



SD-00-04

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 1, 2005

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Marathon Oil Company
P. O. Box 3487
Houston, Texas 77253-3487

Attention: Charles E. Kendrix
Engineering Technician
cekendrix@marathonoil.com

Administrative Order NSP-1474-A
Administrative Order NSP-1475-A (L) (SD)
Administrative Order NSL-5211 (SD)

Dear Mr. Kendrix:

Reference is made to the following: (i) your application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 10, 2005; and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-1474, NSP-1475 (L), and SD-00-04 and Division Case No. 1487: all concerning Marathon Oil Company's ("Marathon"), formerly The Ohio Oil Company, request additional development and to rededicate acreage in the Tubb Oil and Gas Pool (86440) on its J. L. Muncy fee lease comprising 320 acres, being the S/2 NE/4, E/2 SW/4, and SE/4, of Section 24, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

Initially, Tubb gas production from The Ohio Oil Company's J. L. Muncy Well No. 1 (API No. 30-025-10440), located at a standard gas well location 660 feet from the South and East lines (Unit P) of Section 24, was dedicated to the SE/4 of Section 24, being a standard 160-acre gas spacing and proration unit ("GPU") in the Tubb Oil and Gas Pool.

By Division Order No. R-1232, issued in Case No. 1487 on August 6, 1958, The Ohio Oil Company, received authorization to develop the Tubb Oil and Gas Pool within this lease from: (i) a 160-acre non-standard gas spacing and proration unit ("GPU") consisting of the S/2 NE/4 (Units G and H), NE/4 SW/4 (Unit K), and NW/4 SE/4 (unit J) of Section 24 to be dedicated to the J. L. Muncy Well No. 2 (API No. 30-025-10441), located at a standard Tubb gas well location 1980 feet from the South and East lines (Unit K) of Section 24 [see Ordering Paragraph No. (3)]; and (ii) a 160-acre non-standard GPU consisting of the SE/4 SW/4 (Unit N), NE/4 SE/4 (Unit I), and S/2 SE/4 (Units O and P) of Section 24 to be dedicated to the above-described J. L. Muncy Well No. 1.

Marathon Oil Company
Division Administrative Order NSP-1474-A
Division Administrative Order NSP-1475-A (L) (SD)
Division Administrative Order NSL-5211 (SD)

June 1, 2005

Page 2

Currently on record with the Division are the following two Administrative orders granting approval for two non-standard 160-acre GPU's in the Tubb Oil and Gas Pool within Marathon's above-described J. L. Muncy lease:

- (i) with NSP-1474, dated November 6, 1985 (*Division administrative order reference No. pNSP0-014742002*), the E/2 SW/4 (Units K and N) and the S/2 SE/4 (Units O and P) of Section 24 was assigned to the above-described J. L. Muncy Well No. 1 in Unit "P" of Section 24; Tubb gas production within the aforementioned J. L. Muncy Well No. 2 in Unit "K" of Section 24 had since been abandoned; and
- (ii) with NSP-1475 (L), also dated November 6, 1985 (*Division administrative order reference No. pNSP0-014752002*), the S/2 NE/4 (Units G and H) and the N/2 SE/4 (Units I and J) of Section 24 were assigned to Marathon's J. L. Muncy Well No. 6 (API No. 30-025-29218), located at an unorthodox Tubb gas well location (also approved by this administrative order) 1920 feet from the South line and 330 feet from the East line (Unit I) of Section 24. By NMOCDC Correspondence Reference No. SD-00-04 (*Division administrative order reference No. pMES0-515232880*), the Division confirmed that Marathon's J. L. Muncy Well No. 11 (API No. 30-025-33947), located at a standard Tubb gas well location for this GPU 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 24 was an approved infill gas well to the J. L. Muncy Well No. 6.

It is the Division's understanding at this time that Marathon, pursuant to the provisions of: (i) Division Rule 104.D (2); (ii) Division Rule 605; and (iii) the "*Special Rules and Regulations for the Tubb Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended, seeks with its application of May 10, 2005, the following:

(1) To establish an 80-acre non-standard GPU comprising the S/2 NE/4 (Units G and H) of Section 24 by deleting the N/2 SE/4 (Units I and J) of Section 24 from the previously established 160-acre non-standard GPU approved by Division Administrative Order NSP-1475 (L) to be simultaneously dedicated to the above-described J. L. Muncy Well No. 11 (now located at an unorthodox Tubb gas well location for this newly formed 80-acre GPU) and to the J. L. Muncy Well No. 7 (API No. 30-025-29219), also located at an unorthodox Tubb gas well location also in Unit "G" 2086 feet from the North line and 1874 feet from the East line of Section 24, herein assigned *Division administrative order reference No. pMES0-515235112*;

Marathon Oil Company
Division Administrative Order NSP-1474-A
Division Administrative Order NSP-1475-A (L) (SD)
Division Administrative Order NSL-5211 (SD)

June 1, 2005

Page 3

(2) To establish a second 80-acre non-standard GPU comprising the E/2 SW/4 (Units K and N) of Section 24 by deleting the S/2 SE/4 (Units O and P) of Section 24 from the previously established 160-acre non-standard GPU approved by Division Administrative Order NSP-1474 for Marathon's above-described J. L. Muncy Well No. 2, to be recompleted as a gas well in the Tubb Oil and Gas Pool at a standard gas well location in Unit "K" of Section 24, herein assigned *Division administrative order reference No. pMES0-515234714*; and

(3) To simultaneously dedicate it's above-described J. L. Muncy Wells No. 1 (Unit P) and 6 (Unit I) to the resulting standard 160-acre Tubb GPU comprising the SE/4 (Units I, J, O, and P) of Section 24. The locations of the J. L. Muncy Wells No. 1 and 6 are also standard and unorthodox, respectively, for this newly established 160-acre GPU, herein assigned *Division administrative order reference No. pMES0-515235445*.

Approval of the request as proposed should enable Marathon to further develop and deplete the gas reserves from the Tubb Oil and Gas Pool within its J. L. Muncy fee lease that might not otherwise be recovered.

By the authority granted me under the provisions of Division Rules 104.D (2), 104.F (2), 605.B (2) (b), and 605.D (4) (a). and the applicable provisions of the special pool rules governing the Tubb Oil and Gas Pool, the: (i) unorthodox gas well locations for the three above-described J. L. Muncy Wells No. 6, 7, and 11; and (ii) two above-described non-standard 80-acre GPU's, are hereby approved as referenced by the following Division Administrative Orders:

- (1) NSP-1474-A, which order is to correspond with *Division administrative order reference No. pMES0-515234714*;
- (2) NSP-1475-A (L) (SD), to correspond with *Division administrative order reference No. pMES0-515235112*; and
- (3) NSL-5211 (SD), to correspond with *Division administrative order reference No. pMES0-515235445*.

Marathon Oil Company
Division Administrative Order NSP-1474-A
Division Administrative Order NSP-1475-A (L) (SD)
Division Administrative Order NSL-5211 (SD)

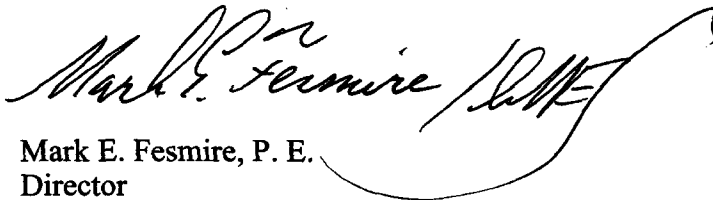
June 1, 2005

Page 4

It is further ordered that Division Administrative Orders NSP-1474 and NSP-1475 (L), the provisions of NMOCD Correspondence Reference No. SD-00-04, and Ordering Paragraphs No. (3) and (5) of Division Order No. R-1232, are hereby placed in abeyance until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,

A handwritten signature in cursive script, reading "Mark E. Fesmire", followed by a large, sweeping flourish that extends to the right.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: NSP-1474
NSP-1475 (L)
SD-00-04