



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

November 27, 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

Telefax No. (505) 982-2047

Administrative Order NSL-4638-A(SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) Marathon Oil Company's ("Marathon") initial application (*application reference No. pKRV0-105430033*) that was submitted to the New Mexico Oil Conservation Division ("Division") on February 20, 2001; (ii) the Division's letter dated August 6, 2001 from Mr. Michael E. Stogner, Engineer/Chief Hearing Officer in Santa Fe **withdrawing** this application; (iii) your re-submittal of the application on behalf of Marathon to the Division on November 21, 2001 (*application reference No. pKRV0-132546826*); and (iv) the Division's records in Santa Fe, including the file on Division Administrative Order NSL-4638(SD), all concerning Marathon's request for:

(a) an infill well to be drilled at an unorthodox location within an existing 320-acre lay-down spacing and proration unit comprising the N/2 of Section 28, Township 21 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool (**33685**), Eddy County, New Mexico; and

(b) an exception to Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, for the Morrow formation underlying the N/2 of Section 28, being a standard 320-acre lay-down gas spacing unit for this interval.

The Division Director Finds That:

(1) Marathon is proposing to drill its Indian Hills Unit Well No. 34 (**API No. 30-015-31751**) at a location that is 1416 feet from the North line and 1607 feet from the West line (Unit F) of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, to a depth sufficient to test both the Morrow formation and Upper-Pennsylvanian interval;

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

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Sections 2 and 3:	All
Sections 9 and 10:	All
Section 11:	W/2

Section 14:	SW/4
Section 15:	All
Sections 22 through 25:	All
Section 36:	All

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 9:	S/2
Section 15:	S/2
Sections 16 and 17:	All
Sections 19 through 22:	All
Sections 30 through 32:	All;

(3) The Indian Basin-Morrow Gas Pool is governed by the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*," as promulgated by Division Orders No. R-8170-O-1/R-2441-B, issued in Case No. 11512 and dated July 31, 1996, and R-8170-O-2/R-2441-C, dated August 15, 1996, which includes provisions: (i) for 640-acre spacing; (ii) requiring wells to be located no closer than 660 feet to the outer boundary of a unit nor closer than 330 feet to any governmental quarter-quarter section or subdivision inner boundary; (iii) that allows for one infill well per 640-acre unit; (iv) that confines these special pool rules to those lands that are within the pool's horizontal limits; and (v) for a buffer zone extending one-half mile beyond the pool boundary with additional restrictions on locations therein;

(4) The proposed Morrow gas spacing unit comprising the N/2 of Section 28 is within this one-half mile buffer area and is therefore subject to: (i) Division Rule 104.C (2) which provides for 320-acre spacing; and (ii) for its initial well to be no closer than 660 feet to the outer boundary of this unit nor closer than 330 feet to any quarter-quarter section or subdivision inner boundary;

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

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 36:	E/2
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TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 16:	W/2
Sections 20 and 21:	All
Section 27:	S/2
Sections 28 through 34:	All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1:	E/2
Section 12:	E/2
Section 13:	E/2

TOWNSHIP 22 SOUTH, RANGE 24 EAST, NMPM

Sections 2 through 10: All
Section 11: N/2
Sections 16 through 18: All

(6) The Indian Basin-Upper Pennsylvanian Associated Pool is currently governed by the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool*", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, and R-9922-D and the "*General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*", as promulgated by Division Order No. R-5353, as amended, which require standard 320-acre oil and gas spacing units with wells to be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any quarter-quarter section line or subdivision inner boundary, and no more than one well per 80-acre tract shall be drilled or produced on a standard proration unit;

(7) Production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from the proposed Indian Hills Unit Well No. 34 is to be dedicated to an existing 320-acre lay-down spacing and proration that also comprises the N/2 of Section 28, which is currently simultaneously dedicated to Marathon's: (i) Indian Hills Unit Well No. 10 (API No. 30-015-30571), located at an unorthodox location 2080 feet from the North line and 660 feet from the West line (Unit E) of Section 28 (approved by Division Administrative Order NSL-4638(SD), dated September 4, 2001); and (ii) Indian Hills Unit Well No. 17 (API No. 30-015-30661), located at a standard location 660 feet from the North line and 2220 feet from the East line (Unit B) of Section 28; and

(8) The subject application for Marathon's proposed Indian Hills Unit Well No. 34 has been duly filed under the provisions of: (i) Division Rule 104.F; (ii) Division Rule 1207.A; and (iii) Rule 2 (c) of the aforementioned associated oil and gas pool rules.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division Rules 104.F (2), as revised, and the applicable provisions of the rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, Marathon Oil Company's request for its proposed Indian Hills Unit Well No. 34 (API No. 30-015-31751) to be drilled at an unorthodox location in both the Upper-Pennsylvanian and Morrow intervals 1416 feet from the North line and 1607 feet from the West line (Unit F) of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, is hereby approved.

(2) Morrow gas production from the proposed Indian Hills Unit Well No. 34 is to be dedicated to a standard 320-acre lay-down gas spacing and proration unit comprising the N/2 of Section 28.

(3) The existing 320-acre standard spacing and proration unit within the Indian Basin-Upper Pennsylvanian Associated Pool that also comprises the N/2 of Section 28 is to be simultaneously dedicated to Marathon's:

(a) existing Indian Hills Unit Well No. 10 (API No. 30-015-30571),

located at an unorthodox location 2080 feet from the North line and 660 feet from the West line (Unit E) of Section 28 (approved by Division Administrative Order NSL-4638 (SD), dated September 4, 2001);

(b) existing Indian Hills Unit Well No. 17 (**API No. 30-015-30661**), located at a standard location 660 feet from the North line and 2220 feet from the East line (Unit B) of Section 28; and

(c) above-described Indian Hills Unit Well No. 34.

(4) 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 / MES".

Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: NSL-4638(SD)