



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

February 15, 2001

Lori Wrotenberg

Director

Oil Conservation Division

Marathon Oil Company

P. O. Box 552

Midland, Texas 79702-0552

Attention: Jerry Fletcher

Engineering Technician



RE: NMOCD Correspondence Reference No. SD-01-02: *Indian Basin-Upper Pennsylvanian Gas Pool development within an existing standard 640-acre gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

Reference is made to your letter dated January 25, 2001 notifying the New Mexico Oil Conservation Division's ("Division") Santa Fe office of Marathon Oil Company's ("Marathon") plans for further Upper Pennsylvanian gas development within the existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The rules currently governing spacing, well locations, and allowables for the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool include, but not necessarily limited to:

- (a) *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool,"* as promulgated by Division Order No. R-8170, dated March 28, 1986, as amended by Division Orders No. R-8170-H, dated December 10, 1990, and R-10987, dated May 7, 1998, 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; and
- (b) Division Rules 104 (*Well Spacing and Location*) and 605 (*Gas Proration Rules*).

It is our understanding that gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool within this 640-acre GPU will to be simultaneously dedicated to the following three wells:

SD-01-02

Marathon Oil Company

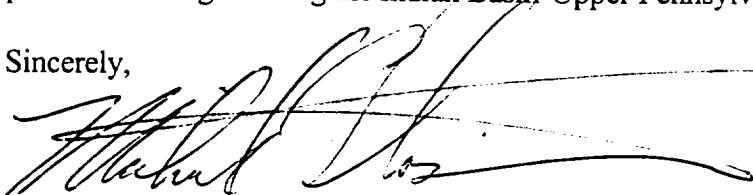
February 15, 2001

Page 2

- Marathon's 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;
- Marathon's 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
- Marathon's proposed Indian Basin "D" Well No. 3 to be drilled at a standard gas well location 1980 feet from the South line and 1870 feet from the East line (Unit J) of Section 34.

It is understood by the Division that Marathon will abide by all existing rules, regulations, policies, and procedures applicable to prorated gas pools in New Mexico and that Marathon intends to operate the aforementioned Indian Basin "D" Wells No. 1, 2, and 3 and the existing 640-acre standard gas spacing and proration unit in accordance therein. It is further understood that Marathon will not allow the total combined gas production from these three wells to exceed that volume assigned this GPU with its assessed acreage factor of 1.00 in accordance to the gas proration rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

cc: New Mexico Oil Conservation Division - Artesia ✓
U. S. Bureau of Land Management - Carlsbad