



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 15, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Jerry Fletcher
Engineering Technician



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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: