



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

March 17, 1998

Marathon Oil Company
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-3978(SD)

Dear Mr. Kellahin:

Reference is made to your application on behalf of the operator Marathon Oil Company ("Marathon") dated March 12, 1998 for an unorthodox well location in an existing standard 320-acre spacing and proration unit in the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the W/2 of Section 11, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division");
- (2) All of said Section 11 is within the boundaries of the South Dagger Draw-Upper Pennsylvanian Associated Pool;
- (3) By Order No. R-5353, as amended by supplemental Orders "A," "L," and "L-1" the Division promulgated "*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*," which includes provisions for 320-acre spacing and proration units for both oil and gas and well location requirements which provide 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;
- (4) Further, under Division Order Nos. R-4691-E/R-5353-L-2 and R-4691-F/R-5353-L-3, certain proration units within the South Dagger Draw-Upper Pennsylvanian Associated Pool are subject to additional production limitations and restrictions;
- (5) Within the subject 320-acre spacing and proration unit the following wells, all operated by Marathon, are currently completed within the South Dagger Draw-Upper Pennsylvanian Associated Pool:
 - (a) North Indian Basin Unit Well No. 7 (API No. 30-015-20089), located at a standard location 1650 feet from the South and West lines (Unit K) of said Section 11;

(b) North Indian Basin Unit Well No. 22 (API No. 30-015-28583), located at a standard location 760 feet from the South line and 990 feet from the West line (Unit M) of said Section 11;

(c) North Indian Basin Unit Well No. 24 (API No. 30-015-28814), located on the surface 122 feet from the North line and 310 feet from the West line (Unit D) of said Section 11 (see Division Administrative Order DD-131, dated February 13, 1996, for directional drilling authority); and,

(d) North Indian Basin Unit Well No. 27 (API No. 30-015-28977), located on the surface 2340 feet from the South line and 255 feet from the West line (Unit L) of said Section 11 (see Division Administrative Order DD-131-A, dated April 22, 1996, for directional drilling authority);

- (6) Marathon drilled its North Indian Basin Unit Well No. 10 (API No. 30-015-27930) in 1995 at an unorthodox location within the subject 320-acre spacing and proration unit 330 feet from the North line and 2310 feet from the West line (Unit C) of said Section 11;
- (7) Marathon chose to drill at this location at a more favorable geologic position within the Upper-Pennsylvanian interval than a well drilled at a location considered to be standard;
- (8) South Dagger Draw-Upper Pennsylvanian Associated Pool oil and gas production from the W/2 of said Section 11 is to be simultaneously dedicated to all five wells;
- (9) The Marathon operated North Indian Basin Unit Area comprises the following described 5,786 acres, more or less, in Eddy County, New Mexico:

TOWNSHIP 20-1/2 SOUTH, RANGE 23 EAST, NMPM

Irregular Section 36: All

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 1 and 2: All

Section 3: S/2

Section 4: S/2

Sections 9 through 12: All

Section 15: N/2

Section 16: All

- (10) There are no affected offsetting operators to this well other than Marathon; and,

- (11) Approval of this application will afford the applicant the opportunity to produce its just and equitable share of hydrocarbons within the South Dagger Draw-Upper Pennsylvanian Associated Pool, is in the best interest of conservation, and will serve to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) By the authority granted me under the provisions of RULE 2(c) of 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, and Division General Rule 104.F(2), Marathon Oil Company is hereby authorized to drill its North Indian Basin Unit Well No. 10 (API No. **30-015-27930**) at an unorthodox location 330 feet from the North line and 2310 feet from the West line (Unit C) of Section 11, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing standard 320-acre spacing and proration unit for the South Dagger Draw-Upper Pennsylvanian Associated Pool comprising the W/2 of said Section 11 is to be dedicated to said well.

IT IS FURTHER ORDERED THAT:

(3) South Dagger Draw-Upper Pennsylvanian Associated Pool production from the subject North Indian Basin Unit Well No. 10 is to be simultaneously dedicated with the following four wells all located in said Section 11:

(a) North Indian Basin Unit Well No. 7 (API No. **30-015-20089**), located at a standard location 1650 feet from the South and West lines (Unit K) of said Section 11;

(b) North Indian Basin Unit Well No. 22 (API No. **30-015-28583**), located at a standard location 760 feet from the South line and 990 feet from the West line (Unit M) of said Section 11;

(c) North Indian Basin Unit Well No. 24 (API No. **30-015-28814**), located on the surface 122 feet from the North line and 310 feet from the West line (Unit D) of said Section 11 (see Division Administrative Order DD-131, dated February 13, 1996, for directional drilling authority); and,

(d) North Indian Basin Unit Well No. 27 (API No. **30-015-28977**), located on the surface 2340 feet from the South line and 255 feet from the West line (Unit L) of said Section 11 (see Division Administrative Order DD-131-A, dated April 22, 1996, for directional drilling authority).

(4) The operator shall comply with all 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-

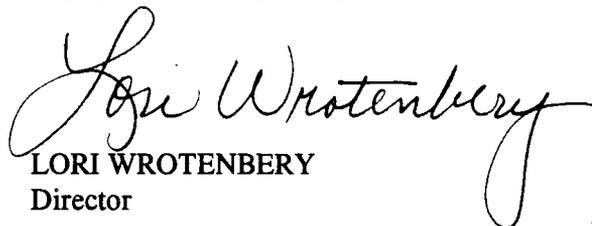
Administrative Order NSL-3978(SD)
Marathon Oil Company
March 17, 1998
Page 4

4691-F.

(5) 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


LORI WROTENBERY
Director

S E A L

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
New Mexico State Land Office - Santa Fe
File: DD-131
DD-131-A