



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 2, 2008

Marathon Oil Company
Attn: Mr. Charles E. Kendrix
P.O. Box 3487
Houston, TX 77253-3487

Administrative Order NSL-5746

**Re: J.L. Muncy Well No. 3
API No. 30-025-10442
Unit N, Section 24-22S-37E
Lea County**

Dear Mr. Kendrix:

Reference is made to the following:

(a) your application for non-standard location (NSL) approval (**administrative application reference No. pKVR07-31741741**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 13, 2007,

(b) your application for simultaneous dedication (SD) approval (**administrative application reference No. pKVR07-31741251**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 13, 2007, and

(c) the Division's records pertinent to this request, including the Division's files pertaining to Administrative Order NSP-1474-A, and other administrative and hearing orders referenced therein.

Marathon Oil Company (Marathon) has requested to complete the above-referenced J.L. Muncy Well No. 3 in the Tubb formation at an unorthodox Tubb gas well location, 330 feet from the South line and 1720 feet from the West line (Unit N) of Section 24, Township 22 South, Range 37 East, N.M.P.M., in Lea County, New Mexico.

Marathon proposes to dedicate to this well the E/2 SW/4 of Section 24, an existing non-standard 80-acre gas spacing and proration unit in the Tubb Oil and Gas Pool (86440), which was approved by Administrative Order NSP-1474-A, issued on June 1, 2005. Spacing in this pool is governed by the Special Rules and Regulations for the Tubb Oil and Gas Pool, as provided in Order R-8170 issued on March 28, 1986, which provide for standard gas proration units of 160 acres, and further provide that a gas well in a unit comprising more than 40 acres shall be located at least 660 feet from any unit outer boundary or quarter section line, and at least 330 feet from any quarter-quarter section line. This location is less than 660 feet from the southern and eastern unit boundaries.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that you are seeking this location in order to utilize an existing wellbore that was originally drilled to test a different formation.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

You also requested approval for simultaneous dedication of the above-described non-standard unit to the referenced well and to your J.L. Muncy Well No. 2 (API No. 30-025-10441), located 1980 feet from the South and West lines of Section 24. Approval for simultaneous dedication is not required because the Tubb Oil and Gas Pool is a prorated gas pool, and the Special Pool Rules expressly contemplate the possibility of more than one gas well in a gas spacing and proration unit; PROVIDED, HOWEVER, that the total production from all gas wells in the unit shall not exceed the allowable for the unit.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire". The signature is fluid and cursive, with the first name "Mark" being the most prominent.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs