



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury
Cabinet Secretary

July 19, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Administrative Order NSL-4612 (SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) Marathon Oil Company's ("Marathon") initial application (*NMOCD Reference No. pKRV0-106048673*) filed with the New Mexico Oil Conservation Division ("Division") on February 26, 2001 by Mr. Jerry Fletcher, Engineering Technician, of Midland, Texas; (ii) the Division's response by letter from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer in Santa Fe, New Mexico dated March 22, 2001 denying this application; (iii) Mr. Stogner's presentation in Midland, Texas on May 16, 2001 at the Industry Training Seminar, attended by several representatives of Marathon; (iv) your re-submittal of this application (*NMOCD Reference No. pKRV0-118338649*) on behalf of Marathon to the Division on June 28, 2001; (v) your telefaxed letter dated July 11, 2001 to Mr. Richard Ezeanyim, newly hired Chief Engineer with the Division in Santa Fe, New Mexico, requesting Marathon be given special preferential consideration in this matter; and (vi) the Division's records in Santa Fe, including the file on SD-01-02, all concerning Marathon's request for a second infill gas well to be drilled at an unorthodox gas well location within an existing 640-acre gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Indian Basin-Upper Pennsylvanian Gas Pool (**79040**), Eddy County, New Mexico.

The Division Director Finds That:

(1) Marathon is proposing to drill its Indian Basin "D" Well No. 3 (**API No. 30-015-31713**) at a location that is 1980 feet from the South line and 1470 feet from the East line (Unit J) of Section 34;

(2) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

| | |
|-------------------|-----|
| Section 3: | W/2 |
| Section 4: | All |
| Sections 8 and 9: | All |
| Section 10: | W/2 |

| | |
|-------------------------|-----|
| Section 15: | W/2 |
| Sections 16 through 30: | All |
| Sections 32 through 35: | All |
| Section 36: | W/2 |

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

| | |
|-------------|-----|
| Section 19: | All |
|-------------|-----|

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

| | |
|-------------------------|------|
| Section 1: | W/2 |
| Sections 2 through 5: | All |
| Sections 8 through 11: | All |
| Section 12: | W/2 |
| Section 13: | W/2 |
| Sections 14 through 17: | All |
| Section 21: | N/2 |
| Section 22: | All; |

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by: (i) Division Rule 605; and (ii) the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended: which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary;

(4) All of Section 34 is currently simultaneously dedicated to the following two Marathon operated gas wells:

(a) Indian Basin "D" Well No. 1 (API No. 30-015-10616), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34; and

(b) Indian Basin "D" Well No. 2 (API No. 30-015-28955), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 34; and

(5) The subject application for Marathon's proposed Indian Basin "D" Well No. 3 has been duly filed under the provisions of: (i) 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; (ii) Division Rule 605; and (iii) the special rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

(6) The applicant's voluntary request to assign the subject GPU an acreage factor of 0.946 for allowable purposes under Division Rule 605 is deemed reasonable and should be implemented.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rules 104.F (2), as revised, Division Rule 605.B (2) (b), and the applicable provisions of the special pool rules governing the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended, Marathon Oil Company ("Marathon") is hereby authorized to drill its proposed Indian Basin "D" Well No. 3 (**API No. 30-015-31713**) as a second infill gas well at an unorthodox gas well location in the Indian Basin-Upper Pennsylvanian Gas Pool (**79040**) 1980 feet from the South line and 1470 feet from the East line (Unit J) of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing 640-acre gas spacing and proration unit ("GPU") within the Indian Basin-Upper Pennsylvanian Gas Pool that comprises all of Section 34 is to be simultaneously dedicated to Marathon's:

(a) existing Indian Basin "D" Well No. 1 (**API No. 30-015-10616**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34;

(b) existing Indian Basin "D" Well No. 2 (**API No. 30-015-28955**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 34; and

(c) proposed Indian Basin "D" Well No. 3, as described above.

It Is Further Ordered That:

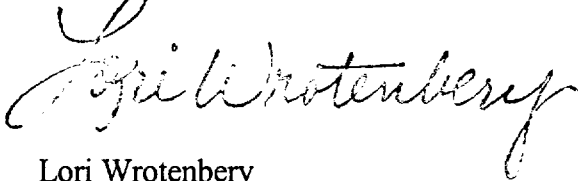
(3) Pursuant to the applicable provisions of Division Rule 605, Marathon is hereby permitted to produce the allowable assigned the subject GPU from all three wells in any proportion; **provided however**, total combined gas production from these wells shall not exceed that volume assigned this GPU with an assigned acreage factor of 0.946 for gas prorationing purposes, which assesses a 5.40 % production penalty on Indian Basin-Upper Pennsylvanian Gas Pool production from this GPU.

(4) The information contained in NMOCD Correspondence Reference No. SD-01-02, dated February 15, 2001, is no longer valid and is hereby superseded by this order.

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

Sincerely,

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

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: SD-01-02
David R. Catanach Proration Umpire - Santa Fe