



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

August 15, 1997

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

Administrative Order NSL-3855(SD)

Dear Mr. Dueease:

Reference is made to your application dated July 17, 1997 for an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for your proposed Smith Federal Well No. 2, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The subject application submitted by Marathon Oil Company, as operator, has been duly filed under the provisions of:
 - (a) **Rule 104.F** of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"); and,
 - (b) 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-2440, as amended;
- (2) The operator proposes to drill its Smith Federal Well No. 2 (API No. **30-015-29789**) at an unorthodox infill gas well location 1465 feet from the South line and 800 feet from the West line (Unit L) of Section 11, Township 22 South, Range 23 East, NMPM, Eddy County, New Mexico;
- (3) This well is to be included within an existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of said Section 11, which is currently dedicated to the Smith Federal Well No. 1 (API No. **30-015-10567**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 11;
- (4) Marathon, by prior agreement with Chevron U.S.A. Inc., an offset operator to the subject unit, seeks to include within the provisions of any order issued in this matter a 37.42 percent production penalty to be applied against the GPU's assigned allowable, or an acreage factor for said GPU of 0.73; and,
- (5) By the authority granted me under the provisions of **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 General **RULE 104.F(2)**, the above-described unorthodox gas well location should be

approved.

IT IS THEREFORE ORDERED THAT:

(1) Marathon Oil Company, is hereby authorized to drill its Smith Federal Well No. 2 (API No. 30-015-29789) at an unorthodox infill gas well location 1465 feet from the South line and 800 feet from the West line (Unit L) of Section 11, Township 22 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

(2) Indian Basin-Upper Pennsylvanian gas production from both the existing Smith Federal Well No. 1 (API No. 30-015-10567), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of said Section 11, and the proposed Smith Federal Well No. 2, as described above, shall be attributed to the existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of said Section 11.

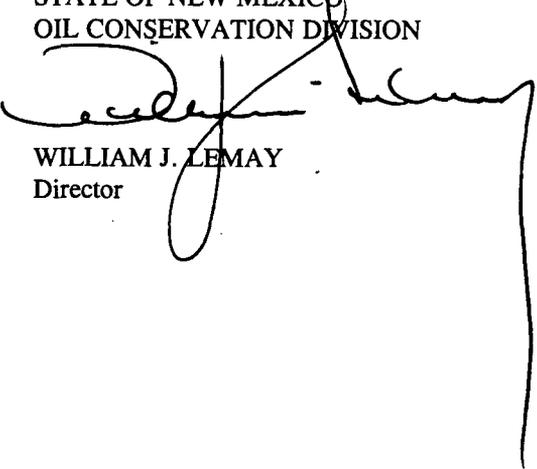
IT IS FURTHER ORDERED THAT:

(3) The subject GPU shall be assigned an acreage factor of 0.73.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


WILLIAM J. LEMAY
Director

S E A L

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad