



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

December 4, 1998

NSL-1960.A

Rec: 9-10-98
Susp: NA
Released: 12-4-98

Marathon Oil Company
c/o W. Thomas Kellahin
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-1960-A(SD)

Dear Mr. Kellahin:

Reference is made to your application dated September 10, 1998 on behalf of the operator, Marathon Oil Company ("Marathon"), for a non-standard gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool for Marathon Oil Company's proposed Indian Basin "32" State Well No. 3 to be drilled 950 feet from the North line and 1250 feet from the East line (Unit A) of Section 32, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

At the time this application was filed the boundaries of the Indian Basin-Upper Pennsylvanian Gas Pool included all of said Section 32. Pursuant to **RULE 2(b)** of the "*General Rules and Regulations 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, this location is considered to be unorthodox.

The proposed Indian Basin "32" State Well No. 3 is to be included within an existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of Section 32, which is currently dedicated to Marathon's: (i) Indian Basin "32" State Well No. 1-Y (**API No. 30-015-25133**), located at an unorthodox gas well location (approved by Division Administrative Order NSL- 1960, as amended) 1270 feet from the South line and 660 feet from the West line (Unit M) of Section 32; and, (ii) Indian Basin "32" State Well No. 2 (**API No. 30-015-30097**), located at a standard gas well location 2000 feet from the South line and 1650 feet from the East line (Unit J) of Section 32.

This application has been duly filed under the provisions of **RULE 104.F** of the Rules and Regulations of the New Mexico Oil Conservation Division ("Division").

By the authority granted me under the provisions of **RULE 2(d)** of the special rules applicable to the Indian Basin-Upper Pennsylvanian Gas Pool and Division **RULE 104.F(2)**, the above-described unorthodox gas well location is hereby approved.

Also, Marathon is hereby authorized to simultaneously dedicate Indian Basin-Upper Pennsylvanian gas production from the existing Indian Basin "32" State Well Nos. 1-Y and 2 with the proposed Indian Basin "32" State Well No. 3. Furthermore, Marathon is permitted to produce

Administrative Order NSL-1960-A(SD)

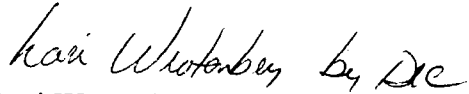
Marathon Oil Company

December 4, 1998

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the allowable assigned the subject GPU from all three wells in any proportion.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery by DC".

Lori Wrotenbery

Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe

Marathon
Oil CompanyP.O. Box 552
Midland, Texas 79702
Telephone 915/682-1626PANAFAX TRANSMITTAL SHEET

SEND THE FOLLOWING PAGES TO:

NAME MIKE STOGNER
COMPANY NAME NMOC
LOCATION S.F.
PANAFAX NUMBER: _____

FROM:

NAME WALTER DUEEASE EXT. _____
TOTAL NUMBER OF PAGES: 3 (including cover sheet)

IF YOU DO NOT RECEIVE ALL THE PAGES, PLEASE CALL BACK ASAPPHONE 915-687-8356, 800-351-1417

COMMENTS MIKE-
PLEASE LOOK THIS OVER AND CALL
ME WITH YOUR THOUGHTS.

THANKS-
WALT

August 28, 1998

Mr. Mike Stogner
State of New Mexico
Energy, Minerals and Natural Resources Department
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Indian Basin "32" State # 3
950' FNL & 1350' FEL
Section 32, T-21-S, R-24-E
Eddy County, New Mexico

Dear Mr. Stogner,

Marathon proposes to drill the above referenced well to test the Upper Pennsylvanian formation. This section is currently regulated under the "Indian Basin Upper Pennsylvanian Gas Pool" rules which provides, among other things, for 640 acre proration and spacing units with well locations to be not closer than 1650 feet from the outer boundary of said units.

Section 32, T-21-S, R-24-E is referenced in OCD case number 12006 to be deleted under the "Indian Basin Upper Pennsylvanian Gas Pool" and be included in the expansion of the "Indian Basin Upper Pennsylvanian Associated Pool". The attached topographic map shows the approximate staked location of this test which falls approximately 30 feet from an interior boundary and based on the current Gas Pool rules, less than 1650 feet from exterior boundaries. Should the associated Pool rules be granted, and the East half of section 32 be dedicated to the proposed 320 acre drilling unit, this location would be deemed non-standard by the distance to the interior boundary. As another matter, Marathon has made every effort to comply with the BLM's construction stipulations for the East Indian Basin Azotea Mesa Oil Ring Development. This section 32 is surrounded by the Federal acreage included in the development area and we wish to have continuity with the surrounding acreage, which forces us to conceal oil field development from the "Scenic Byway" of nearby NM 137 approximately .5 mi north. This restriction of visual contamination virtually eliminates the SE/4, NE/4 as an alternate location at this time.

I would like to have your advice in requesting an administratively approved, non-standard location for this well. Can we assume that case no. 12006 will be approved by the commission? If not would I make an administrative request for the NSL in the Gas Pool? Please contact me at your earliest convenience at (800) 351-1417 or (915) 687-8356.

Very truly yours,

