



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

February 13, 1998

Marathon Oil Company
P.O. Box 552
Midland, Texas 79702-0552
Attention: Thomas M. Price

Administrative Order NSL-3945

Dear Mr. Price:

Reference is made to the following: (i) Marathon Oil Company's ("Marathon") original application to the Artesia District Office of the New Mexico Oil Conservation Division, dated June 19, 1997; (ii) the provisions of Division Administrative Order DD-156(H); (iii) the records of the Division in Santa Fe; and, (iv) the "General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico/Special Rules and Regulations for the South Dagger Draw-Upper Pennsylvanian Associated Pool," as promulgated by Division Order No. R-5353, as amended by supplemental Orders "A," "L," "L-1," "L-2," "L-3," R-4691-E, and R-4691-F, which includes provisions for 320-acre spacing and proration units for both oil and gas and well a location requirement which provides that wells be no closer than 660 feet to the outer boundary of a 320-acre spacing unit and not closer than 330 feet to any quarter-quarter section line or subdivision inner boundary thereon: all concerning Marathon's request of an unorthodox well location in an existing standard 320.28-acre "lay-down" spacing and proration unit for the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising Lots 1, 2, 3, and 4, and the S/2 N/2 (N/2 equivalent) of Section 2, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico. Said 320.28-acre unit was established by Division Administrative Order DD-156(H), dated October 31, 1996, when the orientation of two existing 320-acre, more or less, "stand-up" spacing and proration units in said Section 2 were changed to form two "lay-down" 320-acre, more or less, units in order to accommodate the drilling of a directional horizontal drainhole in Marathon's North Indian Basin Unit Well No. 14 (API No. 30-015-28143), located 660 feet from the North line and 2310 feet from the East line (Lot 2/Unit B) of said Section 2.

At the inception of said Administrative Order DD-156(H) South Dagger Draw-Upper Pennsylvanian Associated Pool oil and gas production from the subject 320.28-acre lay-down spacing and proration unit was simultaneously dedicated to the following five wells all located in the N/2 equivalent of said Section 2:

- (i) North Indian Basin Unit Well No. 13 (API No. 30-015-28068), located 2050 feet from the North line and 660 feet from the East line (Unit H);
- (ii) the aforementioned North Indian Basin Unit Well No. 14;
- (iii) Well No. 15 (API No. 30-015-28305), located 1980 feet from the North line and 1830 feet from the West

line (Unit F);

(iv) Well No. 23 (API No. 30-015-28578), located 760 feet from the North and West lines (Lot 4/Unit D); and,

(v) Well No. 26 (API No. 30-015-28752), located 2310 feet from the North line and 660 feet from the West line (Unit E).

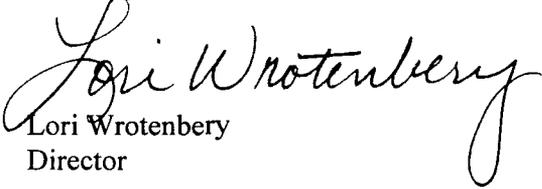
Pursuant to the well location set-back requirements for the South Dagger Draw-Upper Pennsylvanian Associated Pool the location of the North Indian Basin Unit Well No. 26 is considered to be unorthodox for the resulting 320.28-acre lay-down spacing and proration unit.

By the authority granted me under the provisions of RULE 2(C) of said special pool rules and Division General Rule 104.F(2), the unorthodox location of said North Indian Basin Unit Well No. 26 is hereby approved.

The operator shall comply with all applicable requirements and conditions set forth in Division Order Nos. R-5353, as amended by supplemental Orders "A," "L," "L-1," "L-2," "L-3," R-4691-E, and R-4691-F.

Further, all previous provisions of said Division Administrative Order DD-156(H) shall remain in full force and effect until further notice.

Sincerely,


Lori Wrottenberg
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: DD-156(H)