

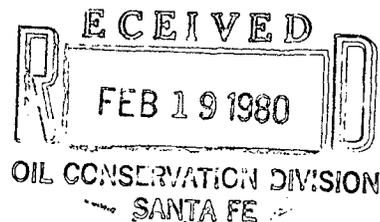
Robert J. Pickens
Attorney
Houston Division
Production, U.S. & Canada



**Marathon
Oil Company**

P.O. Box 3128
Houston, Texas 77001
Telephone 713/629-6600

January 31, 1980



Oil Conservation Division
Energy and Mineral Department
State of New Mexico
P.O. Box 2088
Sante Fe, NM 87501

Attention: Joe D. Ramey, Secretary-Director

Dear Sir:

Enclosed herewith, in triplicate, is the application of Marathon Oil Company for a non-standard gas proration unit for its proposed Federal IBD Gas Com Well No. 2 to be drilled in Section 30, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico, which is within one mile of the Indian Basin-Upper Pennsylvanian Gas Pool.

Marathon requests that this exception be approved administratively in accordance with Rule No. 3 of the Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool promulgated in Orders R-2440 and R-2440-A as Section 30 is an irregular sized section because of a variation in the United States Public Land Survey.

Yours very truly,

A handwritten signature in cursive script that reads 'Robert J. Pickens'.

ROBERT J. PICKENS

RJP/kjs
Enclosures

*Date
2-19-80*

*NSP-1180
30-21S-23E 578.6 acres
Federal IBD Gas Com Well No 2
Rule 3 R 2440
I more details*



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

February 4, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Steven F. Millican

Administrative Order NSL-4693

Dear Mr. Millican:

Reference is made to the following: (i) your initial application (*application reference No. pKRV0-133938634*) submitted to the New Mexico Oil Conservation Division's ("Division") on December 4, 2001; (ii) the Division's letter from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe dated January 2, 2002 informing you that the notification in this matter was inadequate; (iii) your telefaxed response of January 9, 2002 with the required information to complete the application; and (iv) the Division's records in Santa Fe and Artesia: all concerning Marathon Oil Company's ("Marathon") request for a non-standard Wolfcamp gas well location for the existing Federal "IBD" Gas Com. Well No. 2 (API No. 30-015-23313), located 800 feet from the North line and 200 feet from the East line (Unit A) of Section 30, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

This application has been duly filed under the provisions of 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.

According to the Division's well records the Federal "IBD" Gas Com. Well No. 2 was initially drilled in 1980 by Marathon to a total depth of 7,500 feet and completed within the Indian Basin-Upper Pennsylvanian Gas Pool at an unorthodox gas well location (approved by Division Order No. R-6310, issued in Case No. 6845 and dated April 15, 1980) within a non-standard 578.60-acre gas spacing and proration unit (approved by Division Administrative Order NSP-1180, dated February 19, 1980) comprising all of Section 30.

It is our understanding that Marathon intends to abandon the Indian Basin-Upper Pennsylvanian Gas Pool and recomplete this well up-hole in order to test the Wolfcamp formation for commercial gas production; pursuant to Division Rule 104.C (2) (a), as revised, this location is also considered to be unorthodox. Further, Lots 1 and 2, the NE/4, and the E/2 NW/4 (N/2 equivalent) of Section 30, being a standard 288.95-acre lay-down gas spacing and proration unit for any possible wildcat Wolfcamp gas production, is to be dedicated to this well.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox wildcat Wolfcamp gas well location for Marathon's Federal "IBD" Gas Com. Well No. 2 is hereby approved.

Administrative Order NSL-4693
Marathon Oil Company
February 4, 2002
Page 2

Further, Division Order N0. R-6310 shall be placed in abeyance until further notice.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery" followed by a flourish.

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin, Legal Counsel for Marathon Oil Company - Santa Fe
File: NSP-1180 ✓

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6845
Order No. R-6310

APPLICATION OF MARATHON OIL COMPANY
FOR AN UNORTHODOX GAS WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on March 26, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 15th day of April, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Marathon Oil Company, seeks approval of an unorthodox gas well location 800 feet from the North line and 200 feet from the East line of Section 30, Township 21 South, Range 23 East, NMPM, to test the Pennsylvanian formation, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.
- (3) That the special pool rules for said Indian Basin-Upper Pennsylvanian Gas Pool, as promulgated by Order No. R-2440 and made permanent by Order No. R-2440-A, provide for 640-acre (one section) spacing and proration units in said pool.
- (4) That while all of said Section 30 is to be dedicated to the well, no more than 190 acres within such section may be presumed to be productive from the Indian Basin-Upper Pennsylvanian Gas Pool.

(5) That a well at said unorthodox location will better enable applicant to produce the gas underlying the proration unit.

(6) That a well drilled at the proposed unorthodox location should receive an allowable penalty based upon productive acres in said Section 30.

(7) That the allowable factor for said well should be calculated as follows:

$$\text{Allowable Factor} = \frac{190 \text{ (Finding 4)}}{640 \text{ (Finding 3)}} = 0.30$$

(8) That the assignment of an allowable factor as described in Finding No. (7) above will permit the applicant to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool, will protect applicant's correlative rights and prevent waste, and will protect the correlative rights of offset operators in the pool.

IT IS THEREFORE ORDERED:

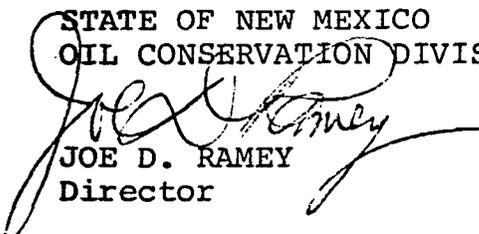
(1) That an unorthodox gas well location for the Pennsylvanian formation is hereby approved for a well to be located at a point 800 feet from the North line and 200 feet from the East line of Section 30, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, provided however, that such well upon completion in said pool shall have an allowable factor for gas proration purposes of 0.30.

(2) That all of said Section 30 shall be dedicated to the above-described well.

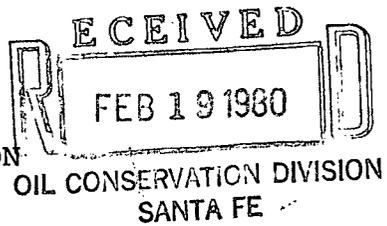
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director

S E A L
fd/



BEFORE THE OIL CONSERVATION DIVISION
ENERGY AND MINERAL DEPARTMENT
STATE OF NEW MEXICO

OIL CONSERVATION DIVISION
SANTA FE

IN THE MATTER OF THE APPLICATION OF)
MARATHON OIL COMPANY FOR A NON-STANDARD)
GAS PRORATION UNIT, INDIAN BASIN-UPPER) CASE NO. _____
PENNSYLVANIAN GAS POOL, EDDY COUNTY,)
NEW MEXICO)

APPLICATION

Marathon Oil Company, by its attorney, makes this application for administrative approval of a non-standard gas proration unit and in support thereof, respectfully states:

1.

That applicant is the operator of the Upper Pennsylvanian formation underlying all of partial Section 30, Township 21 South, Range 23 East, N.M.P.M., pursuant to a Communitization Agreement dated November 14, 1979, between Marathon Oil Company and Gulf Oil Corporation covering all of said Section 30, being 578.60 acres, more or less.

2.

Applicant seeks an exception to Rule No. 2 as provided for in Rule No. 3, of Order's Nos. R-2440 and R-2440-A promulgated by the Oil Conservation Division for the Indian Basin-Upper Pennsylvanian Gas Pool to permit the dedication of all of Section 30, an irregular sized section of 578.60 acres, more or less, resulting from a variation in the Legal Subdivision of the United States Public Lands Survey, to its Federal IBD Gas Com Well No. 2 to be drilled in said Section.

3.

The proposed non-standard gas proration unit is within one (1) mile of the Indian Basin-Upper Pennsylvanian Gas Pool and subject to the special rules and regulations adopted therefor. The proposed well can be reasonably expected to drain the entire unit, if productive, thereby preventing waste, and protecting applicant's

correlative rights and affording it an opportunity to produce its just and equitable share of the gas in the Indian Basin-Upper Pennsylvanian Gas Pool.

WHEREFORE, applicant prays:

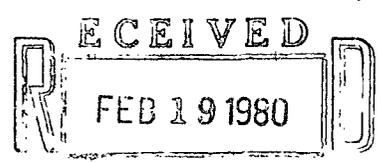
- a. That this application be approved administratively and that the Division enter its Order granting applicant an exception to the special rules and regulations for the Indian Basin-Upper Pennsylvanian Gas Pool to allow the dedication of all of Section 30, Township 21 South, Range 23 East, N.M.P.M., containing 578.60 acres, more or less, as a non-standard gas proration unit for its Federal IBD Gas Com Well No. 2 to be drilled in said Section.
- b. And for such other and further relief as may be just in the premises.

MARATHON OIL COMPANY

By _____

Robert J. Pickens
P.O. Box 3128
Houston, TX 77001
Attorney for Applicant

EXECUTED
XEROX



COMMUNITIZATION AGREEMENT

THIS AGREEMENT, entered into as of the 14th day of ~~November~~ ^{February}, 1979,

by and between the parties subscribing, ratifying, or consenting hereto, such parties being hereinafter referred to as "parties hereto,"

W I T N E S S E T H :

WHEREAS, the act of February 25, 1920, 41 Stat. 437, as amended, authorizes communitization or drilling agreements communitizing or pooling a Federal oil and gas lease or any portions thereof with other lands, whether or not owned by the United States, when separate tracts under such Federal lease cannot be independently developed and operated in conformity with an established well-spacing program for the field or area and such communitization or pooling is determined to be in the public interest; and

WHEREAS, the parties hereto own working, royalty, or other leasehold interests, or operating rights under the oil and gas lease and lands subject to this agreement which cannot be independently developed and operated in conformity with the well-spacing program established for the field or area in which said lands are located; and

WHEREAS, the parties hereto desire to communitize and pool their respective mineral interests in lands subject to this agreement for the purpose of developing and producing communitized substances in accordance with the terms and conditions of this agreement;

NOW, THEREFORE, in consideration of the premises and the mutual advantages as to the parties hereto, it is mutually covenanted and agreed by and between the parties hereto as follows:

1. The lands covered by this agreement (hereinafter referred to as "communitized area") are described as follows:

Township 21 South, Range 23 East, N.M.P.M.

Eddy County, New Mexico

Section 30: All

containing 578.60 acres, more or less, and this agreement shall extend to and include only the Cisco-Canyon formation underlying said lands and the dry gas and associated liquid hydrocarbons (hereinafter referred to as "communitized substances") producible from such lands.

2. Attached hereto, and made a part of this agreement for all purposes, is Exhibit A, designating the operator of the communitized area and showing the acreage, percentage, and ownership of oil and gas interests in all lands within the communitized area, and the authorization, if any, for communitizing or pooling any patented or fee lands within the communitized area.

3. All matters of operation shall be governed by the Operator under and pursuant to the terms and provisions of this agreement. A successor operator may be designated by the owners of the working interest in the communitized area and four (4) executed copies of a designation of successor operator shall be filed with the Regional Oil and Gas Supervisor.

4. Operator shall furnish the Secretary of the Interior, or his authorized representative, a log and history of any well drilled on the communitized area, monthly reports of operations, statements of communitized substances sales and royalties, and such other reports as are deemed necessary to compute monthly the royalty due the United States, as specified in the applicable oil and gas operating regulations.

5. Nondiscrimination. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

6. The communitized area shall be developed and operated as an entirety with the understanding and agreement between the parties hereto that all communitized substances produced therefrom shall be allocated among the leaseholds comprising said area in the proportion that the acreage interest of each leasehold bears to the entire acreage interest committed to this agreement.

7. The royalties payable on communitized substances allocated to the individual leases comprising the communitized area and the rentals provided for in said leases shall be determined and paid on the basis prescribed in each of the individual leases. Payment of rentals under the terms of leases subject to this agreement shall not be affected by this agreement except as provided for under the terms and provisions of said leases or as may herein be otherwise provided. Except as herein modified and changed, the oil and gas leases subject to this agreement and shall remain in full force and effect as originally made and issued.

8. There shall be no obligation on the lessees to offset any well or wells completed in the formation covered by this agreement on separate component tracts into which the communitized area is now or may hereafter be divided, nor shall any lessee be required to measure separately communitized substances by reason of the diverse ownership thereof, but the lessees shall not be released from their obligation to protect the communitized area from drainage of communitized substances by a well or wells drilled offsetting said area.

9. The commencement, completion, continued operation or production of a well or wells for communitized substances on the communitized area shall be construed and considered as the commencement, completion, continued operation or production on each and all of the lands within and comprising said communitized area, and operations or production pursuant to this agreement shall be deemed to be operations or production as to each lease committed hereto.

10. Production of communitized substances and disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under applicable Federal or State statutes. This agreement shall be subject to all applicable Federal and State laws or executive orders, rules, and regulations, and no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement if such compliance is prevented by, or if such failure results from, compliance with any such laws, orders, rules, or regulations.

11. This agreement shall be effective as of the date hereof upon execution by the necessary parties, notwithstanding the date of execution, and upon approval by the Secretary of the Interior, or his duly authorized representative, and shall remain in force and effect for a period of two (2) years and so long thereafter as communitized substances are or can be produced from the communitized area in paying quantities; provided that, prior to production in paying quantities from the communitized area and upon fulfillment of all requirements of the Secretary of the Interior, or his duly authorized representative, with respect to any dry hole or abandoned well, this agreement may be terminated at any time by mutual agreement of the parties hereto. This agreement shall not terminate upon cessation of production if, within sixty (60) days

thereafter, reworking or drilling operations on the communitized area are commenced and are thereafter conducted with reasonable diligence during the period of nonproduction.

12. It is agreed by the parties hereto that the Secretary of the Interior, or his duly authorized representative, shall have the right of supervision over all operations within the communitized area to the same extent and degree as provided in the oil and gas leases under which the United States of America is lessor and in the applicable oil and gas operating regulations of the Department of the Interior.

13. The covenants herein shall be construed to be covenants running with the land with respect to the communitized interests of the parties hereto and their successors in interest until this agreement terminates; and any grant, transfer, or conveyance of any such land or interest subject hereto, whether voluntary or not, shall be and hereby is conditioned upon the assumption of all obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary of the Interior.

14. This agreement shall be binding upon the parties hereto and shall extend to and be binding upon their respective heirs, executors, administrators, successors, and assigns.

15. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument, in writing, specifically referring hereto, and shall be binding upon all parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first above written and have set opposite their respective names the date of execution.

Date: December 12, 1979

ATTEST:

By *[Signature]*
Assistant Secretary

Date: February 1, 1980

MARATHON OIL COMPANY

By *[Signature]*

APPROVED AS TO FORM
[Signature]

GULF OIL CORPORATION

By *[Signature]*
Attorney-in-Fact

12/13/79
CORRP
[Signature]

STATE OF TEXAS I
 I
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 12th day
of December, 1979, by C. L. Roberts, Manager Houston
Division Onshore Operations of MARATHON OIL COMPANY, an Ohio corporation, on
behalf of said corporation.



My Commission Expires:
PATRICIA F. KENT
Notary Public in and for Harris County, Texas
My Commission Expires August 1, 1980

Patricia F. Kent
Notary Public in and for
Harris County, Texas

STATE OF TEXAS I
 I
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 1 day
of February, 1980, by J. M. THACKER, Attorney in Fact
for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said
corporation.



My Commission Expires:
11-30-80

Emily Jones
Notary Public in and for
Midland County, Texas

EXHIBIT "A" TO COMMUNITIZATION AGREEMENT
 DATED NOVEMBER 14, 1979, EMBRACING ALL OF
 SECTION 30, TOWNSHIP 21 SOUTH, RANGE 23 EAST
 EDDY COUNTY, NEW MEXICO

Operator of Communitized Area: Marathon Oil Company

DESCRIPTION OF LEASES COMMITTED

Tract No. 1

Lessor: United States of America

Lessee of Record: Marathon Oil Company

Serial No. of Lease: NM-0384625

Date of Lease: September 1, 1951

Description of Lands Committed: E $\frac{1}{2}$ of Section 30, T-21-S, R-23-E,
 Eddy County, New Mexico

Number of Acres: 320

Working Interest and Percentage: Marathon Oil Company - All

O.R.R.I. and Percentage: None

Tract No. 2

Lessor: United States of America

Lessee of Record: Gulf Oil Corporation

Serial No. of Lease: NM-038311

Date of Lease: September 1, 1959

Description of Lands Committed: Lots 1, 2, 3, and 4 and E $\frac{1}{2}$ W $\frac{1}{2}$ of Section 30,
 T-21-S, R-23-E, Eddy County, New Mexico

Number of Acres: 258.60

Working Interest and Percentage: Gulf Oil Corporation - All*

O.R.R.I. and Percentage: None

*Subject to Production Payment of \$500 per acre out of 5% owned in the
 following fractional interests:

Neil H. Wills	3/10
Rubie Crosby Bell	3/10
George D. Riggs et ux.,	
Edith G. Riggs	3/10
T. O. Powell	1/10

RECAPITULATION

<u>Tract Number</u>	<u>No. of Acres Committed</u>	<u>Percentage of Interest in Communitized Area</u>
1	320.00	55.30591%
2	<u>258.60</u>	<u>44.69409%</u>
<u>Totals</u>	578.60	100.00000%