

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

José María Prukop

Cabinet Secretary

June 2, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Charles E. Kendrix
Regulatory Compliance Representative
cekendrix@MarathonOil.com

RE: NMOCD Correspondence Reference No. SD-06-14: Tubb Oil and Gas Pool (86440) development within the existing non-standard 80-acre gas spacing and proration unit ("GPU") comprising the S/2 NE/4 (Units G and H) of Section 24, Township 22 South, Range 37 East, NMPM, Lea County, New Mexico.

Dear Mr. Kendrix:

Reference is made to the following: (i) your correspondence in the form of an administrative application dated May 24, 2006 and received by the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on May 30, 2006 (***administrative application reference No. pTDS0-615060415***); and (ii) the Division's records in Hobbs and Santa Fe, including the files on Division Administrative Orders NSP-1474, NSP-1474-A, NSP-1475 (L), NSP-1475-A (L) (SD), NSL-5211 (SD), and SD-00-04 and Division Case No. 1487: all concerning Marathon Oil Company's ("Marathon") plans for additional development within the Tubb Oil and Gas Pool underlying the above-described 80-acre non-standard GPU, which was established by Division Administrative Order NSP-1475-A (L) (SD) (***see administrative application reference No. pMES0-515235112***).

The rules currently governing the Tubb Oil and Gas Pool include but are not necessarily limited to: (i) the "*Special Rules and Regulations for the Tubb Oil and Gas Pool*," as promulgated by Division Order No. R-8170, as amended; (ii) Division Rule 605.B; (iii) 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; and (iv) Division Rule 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding that gas production attributed to the Tubb Oil and Gas Pool within this 80-acre non-standard GPU is to be simultaneously dedicated to Marathon's following three wells:

(a) J. L. Muncy Well No. 4 (API No. 30-025-22217), located at a standard gas well 1980 feet from the North line and 660 feet from the East line (Unit H) of Section 24;

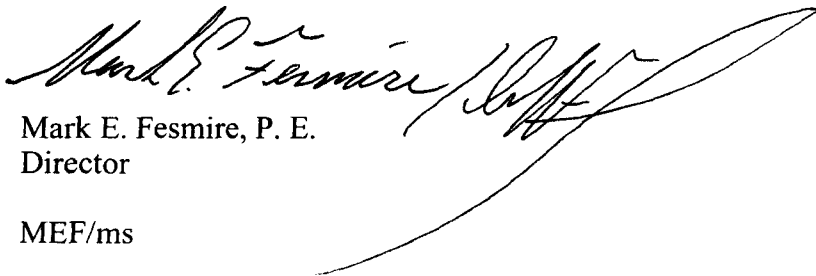
(b) J. L. Muncy Well No. 7 (API No. 30-025-29219), located at an unorthodox Tubb gas well location for this GPU [location approved by said Division Administrative Order NSP-1475-A (L) (SD)] 2086 feet from the North line and 1874 feet from the East line (Unit G) of Section 24; and

(c) J. L. Muncy Well No. 11 (API No. 30-025-33947), also located at an unorthodox Tubb gas well location for this GPU [location approved by said Division Administrative Order NSP-1475-A (L) (SD)] 2310 feet from the North line and 1980 feet from the East line (Unit G) of Section 24.

Marathon is permitted to produce the allowable assigned this 80-acre non-standard GPU from the three above-described J. L. Muncy Wells No. 4, 7, and 11 in accordance with Rule 8 of the special rules governing the Tubb Oil and Gas Pool and Division Rule 605.D (4) (a).

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
File: NSP-1474
NSP-1474-A
NSP-1475 (L)
NSP-1475-A (L) (SD)
NSL-5211 (SD)
SD-00-04
Division Case 1487
