

OIL CONSERVATION COMMISSION

P. O. BOX 2088

SANTA FE, NEW MEXICO

March 9, 1966

Marathon Oil Company
P. O. Box 220
Hobbs, New Mexico

Attention: Mr. John R. Barber

Administrative Order NSL-371

Gentlemen:

Reference is made to your application for approval of an unorthodox well location for your Federal IBC Well No. 1 to be located 1700 feet from the South line and 1550 feet from the East line of Section 29, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico.

By authority granted me under the provisions of Order No. R-2440, the above-described unorthodox well location is hereby approved.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/JMD/esr

cc: Oil Conservation Commission - Artesia
Oil & Gas Engineering Committee - Hobbs
United States Geological Survey - Roswell

C
O
P
Y



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

June 29, 2000

Chevron USA Inc.
P. O. Box 1150
15 Smith Road
Midland, TX 79702

Re: Application of Marathon Oil Company for administrative
Approval of an unorthodox well location Eddy County, New Mexico.

Enclosed is a copy of a plat for a proposed well to be drilled by Marathon Oil Company seeking approval of an unorthodox well location for an Indian Basin Upper Pennsylvanian Gas Pool well to be drilled at 860' FSL and 660' FEL of Section 29, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. The proposed Indian Basin "C" Gas Com No. 2 is a replacement well for the Federal Indian Basin C Gas Com # 1 which was drilled at 1700' FSL and 1550' FEL of Section 29, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. This well watered out in March 2000. The objectives of the proposed unorthodox location is to avoid the encroaching water and to encounter additional productive dolomitic reservoir.

Special rules and regulations for the Indian Basin Upper Pennsylvanian Gas Pool require wells to be spaced no less than 1,650' from outer boundaries and 330' from ¼, ¼ section lines.

The acreage factor for this unorthodox location is 0.65 based on the average value of the productive acreage calculation method and the distance ratio calculation method. The proposed acreage factor calculations are attached for your evaluation. This acreage factor is consistent with the acreage factor for the Indian Basin C # 2 (**0.65**) which was drilled at **660' FWL** and 990' FSL of Section 26-T-21-S, R-23-E, OCD order No. R-10198-A and with the acreage factor of the Yates Smith Federal # 2 (**0.61**) which was located at **480' FWL** and 2049' FNL of Section 12, T-22-S, R-23-E, Eddy County, New Mexico, OCD order No. R-9487-B.

As offset operator, you are hereby notified of Marathon's intent to drill the proposed well. If you have an objection to this application, it must be filed in writing with the New Mexico Oil Conservation Division at its Santa Fe office within twenty days from the date of this letter.

Should you have no objections to this request, please signify by signing below and return one executed copy to me in the envelope provided. Should you have any questions, please contact me at 915-687-8444.

Very truly yours,

A handwritten signature in cursive script that reads 'Syed Haider'.

Syed Haider
Marathon Oil Company

A subsidiary of USX Corporation

Chevron USA Inc.
Application of Marathon Oil Company for administrative
approval of an unorthodox well location Eddy County, New Mexico.
Page No. 2

I/WE AS OFFSET OPERATOR, WAIVE OBJECTION TO MARATHON'S INTENT TO
DRILL ITS FEDERAL INDIAN BASIN C GAS COM # 2 WELL AT 860' FSL AND 660'
FEL, SECTION 29, T-21-S, R-23-E, EDDY COUNTY, NEW MEXICO.

Chevron USA Inc.

By:

Title:

Date:

S. M. [Signature] / [Signature]
Geologist / P.G.
7/17/00 / 7-17-00



KERR-McGEE OIL & GAS ONSHORE LLC

P.O. BOX 809004 • DALLAS, TEXAS 75380-9004 • PH (972) 715-4000
14911 WELCH ROAD • DALLAS, TEXAS 75244-3834 • FAX (972) 715-4069

August 4, 2000

Sent Via Fax at 915/687-8431 (1 Page)

Mr. John Kloosterman
Marathon Oil Company
PO Box 552
Midland, Texas 79702

RE: Federal IBC Gas Com #2
Unorthodox Location 860' FSL &
660' FEL, Section 29, T21S-R23E,
Eddy County, New Mexico

Gentlemen:

We are in receipt of letter dated July 10, 2000, concerning Marathon's application for administrative approval of an unorthodox well location for the captioned well. Kerr-McGee Oil & Gas Onshore LLC will not object to this application provided Marathon agrees to and obtains from the OCD an acreage factor for this unit of a 0.53.

If the foregoing is acceptable, please sign and date this letter in the space provided below and return it to me via FAX at 972/715-4012.

Thank you and should you need to reach me, my phone number is 972/715-4608.

Sincerely,

Steve Foerster
Landman

Agreed to and accepted:

Marathon Oil Company

By:

Title: Manager IB

Date: 8-4-00



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

September 19, 2000

(Revised)

Texaco E&P
PO Box 3109
Midland, TX 79702

Re: Application of Marathon Oil Company for administrative approval of an unorthodox well location Eddy County, New Mexico.

Enclosed is a copy of Marathon's Application for Administrative Approval of an Unorthodox Well Location, which Marathon has mailed to NMOCD this same date. The enclosed that shows the unorthodox well location for an Indian Basin Upper Pennsylvanian Gas Pool well to be drilled at 860' FSL and 660' FEL of Section 29, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. The proposed Federal Indian Basin "C" Gas Com No. 2 is a replacement well for the Federal Indian Basin C Gas Com No. 1 which was drilled at 1700' FSL and 1550' FEL of Section 29, Township 21 South, Range 23 East, N.M.P.M., Eddy County, New Mexico. This well watered out in March 2000. The objectives of the proposed unorthodox location are to avoid the encroaching water and to encounter additional productive dolomitic reservoir, which is currently being drained by offset producers.

The proposed Federal Indian Basin "C" Gas Com Well No. 2 encroaches towards:

- (a) Section 32 which is a state lease and is operated by Texaco E&P as a 640-acre GPU containing two producing wells.
- (b) Section 28 which is a Federal lease operated by Kerr-McGee Oil & Gas Onshore LLC as a 640-acre GPU containing two producing wells.
- (c) Section 33 which is also a Federal lease operated by Chevron U.S.A. Production Company as a 640-acre GPU containing two producing wells.

Special rules and regulations for the Indian Basin Upper Pennsylvanian Gas Pool require wells to be spaced no less than 1,650' from outer boundaries and 330' from ¼, ¼ section lines.

The acreage factor for this unorthodox location is 0.65 based on the average value of the productive acreage calculation method and the distance ratio calculation method but we have agreed to a lower negotiated acreage factor of **0.532** which equates to a 46.8 % production penalty. This penalty factor is recommended by offset operators in order to protect their correlative rights.

The proposed acreage factor calculations are attached for your evaluation. This acreage factor is consistent with the acreage factor for the Conoco State Gas Com No. 2 (**State Lease w/ PF of 0.62**) which was drilled at 800' FSL and 800' FWL of section 2, T-22-S,

R-23-E, off setting section 11(Federal lease w/ Marathon WI=100 %). This proposed acreage factor is also consistent with the Indian Basin C No. 2 (0.65) which was drilled at 660' FWL and 990' FSL of Section 26-T-21-S, R-23-E, OCD order No. R-10198-A.

As offset operator, you are hereby notified of Marathon's intent to drill the proposed well. If you have an objection to this application, it must be filed in writing with the New Mexico Oil Conservation Division at its Santa Fe office within twenty (20) days from the date of this letter.

Should you have no objections to this request, please signify by signing below and return one executed copy to me in the envelope provided. Should you have any questions, please contact me at 915-687-8444.

Very truly yours,



Syed Haider
Marathon Oil Company

I/WE AS OFFSET OPERATOR, WAIVE OBJECTION TO MARATHON'S INTENT TO DRILL THE FEDERAL INDIAN BASIN C GAS COM No. 2 WELL AT 860' FSL AND 660' FEL, SECTION 29, T-21-S, R-23-E, EDDY COUNTY, NEW MEXICO.

Texaco E&P

By: _____

Title: _____

Date: _____

MARATHON OIL COMPANY
ACREAGE FACTOR CALCULATION
Federal Indian Basin "C" Gas Com No. 1 & 2

Marathon Oil Company is requesting that the NMOCD approve an acreage factor of 0.532 for gas allowable purposes. Marathon requests that this factor be applied to the unit located in section 29, T-21-S, R-23-E, Eddy County, New Mexico. This number is calculated by averaging the following methods:

1. **PRODUCTIVE ACREAGE** – Based on geologic evaluation, section 29 is estimated to have 577.85 productive acres:

$$577.85 \text{ acres} / 640 \text{ acres} = 0.90 \text{ (90 \% of section)}$$

2. **DISTANCE RATIO METHOD** – The percent distance from the lease line for the proposed unorthodox location compared to a regular location:

$$660' / 1650' = 0.40 \text{ (40 \% of distance)}$$

The average of the two methods is 0.65 (65 % of allowable)

Negotiated Acreage Factor = 0.532 (53.2 % of allowable)