



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

June 9, 1999

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

Administrative Order NSL-4311(SD)

Dear Mr. Ducease:

Reference is made to the following: (i) your application dated May 18, 1999; (ii) the New Mexico Oil Conservation Division's ("Division") response by letter from Mr. Michael E. Stogner, Engineer in Santa Fe, dated May 24, 1999; (iii) Mr. Stogner's telephone conversation with Mr. W. Thomas Kellahin, Legal Counsel for Marathon Oil Company ("Marathon"), on Wednesday, May 26, 1999; and (iv) the Division's records, including the file in Case No. 11088: all concerning Marathon's request for a second infill gas well to be drilled at an unorthodox gas well location within an existing 640-acre standard gas spacing and proration unit comprising all of Section 26, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

(1) Marathon is proposing to drill its Indian Basin "C" Well No. 3 at a location that is 1360 feet from the South line and 2200 feet from the East line (Unit J) of Section 26;

(2) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19:	All
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TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	W/2
Sections 2 through 5:	All
Sections 8 through 11:	All
Section 12:	W/2
Section 13:	W/2
Sections 14 through 17:	All
Section 21:	N/2
Section 22:	All;

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by 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, which require standard 640-acre gas spacing and proration units ("GPU") with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(4) All of Section 26, being a standard 640-acre GPU, is currently simultaneously dedicated to Marathon's: (i) Indian Basin "C" Well No. 1 (API No. 30-015-10332), located at a standard gas well location 1650 feet from the North and West line (Unit F) of Section 26; and (ii) Indian Basin "C" Well No. 2 (API No. 30-015-28167), located at an unorthodox gas well location (initially approved by Division Order No. R-10198, issued in Division Case No. 11088 dated September 22, 1994) 990 feet from the South line and 660 feet from the West line (Unit M) of Section 26;

(5) Division Order No. R-10198, as amended by Order No. R-10198-A, issued in Reopened Case No. 11088 dated July 22, 1996, further ordered that this 640-acre GPU be assigned an acreage factor of 0.65 for gas prorationing purposes, which assesses a 35% production penalty on Indian Basin-Upper Pennsylvanian Gas Pool production from this GPU;

(6) The subject application for Marathon's proposed Indian Basin "C" Well No. 3 has been duly filed under the provisions of Division Rule 104.F and the applicable provisions of the special pool rules for the Indian Basin-Upper Pennsylvanian Gas Pool; and

(7) By the authority granted me under the provisions of: (i) **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*," set forth in Division Order No. R-8170, as amended, and Division **RULE 104.F(2)**, the subject application for the above-described unorthodox infill gas well location for Marathon's proposed Indian Basin "C" Well No. 3 is hereby approved.

It Is Therefore Ordered That:

(1) Marathon Oil Company ("Marathon") is hereby authorized to drill its Indian Basin "C" Well No. 3 at an unorthodox second-infill gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool 1360 feet from the South line and 2200 feet from the East line (Unit J) of Section 26, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing 640-acre gas spacing and proration unit ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool that comprises all of Section 26 is to be simultaneously dedicated to Marathon's: (i) existing Indian Basin "C" Well No. 1 (API No. 30-015-10332), located at a standard gas well location 1650 feet from the North and West line (Unit F) of Section 26; (ii) existing Indian Basin "C" Well No. 2 (API No. 30-015-28167), located at an unorthodox gas well location (initially approved by Division Order No. R-10189, issued in Division Case No. 11088 dated September 22, 1994) 990 feet from the South line and 660 feet from the West line (Unit M) of Section 26; and (iii) proposed Indian Basin "C" Well No. 3, as described.

(3) As prescribed in Division Orders No. R-10198 and R-10198-A Marathon is hereby permitted to produce the allowable assigned the subject 640-acre GPU from all three wells in any proportion; **provided however**, total combined gas production from these three wells shall not exceed that volume assigned this GPU with its assessed acreage factor of 0.65.

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

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin, Counsel for Marathon Oil Company - Santa Fe
File: Case No. 11088