



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

November 16, 2004

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

RE: NMOCD Correspondence Reference No. SD-04-09: *Tubb Oil and Gas Pool (86440) development within the existing standard 160-acre gas spacing and proration unit ("GPU") comprising the SW/4 of Section 35, Township 21 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 October 15, 2004 and received by the New Mexico Oil Conservation Division ("Division") in Santa Fe on October 25, 2004 (***administrative application reference No. pMES0-430233824***); and (ii) the Division's records in Hobbs and Santa Fe: all concerning Marathon Oil Company's ("Marathon") plans for the development of the Tubb Oil and Gas Pool within the above-described 160-acre standard GPU.

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) Rule 1207.A (2).

It is the Division's understanding that gas production attributed to the Tubb Oil and Gas Pool within this 160-acre GPU is to be simultaneously dedicated to Marathon's following three wells:

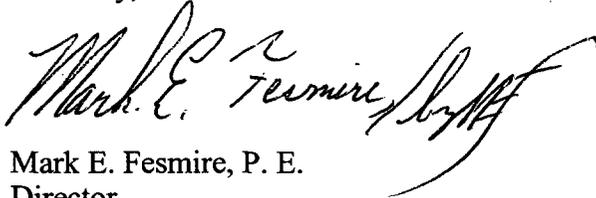
- (a) Mark Owen Well No. 1 (API No. 30-025-07037), located at a standard gas well location 1980 feet from the South line and 660 feet from the East line (Unit L) of Section 35;
- (b) Mark Owen Well No. 3 (API No. 30-025-07039), located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 35; and

(c) Mark Owen Well No. 8 (API No. 30-025-25481), located at a standard gas well 760 feet from the South and West lines (Unit M) of Section 35.

Marathon is permitted to produce the allowable assigned this 160-acre GPU from the three above-described Mark Owen Wells No. 1, 3, and 8 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,

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Hobbs