



**NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT**

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

October 28, 1999

**Marathon Oil Company
P. O. Box 2490
Hobbs, New Mexico 88240
Attention: Thomas P. Kacir**

Division Administrative Order NSP-1732-A (SD)

Dear Mr. Kacir:

Reference is made to your application dated September, 24, 1999 to: (i) reestablish a previously approved non-standard 80-acre gas spacing and proration unit ("GPU") in the Eumont Gas Pool comprising the E/2 SW/4 of Section 26, Township 19 South, Range 36 East, NMPM, Lea County, New Mexico; (ii) simultaneously dedicate Eumont gas production from this 80-acre GPU to Marathon Oil Company's ("Marathon") McGrail State Well No. 1 (API No. 30-025-04078) located at a standard gas well location 660 feet from the South line and 1980 feet from the West line (Unit N) of Section 26 and McGrail State Well No. 3 (API No. 30-025-32579) located at a standard gas well location 1880 feet from the South line and 1980 feet from the West line (Unit K) of Section 26; and (iii) vacate Division Administrative Order NSL-1732 (L).

By Division Order No. R-534, dated October 4, 1954, this 80-acre GPU was initially established and had dedicated thereon the above-described McGrail Well No. 1.

By Division Administrative Order SD-94-4, dated November 10, 1994, a second well for this GPU, the above-described McGrail State Well No. 3 was authorized.

By Division Administrative Order NSP-1732 (L), dated August 1, 1995, the aforementioned 80-acre GPU was reduced to a 40-acre GPU, comprising only the NE/4 SW/4 (Unit K) of Section 26. This 40-acre GPU is currently dedicated [as referenced in Order NSP-1732 (L)] to the aforementioned McGrail State Well No. 3. This 40-acre GPU was created by deleting therefrom the 40 acres comprising the SE/4 SW/4 (Unit N) of Section 26 in order to establish a standard Eumont oil spacing and proration unit for the McGrail State Well No. 1, which had been reclassified from an Eumont Agas well_≡ to an Aoil well_≡.

It is our understanding at this time that Marathon intends to reestablish Eumont gas production in the McGrail State Well No. 1 and combine Eumont gas production from both the McGrail State Well Nos. 1 and 3 in order to reestablish the 80-acre GPU.

By the authority granted me under the provisions of **Rule 2(d)** of the "General Rules for

Administrative Order NSP-1732-A(SD)
Marathon Oil Company
October 28, 1999
Page 2

the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the Eumont Gas Pool", as promulgated by Division Order No. R-8170, as amended, and Division Rule 104.D(2) the above-described non-standard 80-acre gas spacing and proration unit is hereby reinstated. Further, Marathon is hereby permitted to produce the allowable assigned the subject GPU, in accordance with Rule 5 of the pool rules based upon a unit size of 80 acres, from both the McGrail State Wells No. 1 and 3 in any proportion.

Further, Division Administrative Orders NSP-1732 (L) and SD-94-4 and Division Order No. R-534 are hereby placed in abeyance until further notice.

Jurisdiction of this matter shall be further retained for the entry of any such subsequent orders, as the Division may deem necessary.

Sincerely,



LOR WROTENBERY
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Hobbs
New Mexico State Land Office - Santa Fe
File: NSP-1732 (L) /
SD-94-4