

Section 32:

All.

(3) The Lusk-Morrow Gas Pool is an "unprorated gas pool" not subject to Part H of the Division's statewide rules and regulations entitled "*Gas Proration and Allocation*" (Rules 601 through 605). However, the Lusk-Morrow Gas Pool is subject to: (i) the "*Special Rules and Regulations for the Lusk-Morrow Gas Pool*," as established by Division Order No. R-2373, as amended by Orders No. R-2373-A, R-2373-B, and R-6197, which require standard 640-acre gas spacing and proration units, with wells to be located no closer than 330 feet to the outer boundary of the SW/4 NE/4, SE/4 NW/4, NE/4 SW/4, and NW/4 SE/4 of the section; and (ii) Division Rule 104.D (3), which restricts the number of producing wells within a single gas spacing unit within non-prorated pools to only one (see official notice to all operators submitted by the Division Director on October 25, 1999). Producing wells within this pool are allowed to produce at capacity.

(4) As directed by Division Order No. R-2373-C, issued in Case No. 12076 and dated January 15, 1999, as amended by Division Order No. R-2373-C (1), the applicant, Marbob Energy Corporation ("Marbob"), seeks to amend the rules and regulations currently governing the Lusk-Morrow Gas Pool to provide:

- (a) the option to drill on each quarter section within a standard 640-acre gas spacing and proration unit; and
- (b) the relaxation of the setback requirements for wells, such that wells can be located no closer than 660 feet to a quarter section line nor closer than 10 feet to any quarter-quarter section line or subdivision inner boundary.

(5) By Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, Division Rule 104 was amended for deep gas development (Wolfcamp and older) in southeast New Mexico (Lea, Chaves, Eddy, and Roosevelt Counties) to provide for: (i) one optional infill well within a standard 320-acre gas spacing and proration unit; (ii) relaxed setback requirements to the outer boundary line of a spacing and proration unit; and (iii) a larger geographical area within each quarter section of a single unit in which to drill a well at a location that is standard by reducing the 330-foot setback requirements to an interior quarter-quarter section line to 10 feet.

(6) Marbob presented evidence that demonstrates there are currently nine producing wells within the Lusk-Morrow Gas Pool, three of which are operated by Marbob.