



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

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

standard within the Morrow formation, 2093 feet from the North line and 707 feet from the East line (Lot 8/Unit H) of Section 20; and

- Marathon's existing Indian Hills Unit Well No. 30 (**API No. 30-015-31655**), which has recently drilled directionally into the Morrow formation from a surface location 1494 feet from the South line and 688 feet from the West line (Unit L) of Section 20 to a bottomhole location 1364 feet from the North line and 1578 feet from the West line (Lot 6/Unit F) of Section 20.

It is understood by the Division that Marathon will abide by all existing rules, regulations, policies, and procedures applicable to this pool and that Marathon intends to operate the aforementioned Indian Hills Unit Wells No. 25 and 30 and the existing 631.54-acre standard gas spacing and proration unit in accordance therein.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal line extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

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