



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

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Cabinet Secretary

October 3, 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



RE: NMOCD Correspondence Reference No. SD-01-06: *Indian Basin-Morrow Gas Pool development within an existing standard 631.54-acre gas spacing and proration unit comprising all of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Kellahin:

Reference is made to the following: (i) your letter on behalf of the operator, Marathon Oil Company ("Marathon"), in the form of an administrative filing dated August 8, 2001 (*application reference No. pKRV0-122048777*); (ii) the records of the New Mexico Oil Conservation Division ("Division"); (iii) your telephone conversations with Mr. Michael E. Stogner, Engineer in Santa Fe on Tuesday, October 2, 2001; (iv) Mr. Stogner's e-mail of October 2, 2001; and (v) your telefaxed response of October 2, 2001 with the necessary information confirming Marathon's proposed plans for further Morrow gas development within the existing 631.54-acre standard gas spacing and proration unit comprising all of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

By Division Order No. R-8170-O-1/R-2441-B, issued in Case No. 11512 and dated July 31, 1996, as amended by Nunc Pro Tunc Order No. R-8170-O-2/R-2441-C, the Indian Basin-Morrow Gas Pool is subject to the "*Special Rules and Regulations for the Indian Basin-Morrow Gas Pool*," which orders ceased the prorationing of gas production within the pool and provided for: (i) 640-acre standard gas spacing and proration units; (ii) the infill drilling of a second well within an existing 640-acre gas spacing and proration unit; and (iii) requires that wells be located no closer than 660 feet from the outer boundary of the proration unit nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary; and

From the Division's records current gas production attributed to the Indian Basin-Morrow Gas Pool within this 631.54-acre unit will to be simultaneously dedicated to the following two wells:

- Marathon's Indian Hills Unit Well No. 25 (**API No. 30-015-31194**), being a directional well with a surface location 1093 feet from the North line and 1367 feet from the East line (Lot 2/Unit B) of Section 20 and a bottomhole location, considered to be