



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

October 19, 2000

Lori Wrotenberg
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Walter Ducease

Administrative Order NSL-371-A (SD)

Dear Mr. Ducease:

Reference is made to the following: (i) your application dated September 19, 2000; (ii) two letters from Mr. William F. Carr of Santa Fe, New Mexico, Attorney for Texaco Exploration & Production, Inc., dated July 25 and October 15, 2000; (iii) a letter from Ms. Jami Bailey, Director of the Oil, Gas, & Mineral Division of the New Mexico State Land Office in Santa Fe to Mr. Carr dated October 10, 2000; and (iv) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe, including the file on Division Administrative Order NSL-371: all concerning Marathon Oil Company's ("Marathon") request for an infill gas well to be drilled at an unorthodox location within an existing 640-acre gas spacing and proration unit ("GPU") comprising all of Section 29, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The Division Director Finds That:

- (1) Marathon is proposing to drill its Federal Indian Basin "C" Gas Com Well No. 2 at a location that is 860 feet from the South line and 660 feet from the East line (Unit P) of Section 29;
- (2) The Indian Basin-Upper Pennsylvanian Gas Pool currently comprises the following described area in Eddy County, New Mexico:

TOWNSHIP 21 SOUTH, RANGE 23 EAST, NMPM

Section 3:	W/2
Section 4:	All
Sections 8 and 9:	All
Section 10:	W/2
Section 15:	W/2
Sections 16 through 30:	All
Sections 32 through 35:	All
Section 36:	W/2

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM

Section 19: All

TOWNSHIP 22 SOUTH, RANGE 23 EAST, NMPM

Section 1: W/2
Sections 2 through 5: All
Sections 8 through 11: All
Section 12: W/2
Section 13: W/2
Sections 14 through 17: All
Section 21: N/2
Section 22: All;

(3) The Indian Basin-Upper Pennsylvanian Gas Pool is a prorated gas pool currently governed by: (i) Division Rule 605; and (ii) the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool*," as promulgated by Division Order No. R-8170, as amended: 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;

(4) All of Section 29 is currently dedicated to Marathon's Federal Indian Basin "C" Gas Com Well No. 1 (**API No. 30-015-10788**), located at an unorthodox gas well location (approved by Division Administrative Order NSL-371, dated March 9, 1966) 1700 feet from the South line and 1550 feet from the East line (Unit J) of Section 29; and

(5) The subject application for Marathon's proposed Federal Indian Basin "C" Gas Com Well No. 2 has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Rule 2 (d) of the Indian Basin-Upper Pennsylvanian Gas Pool special rules and Division Rule 104.F (2), Marathon Oil Company ("Marathon") is hereby authorized to drill its proposed Federal Indian Basin "C" Gas Com Well No. 2 as an infill gas well at an unorthodox location in the Indian Basin-Upper Pennsylvanian Gas Pool 860 feet from the South line and 660 feet from the East line (Unit P) of Section 29, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

(2) The existing 640-acre gas spacing and proration unit ("GPU") within the Indian

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Basin-Upper Pennsylvanian Gas Pool that comprises all of Section 29 is to be simultaneously dedicated to Marathon's: (i) existing Federal Indian Basin "C" Gas Com Well No. 1 (API No. 30-015-10788), located at an unorthodox gas well location (approved by Division Administrative Order NSL-371, dated March 9, 1966) 1700 feet from the South line and 1550 feet from the East line (Unit J) of Section 29; and (ii) proposed Federal Indian Basin "C" Gas Com Well No. 2, as described above.

It Is Further Ordered That:

(3) Marathon is hereby permitted to produce the allowable assigned the subject GPU from both wells in any proportion; **provided however**, total combined gas production from these two wells shall not exceed that volume assigned this GPU with its assessed an acreage factor of 0.468 for gas prorationing purposes, which assesses a 54.2% production penalty on Indian Basin-Upper Pennsylvanian Gas Pool production from this GPU.

(4) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe
William F. Carr, Attorney for Texaco Exploration & Production, Inc. - Santa Fe
File: NSL-371 /