmington, New Mexico 87402

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 5810 9880

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

John Hendrix Corporation
P.O. Box 3040
Midland, Texas 79702

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 5810 9897

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

S & D Partnership
P.O. Box 186
Eunice, New Mexico 88231

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 5810 9903

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron USA
11111 S. Wilcrest
Houston, Texas 77099

COMPLETE THIS SECTION ON DELIVERY

A. Received by (Please Print Clearly) B. Date of Delivery

C. Signature

X

☐ Agent☐ AddresseeD. Is delivery address different from item 1? ☐ YesIf YES, enter delivery address below: ☐ No

3. Service Type

☒ Certified Mail☐ Express Mail☐ Registered☐ Return Receipt for Merchandise☐ Insured Mail☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

2. Article Number (Copy from service label)

91 7108 2133 3931 5810 9873

PS Form 3811, July 1999

Domestic Return Receipt

102595-00-M-0952



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

José María Prukop

Cabinet Secretary

June 2, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Marathon Oil Company
P. O. Box 3487
Houston, Texas 77253-3487

Attention: Charles E. Kendrix
Regulatory Compliance Representative
cekendrix@MarathonOil.com

RE: NMOCD Correspondence Reference No. SD-06-14: *Tubb Oil and Gas Pool (86440) development within the existing non-standard 80-acre gas spacing and proration unit ("GPU") comprising the S/2 NE/4 (Units G and H) of Section 24, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.*

Dear Mr. Kendrix:

Reference is made to the following: (i) your correspondence in the form of an administrative application dated May 24, 2006 and received by the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 30, 2006 (*administrative application reference No. pTDS0-615060415*); and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-1474, NSP-1474-A, NSP-1475 (L), NSP-1475-A (L) (SD), NSL-5211 (SD), and SD-00-04 and Division Case No. 1487: all concerning Marathon Oil Company's ("Marathon") plans for additional development within the Tubb Oil and Gas Pool underlying the above-described 80-acre non-standard GPU, which was established by Division Administrative Order NSP-1475-A (L) (SD) (*see administrative application reference No. pMES0-515235112*).

The rules currently governing the Tubb Oil and Gas Pool include but are not necessarily limited to: (i) the "Special Rules and Regulations for the Tubb Oil and Gas Pool," as promulgated by Division Order No. R-8170, as amended; (ii) Division Rule 605.B; (iii) 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; and (iv) Division Rule 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding that gas production attributed to the Tubb Oil and Gas Pool within this 80-acre non-standard GPU is to be simultaneously dedicated to Marathon's following three wells:

(a) J. L. Muncy Well No. 4 (API No. 30-025-22217), located at a standard gas well 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 24;

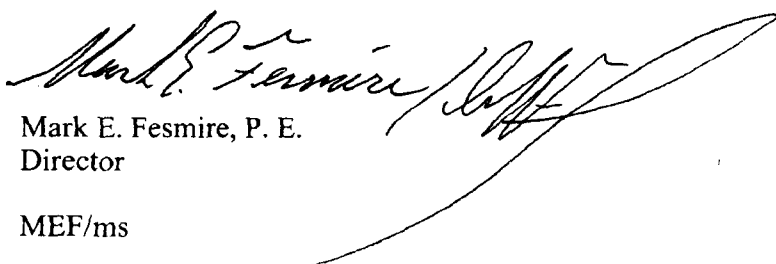
(b) J. L. Muncy Well No. 7 (API No. 30-025-29219), located at an unorthodox Tubb gas well location for this GPU [location approved by said Division Administrative Order NSP-1475-A (L) (SD)] 2086 feet from the North line and 1874 feet from the East line (Unit G) of Section 24; and

(c) J. L. Muncy Well No. 11 (API No. 30-025-33947), also located at an unorthodox Tubb gas well location for this GPU [location approved by said Division Administrative Order NSP-1475-A (L) (SD)] 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 24.

Marathon is permitted to produce the allowable assigned this 80-acre non-standard GPU from the three above-described J. L. Muncy Wells No. 4, 7, and 11 in accordance with Rule 8 of the special rules governing the Tubb Oil and Gas Pool and Division Rule 605.D (4) (a).

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: NSP-1474
NSP-1474-A
NSP-1475 (L)
NSP-1475-A (L) (SD)
NSL-5211 (SD)
SD-00-04
Division Case 1487



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 1, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Marathon Oil Company
P. O. Box 3487
Houston, Texas 77253-3487

Attention: Charles E. Kendrix
Engineering Technician
cekendrix@marathonoil.com

Administrative Order NSP-1474-A
Administrative Order NSP-1475-A (L) (SD)
Administrative Order NSL-5211 (SD)

Dear Mr. Kendrix:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 10, 2005; and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-1474, NSP-1475 (L), and SD-00-04 and Division Case No. 1487: all concerning Marathon Oil Company's ("Marathon"), formerly The Ohio Oil Company, request additional development and to rededicate acreage in the Tubb Oil and Gas Pool (86440) on its J. L. Muncy fee lease comprising 320 acres, being the S/2 NE/4, E/2 SW/4, and SE/4, of Section 24, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

Initially, Tubb gas production from The Ohio Oil Company's J. L. Muncy Well No. 1 (API No. 30-025-10440), located at a standard gas well location 660 feet from the South and East lines (Unit P) of Section 24, was dedicated to the SE/4 of Section 24, being a standard 160-acre gas spacing and proration unit ("GPU") in the Tubb Oil and Gas Pool.

By Division Order No. R-1232, issued in Case No. 1487 on August 6, 1958, The Ohio Oil Company, received authorization to develop the Tubb Oil and Gas Pool within this lease from: (i) a 160-acre non-standard gas spacing and proration unit ("GPU") consisting of the S/2 NE/4 (Units G and H), NE/4 SW/4 (Unit K), and NW/4 SE/4 (unit J) of Section 24 to be dedicated to the J. L. Muncy Well No. 2 (API No. 30-025-10441), located at a standard Tubb gas well location 1980 feet from the South and East lines (Unit K) of Section 24 [see Ordering Paragraph No. (3)]; and (ii) a 160-acre non-standard GPU consisting of the SE/4 SW/4 (Unit N), NE/4 SE/4 (Unit I), and S/2 SE/4 (Units O and P) of Section 24 to be dedicated to the above-described J. L. Muncy Well No. 1.

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Currently on record with the Division are the following two Administrative orders granting approval for two non-standard 160-acre GPU's in the Tubb Oil and Gas Pool within Marathon's above-described J. L. Muncy lease:

- (i) with NSP-1474, dated November 6, 1985 (*Division administrative order reference No. pNSP0-014742002*), the E/2 SW/4 (Units K and N) and the S/2 SE/4 (Units O and P) of Section 24 was assigned to the above-described J. L. Muncy Well No. 1 in Unit "P" of Section 24; Tubb gas production within the aforementioned J. L. Muncy Well No. 2 in Unit "K" of Section 24 had since been abandoned; and
- (ii) with NSP-1475 (L), also dated November 6, 1985 (*Division administrative order reference No. pNSP0-014752002*), the S/2 NE/4 (Units G and H) and the N/2 SE/4 (Units I and J) of Section 24 were assigned to Marathon's J. L. Muncy Well No. 6 (API No. 30-025-29218), located at an unorthodox Tubb gas well location (also approved by this administrative order) 1920 feet from the South line and 330 feet from the East line (Unit I) of Section 24. By NMOCD Correspondence Reference No. SD-00-04 (*Division administrative order reference No. pMES0-515232880*), the Division confirmed that Marathon's J. L. Muncy Well No. 11 (API No. 30-025-33947), located at a standard Tubb gas well location for this GPU 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 24 was an approved infill gas well to the J. L. Muncy Well No. 6.

It is the Division's understanding at this time that Marathon, pursuant to the provisions of: (i) Division Rule 104.D (2); (ii) Division Rule 605; and (iii) the "*Special Rules and Regulations for the Tubb Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended, seeks with its application of May 10, 2005, the following:

- (1) To establish an 80-acre non-standard GPU comprising the S/2 NE/4 (Units G and H) of Section 24 by deleting the N/2 SE/4 (Units I and J) of Section 24 from the previously established 160-acre non-standard GPU approved by Division Administrative Order NSP-1475 (L) to be **simultaneously dedicated** to the above-described J. L. Muncy Well No. 11 (now located at an unorthodox Tubb gas well location for this newly formed 80-acre GPU) and to the J. L. Muncy Well No. 7 (API No. 30-025-29219), also located at an unorthodox Tubb gas well location also in Unit "G" 2086 feet from the North line and 1874 feet from the East line of Section 24, herein assigned *Division administrative order reference No. pMES0-515235112*;

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(2) To establish a second 80-acre non-standard GPU comprising the E/2 SW/4 (Units K and N) of Section 24 by deleting the S/2 SE/4 (Units O and P) of Section 24 from the previously established 160-acre non-standard GPU approved by Division Administrative Order NSP-1474 for Marathon's above-described J. L. Muncy Well No. 2, to be recompleted as a gas well in the Tubb Oil and Gas Pool at a standard gas well location in Unit "K" of Section 24, herein assigned *Division administrative order reference No. pMES0-515234714*; and

(3) To simultaneously dedicate its above-described J. L. Muncy Wells No. 1 (Unit P) and 6 (Unit I) to the resulting standard 160-acre Tubb GPU comprising the SE/4 (Units I, J, O, and P) of Section 24. The locations of the J. L. Muncy Wells No. 1 and 6 are also standard and unorthodox, respectively, for this newly established 160-acre GPU, herein assigned *Division administrative order reference No. pMES0-515235445*.

Approval of the request as proposed should enable Marathon to further develop and deplete the gas reserves from the Tubb Oil and Gas Pool within its J. L. Muncy fee lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rules 104.D (2), 104.F (2), 605.B (2) (b), and 605.D (4) (a). and the applicable provisions of the special pool rules governing the Tubb Oil and Gas Pool, the: (i) unorthodox gas well locations for the three above-described J. L. Muncy Wells No. 6, 7, and 11; and (ii) two above-described non-standard 80-acre GPU's, are hereby approved as referenced by the following Division Administrative Orders:

- (1) NSP-1474-A, which order is to correspond with *Division administrative order reference No. pMES0-515234714*;
- (2) NSP-1475-A (L) (SD), to correspond with *Division administrative order reference No. pMES0-515235112*; and
- (3) NSL-5211 (SD), to correspond with *Division administrative order reference No. pMES0-515235445*.

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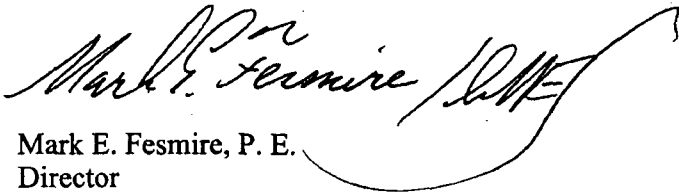
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It is further ordered that Division Administrative Orders NSP-1474 and NSP-1475 (L), the provisions of NMOCD Correspondence Reference No. SD-00-04, and Ordering Paragraphs No. (3) and (5) of Division Order No. R-1232, are hereby placed in abeyance until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: NSP-1474
NSP-1475 (L)
SD-00-04