

N.M. Oil Cons. DIV-Dist. 2

1301 W. Grand Avenue

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER RECEIVED

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-07260	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator MARATHON OIL COMPANY		7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. BOX 3448 HOUSTON, TX 77253		8. Lease Name and Well No. INDIAN HILLS UNIT 59	
3b. Phone No. (include area code) Ph: 800.351.1417 Ext: 8104 Fx: 915.687.8196		9. API Well No. 30-015-33759	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface NENE Lot 1 1117FNL 641FEL 32.28072 N Lat, 104.30515 W Lon At proposed prod. zone NWSW Lot L 2199FSL 864FEL → Sec. 21 - 21S - 24E		10. Field and Pool, or Exploratory U. PENN./ MORROW/MISS. Assoc.	
14. Distance in miles and direction from nearest town or post office*		11. Sec., T., R., M., or Blk. and Survey or Area Sec 20 T21S R24E Mer Surface	
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		12. County or Parish EDDY	
16. No. of Acres in Lease SUBJECT TO LIKE APPROVAL BY STATE		13. State NM	
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		17. Spacing Unit dedicated to this well 640/320.00	
21. Elevations (Show whether DF, KB, RT, GL, etc.) 4149 GL		20. BLM/BIA Bond No. on file	
22. Approximate date work will start 09/01/2004		23. Estimated duration 25	

24. Attachments

CARLSBAD CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature (Electronic Submission) <i>MfMick</i>		Name (Printed/Typed) MIKE MICK Ph: 713.296.3254		Date 08/19/2004	
Title ADV. SR. ENGINEERING TECH.					
Approved by (Signature) <i>/s/ Joe G. Lara</i>		Name (Printed/Typed) <i>/s/ Joe G. Lara</i>		Date 13 SEP 2004	
Title FIELD MANAGER		Office CARLSBAD FIELD OFFICE			

Application approval does not warrant or certify the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

Additional Operator Remarks (see next page)

NSL - 4649 - B (BHD CSD)

Electronic Submission #34850 verified by the BLM Well Information System
For MARATHON OIL COMPANY, sent to the Carlsbad

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

Witness Surface Casing

** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED **

Additional Operator Remarks:

Indian Hills Unit # 59 is staked on same well site as IHU # 26 & 31. No new surface disturbances will be added. A closed loop system will be utilized for drilling. A small lined pit will need to be located on the drilling pad(see attachments). All cuttings will be transferred to IHU #25 well site and buried in old reserve pit area as per the BLM's and OCD's standards. The proposed IHU #59 directionally drills to a bottom hole in sec. 21. With a TVD of 10,800', the well track will penetrate the U. Penn(320's), Morrow(640's) and Mississippian(320's) producing intervals. The U. Penn will be a NSL, being too close to outer boundary of E/2 of Sec.21. There are no Mississippian producers in the area. Offset Morrow and U.Penn assoc. wells in the E/2 of sec. 21 shown on C-102.

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
June 1, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: **Marathon Oil Corporation** Telephone: 713-296-3254 e-mail address: mfmick@marathonoil.com

Address: P.O. Box 3128 Houston, Tx. 77253

Facility or well name: **IHU # 59** API #: _____ U/L or Qtr/Qtr_1 _____ Sec_20_T_21S_R_24E_

County: **Eddy** Latitude _____ Longitude _____ NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☐ Thickness 20 mil Clay ☐

Pit Volume _____ bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

RECEIVED

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

JUL 30 2004

OBP-ARTESIA

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

Ranking Score (Total Points)

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

This request is for the pits (2) needed in the drilling of IHU #59. Due to onsite problems, A reserve pit could not be located @ Drilling pad. Only A small pit needed for Air drilling OPERATIONS and SURFACE CEMENTING (CASING) operation. All MATERIALS shall be removed from this pit including 12 mil. Liner. Reserve pit placement @ IHU #27y due to being only 1250' AWAY, STILL ON MOUNTAIN. See ATT.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: 7-27-04

Printed Name/Title Mike Mick AdSr. Eng. Tel. Signature m mick

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Printed Name/Title _____

Signature _____

Date

AUG 6 2004

**OCD approval conditional.
Well must meet BLM
Requirements and obtain
Their approval.**

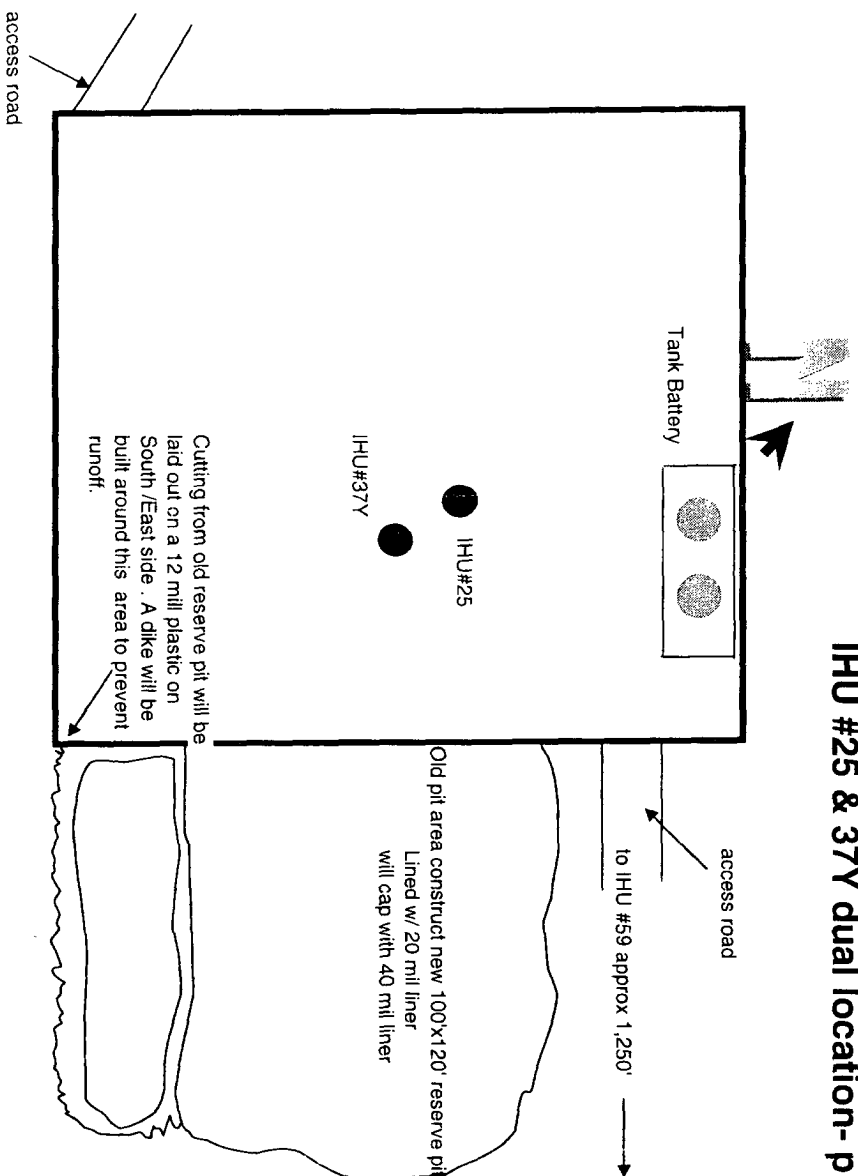
Additional Information- Indian Hills Unit # 59

General:

A closed loop drilling system will be utilized. Cuttings will be deposited in the reserve pit constructed on Indian Hills Unit #25 and Indian Hills Unit 37Y's combination location pad. The reserve pit constructed on the Indian Hills Unit #25 and Indian Hills #37Y's combination pad is located approx. 1,250' from the proposed Indian Hills Unit #59 well site. Cuttings will be trucked and placed in reserve pit which will have a 20 Mil liner and will be capped with a 40 mil liner and a min. of 3' cover, with top soil placed on surface. A small 8' x 100' pit lined with a 12 mil liner will be constructed at the Indian Hills Unit # 59 drilling site in the old pit area with no new surface disturbances. The pit will be utilized during air drilling operations and surface pipe cementing operations. This pit will be placed into the area of the old pit that is "mounded up" above the grade of the remainder of the pad to minimize the portion of the pit that is placed below existing pad grade. No liquids will be allowed to accumulate. Upon completion of operations all materials, including the liner shall be removed and area will be restored as per BLM and OCD requirements..

- Topsoil will be stripped and stockpiled for use as the final cover of fill at the time of closure.
- Contents removed from old pit will be stockpiled on a liner to prevent soil contamination.
- A 20 mil. Liner will be installed. Padding will be added if necessary. Liner will be anchored per OCD's guidelines. OCD will be contacted 24 hrs. prior to liner installation.
- All necessary steps will be taken to prevent liner damage.
- Marathon will use a combination of produced and freshwater during drilling, anticipated chloride content of drilling fluids - 10,000 ppm.
- Pit Area will be fenced, work access will remain open during operations, closed once rig operations cease.
- All fluids will be removed from pit in a timely manner after operations cease.
- OCD will be contacted when pit closure commences.
- Closure of pit will be performed as per current OCD guidelines for onsite encapsulation. The liner edges shall be folded over the contents and a 40 mil liner shall be installed on top. A min. of 3 foot of clean soil shall be spread over encapsulated pit contents. Stockpiled top soil shall be spread and contoured. Pit area will be re-seeded and re-vegetation promoted.

IHU #25 & 37Y dual location- proposed site for IHU #59 cuttings pit



Thirteen Point Surface Use Plan
MARATHON OIL COMPANY

INDIAN HILLS UNIT #59
Sec. 20, T-21-S, R-24-E
Eddy County, New Mexico

1. **Existing Roads:** Refer to Vicinity Lease Map.

- a. The proposed well site is staked and the surveyor's plat is attached.
- b. To reach the location from Carlsbad, New Mexico: Follow Hwy. 285 North of Carlsbad 11 miles. Turn left on (NM) 137. Go 6 miles west. Turn Right on Marathon Road. Follow 1.9 miles to White Pines Road. Go North 1.3 miles, turn Right on lease road and continue east approx. 1 mile. Take a Right at the "Y" and follow lease road ½ mile to access road and turn south, go ¾ mile to location. **Well surface site is on same existing location pad as IHU #26 & IHU # 31**
- c. Existing roads within a one-mile radius (refer to Vicinity Lease Map).
- d. The existing road will be maintained as necessary to provide access during the drilling operation.

2. **Planned Access Road:** Refer to Vicinity Lease Map.

Construction plans will require blading and rolling the road and pad. The access road enters the drilling pad on the Southwest corner. The drilling location will have a V-door facing east.

3. **Location of Existing Wells:** See Form C-102 & Vicinity Lease Map.

4. **Location of Existing and Proposed Production Facilities within a one-mile radius:**

- a. Existing: There are eight oil and gas wells operated by Marathon, Yates, and Devon within a one-mile radius of the proposed location. These locations have production facilities including separators, condensate, oil, water storage tanks. Marathon, Yates and Devon operate a variety of dehydrators, meter runs, and several gathering lines in the one-mile radius.
- b. **New Facilities:** No new facilities are proposed at this time. We will utilize existing # 120 facilities.
- c. Rehabilitation of disturbed areas no longer needed for operations will be accomplished by grading, leveling and seeding as recommended.

5. **Location and Type of Water Supply:**

- a. **Source:** Indian Basin Gas Plant, NE/4 Sec. 23, T-21-S, R-23-E.
- b. The water will be transported by a trucking contractor. No new construction will be required on/along the water route. If a poly line is used to transport water, it will be run along an existing pipeline corridor.
- c. No water well will be drilled on this location.

6. **Source of Construction Materials:**

- a. Construction materials may be obtained from the construction site.
- b. If production is obtained, native materials will be used on the location and for installation of production facilities.
- c. On-site inspection may dictate any changes in location construction.

7. **Methods of Handling Waste Material Disposal:**

- a. A closed loop drilling system will be utilized. Cuttings will be deposited in the reserve pit constructed on Indian Hills Unit #25 and Indian Hills 37Y's combination location pad. The reserve pit constructed on the Indian Hills Unit #25 and Indian Hills #37Y's combination pad is located approx. 1,250' from the proposed Indian Hills Unit #59 well site. Cuttings will be trucked and placed in reserve pit which will have a 20 Mil liner and will be capped with a 40 mil liner and a min. of 3' cover, with top soil placed on surface. A small 8' x 100' pit lined with a 12 mil liner will be constructed at the Indian Hills Unit # 59 drilling site in the old pit area with no new surface disturbances, for use during air drilling operations and surface cementing operations. This pit will be placed into the area of the old pit that is "mounded up" above the grade of the remainder of the pad to minimize the portion of the pit that is placed below existing pad grade. No liquids will be allowed to accumulate. Upon completion of operations all materials, including the liner shall be removed and area will be restored as per BLM and OCD requirements..
- b. Drilling fluids - contained in steel tanks utilized by the closed loop system. Materials hauled to the reserve pit utilized on the IHU #25 & 37Y location will be allowed to dry. Free water will be removed and transported to an approved disposal site to accelerate pit drying.
- c. Produced fluids - none anticipated.
- d. A portable chemical toilet will be provided.
- e. Garbage and other waste material - garbage and trash will be stored in a receptacle on location and periodically hauled to an approved sanitary landfill.
- f. After the rig moves out, all materials not necessary for operations will be removed. Pits will be backfilled and leveled. The location will be cleaned of all trash and debris.

8. **Ancillary Facilities:** Camp facilities will not be required. Portable trailers will be on location to house a company drilling foreman and contract tool pusher.

9. **Well site Layout:**

- a. The well pad layout shows the drill site layout as staked. Topsoil will be stockpiled per specifications.
- b. The reserve pit will be fenced on three sides before drilling begins. The fourth side will be fenced when the drilling rig leaves location.
- c. The reserve pit will be lined (20 mil liner).

10. **Plans for Restoration of the Surface:**

- a. Backfilling, leveling, and contouring are planned as soon as all pits have dried. Waste disposal and spoiled materials will be hauled away immediately after drilling is completed. If production is obtained, the unused area will be restored as soon as possible.

- b. The soil banked material will be spread over the area. Re-vegetation will be accomplished by planting mixed grasses as per formula provided by the BLM. Re-vegetation is recommended for road area, as well as around the drill pad.
- c. The reserve pit will be fenced during drilling operations. Fencing will be maintained until leveling and cleanup are accomplished.
- d. If any oil is in the pits and is not immediately removed after operations cease, the pit containing the oil or other adverse substances will be flagged overhead or covered with mesh.
- e. The rehabilitation operations will begin after the completion rig is removed. Removal of oil or other adverse substances will begin immediately or area will be flagged and fenced. Other cleanup will be done as needed. Planting and re-vegetation will be done between July 15 and September 15.
- f. All efforts will be made to minimize surface disturbances and protect the visual resources along the scenic byway.

11. **Other Information:**

- a. There are no significant archaeological or cultural sites visible in the area of disturbance. A cultural resource survey was performed by Archaeological Consultants Inc. of Roswell.
- b. General topography: Shown on Vicinity Lease Map. The terrain at the well
- c. site is gently rolling hills. Vegetation is primarily sage brush and natural grasses.
- c. Animal life: Prairie dogs, domestic livestock, rabbits and native rodents and predators.
- d. Dwellings (nearest): Approximately 2 miles.
- e. General location: Approximately 15 miles Northwest of Carlsbad, New Mexico.
- f. Drainage: Internal-----
- g. Due to proximity of the location and nearby drainage, Marathon will make every effort to minimize surface disturbance. Please see the location pad and reserve pit dimensions.
- h. Surface Owner: Bureau of Land Management.

12. **Operator Representatives:**

Don Hall
Sr. Drilling Engineer
P. O. Box 3128
Houston, TX 77253
713-629-6600
Direct line- 713/296-3271

13. **Certification:**

I hereby certify that I, or someone under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions that presently exist; that the statements made in this plan are, to the best of my knowledge and belief, true and correct; and that the work associated with the operations proposed herein will be performed by MARATHON OIL COMPANY and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

D. R. Hall

Indian Basin; Upper Penn. Assoc.
WC; MISS
Indian Basin; Morrow

State of New Mexico

DISTRICT I

1880 N. FRANKLIN BL., ALBUQUERQUE, NM 87102

DISTRICT II

1801 W. GRAND AVENUE, ALBUQUERQUE, NM 87102

DISTRICT III

1000 Rio Grande Rd., Artes, NM 87410

DISTRICT IV

1800 S. ST. FRANCIS DR., ALBUQUERQUE, NM 87102

Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	078960, 33685	Miss. / Morrow / U. Penn Assoc.
Property Code	Property Name	Well Number
	INDIAN HILLS UNIT	59
OGHD No.	Operator Name	Elevation
014021	MARATHON OIL COMPANY	4149'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	20	21-S	24-E		1117'	NORTH	641'	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	21	21-S	24-E		2199'	SOUTH	864'	WEST	EDDY

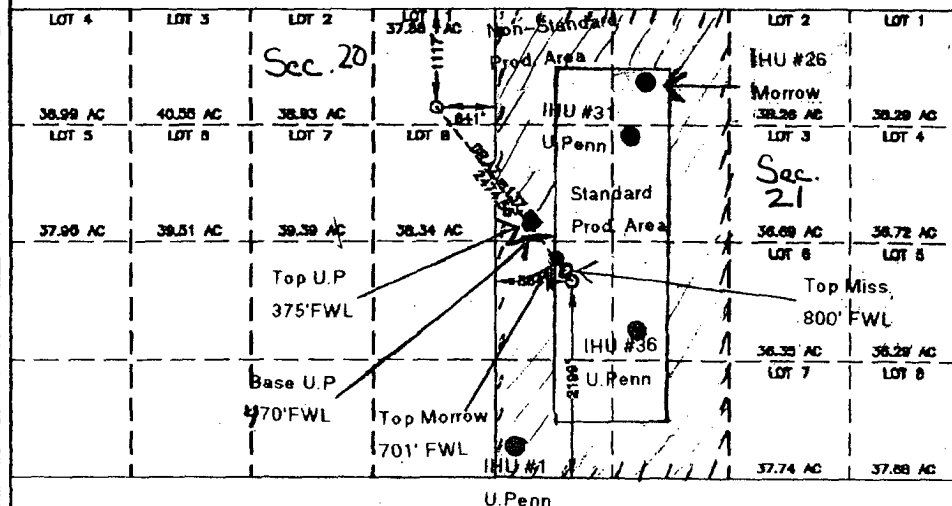
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 / 640 320 E/2			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

GEODETIC COORDINATES
NAD 27 NME
SURF.

Y=534264.9 N
X=444189.7 E
LAT.=32°28'07.23" N
LONG.=104°30'51.47" W

B.H.
Y=532451.3 N
X=445873.2 E



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Mike Mick
Signature

Mike Mick
Printed Name

Chas. S. Eng. Tech
Title

7-27-04
Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

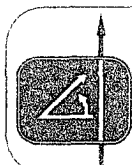
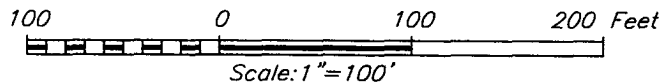
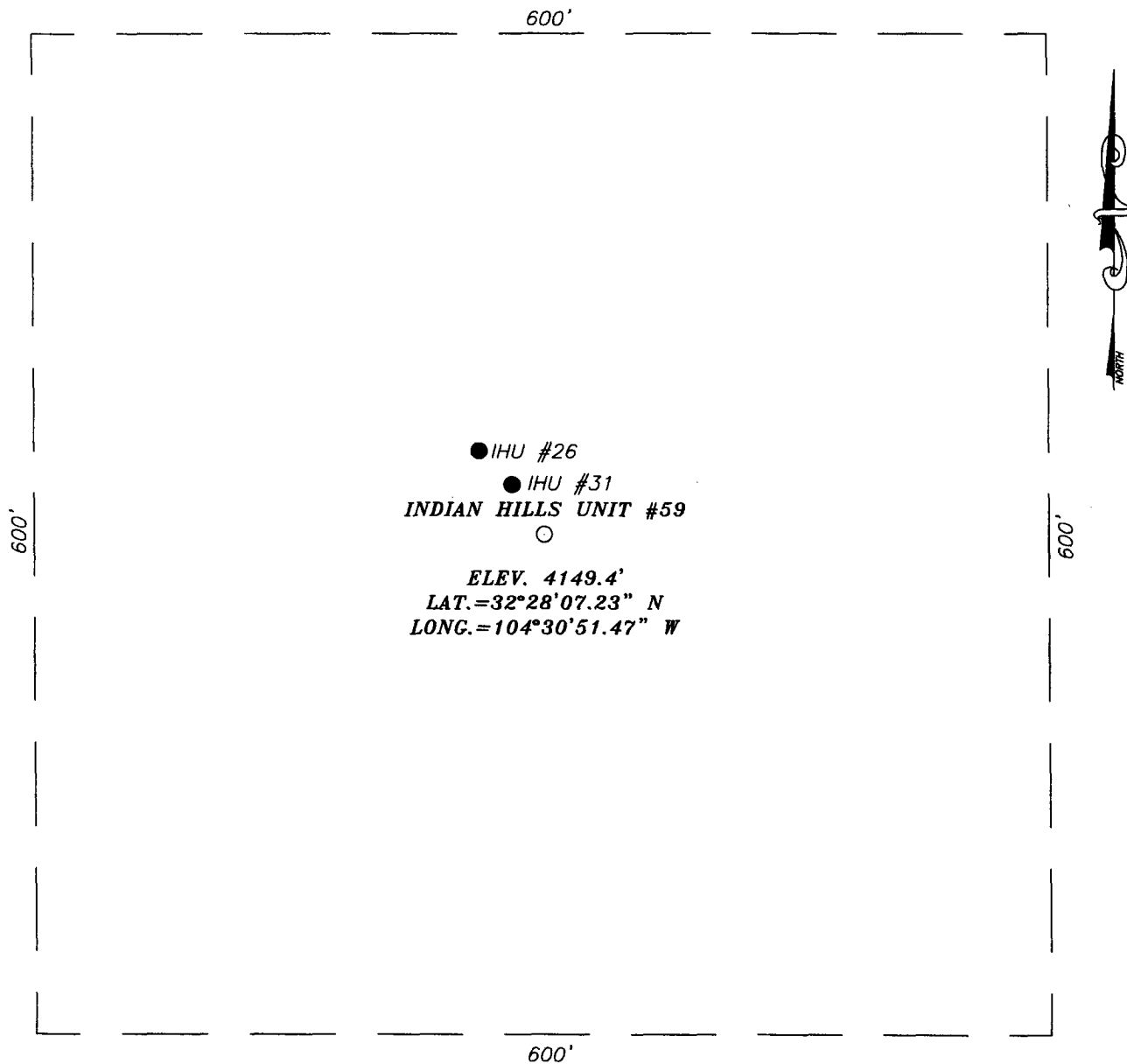
JUNE 8, 2004

Date Surveyed REV: 07/23/04 JR
Signature & Seal of
Professional Surveyor

04.13.0940

Certificate No. GARY HEDSON 12841

SECTION 20, TOWNSHIP 21 SOUTH, RANGE 24 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO

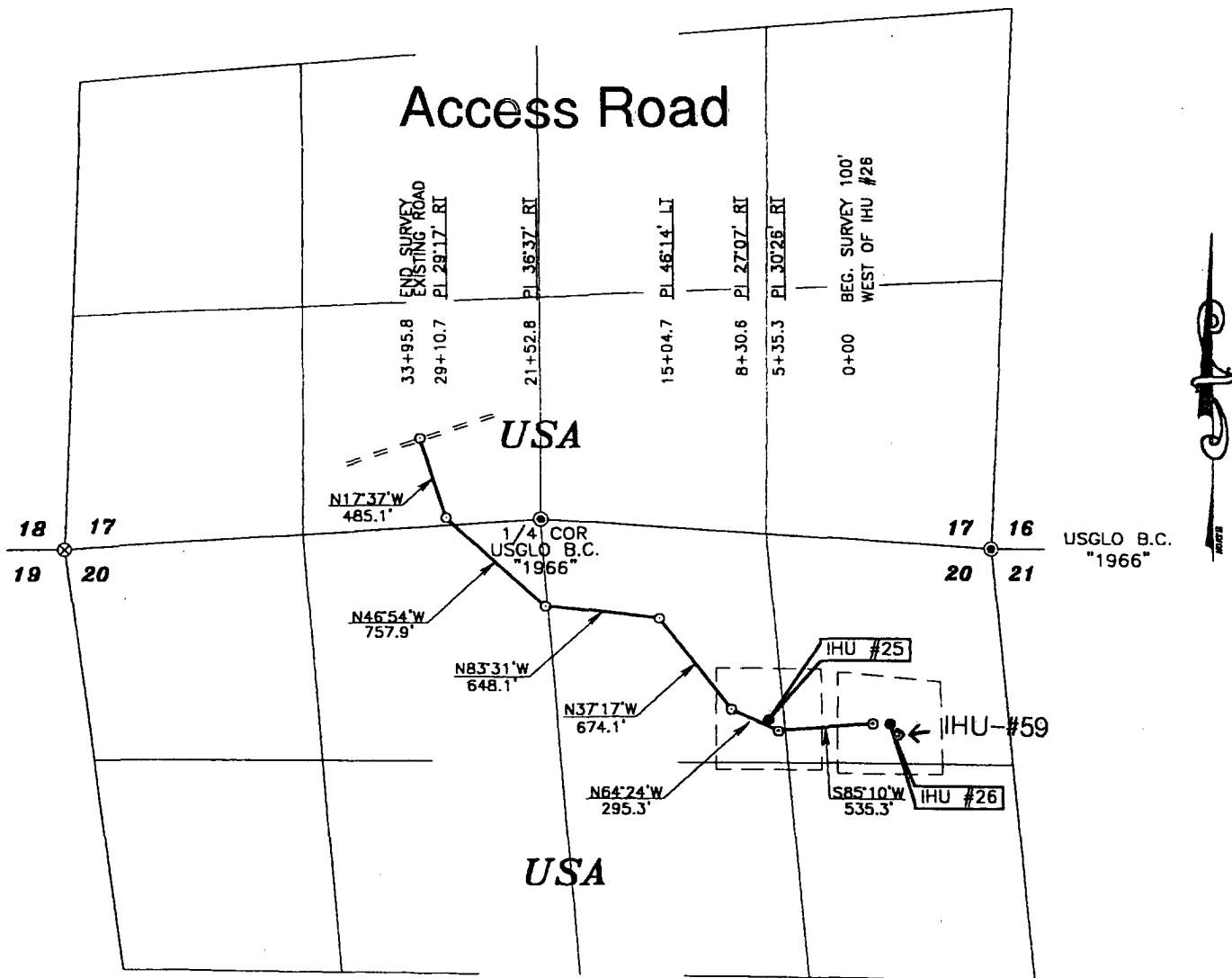


PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

MARATHON OIL COMPANY

INDIAN HILLS UNIT #59 WELL
LOCATED 1117 FEET FROM THE NORTH LINE
AND 641 FEET FROM THE EAST LINE OF SECTION 20,
TOWNSHIP 21 SOUTH, RANGE 24 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO.

Survey Date: 06/08/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0664	Dr By: J. RIVERO Rev 1:N/A
Date: 06/10/04	Disk: CD#10 04110664 Scale: 1"=100'

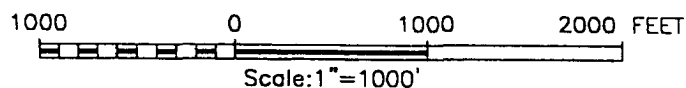


DESCRIPTION

A STRIP OF LAND 50.0 FEET WIDE, 3395.8 FEET OR 0.643 MILES IN LENGTH AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE CENTERLINE SURVEY.

LEGEND

● DENOTES FOUND MONUMENT AS NOTED



I HEREBY CERTIFY THAT I DIRECTED AND AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF, AND THAT THIS SURVEY AND PLAT MEET THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO.

Ronald J. Eidson 4/24/2000

RONALD J. EIDSON, N.M. P.S. No. 3239
GARY G. EIDSON, N.M. P.S. No. 12641

JOHN WEST SURVEYING COMPANY

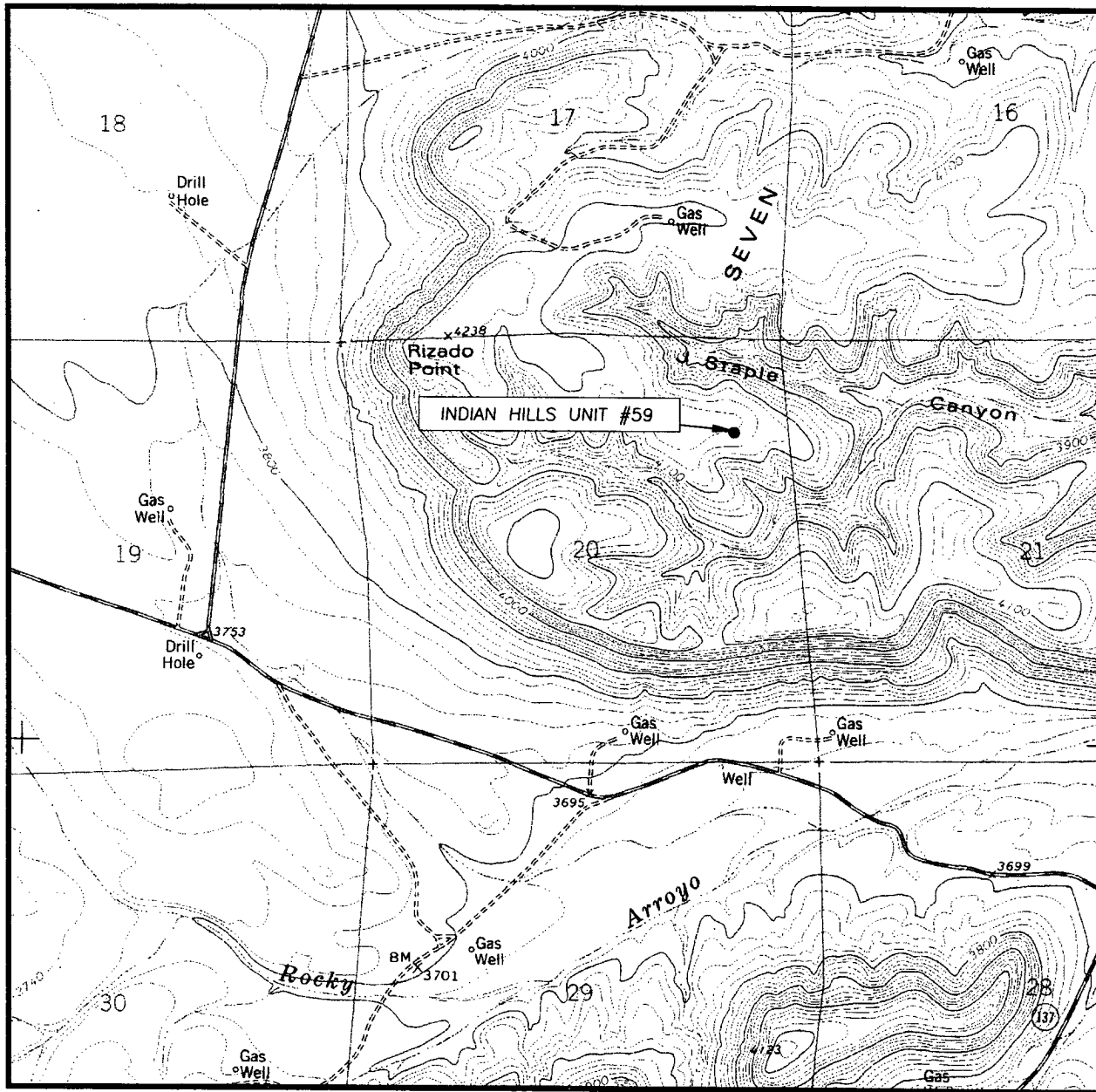
412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

MARATHON OIL COMPANY

SURVEY OF AN ACCESS ROAD
CROSSING USA LAND
LOCATED IN SECTIONS 20 & 17,
TOWNSHIP 21 SOUTH, RANGE 24 EAST,
N.M.P.M., EDDY COUNTY, NEW MEXICO.

Survey Date: 3/3/2000	Sheet 1 of 1 Sheets
W.O. Number: 00-11-0125	Drawn By: LMP
Date: 4/24/00	CD #1
MARA0125	Scale: 1"=1000'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
MARTHA CREEK, N.M. - 20'

SEC. 20 TWP. 21-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

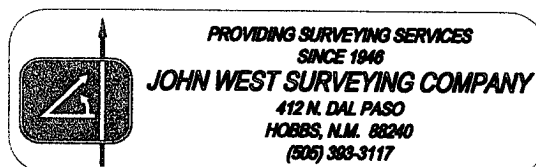
DESCRIPTION 1117' FNL & 641' FEL

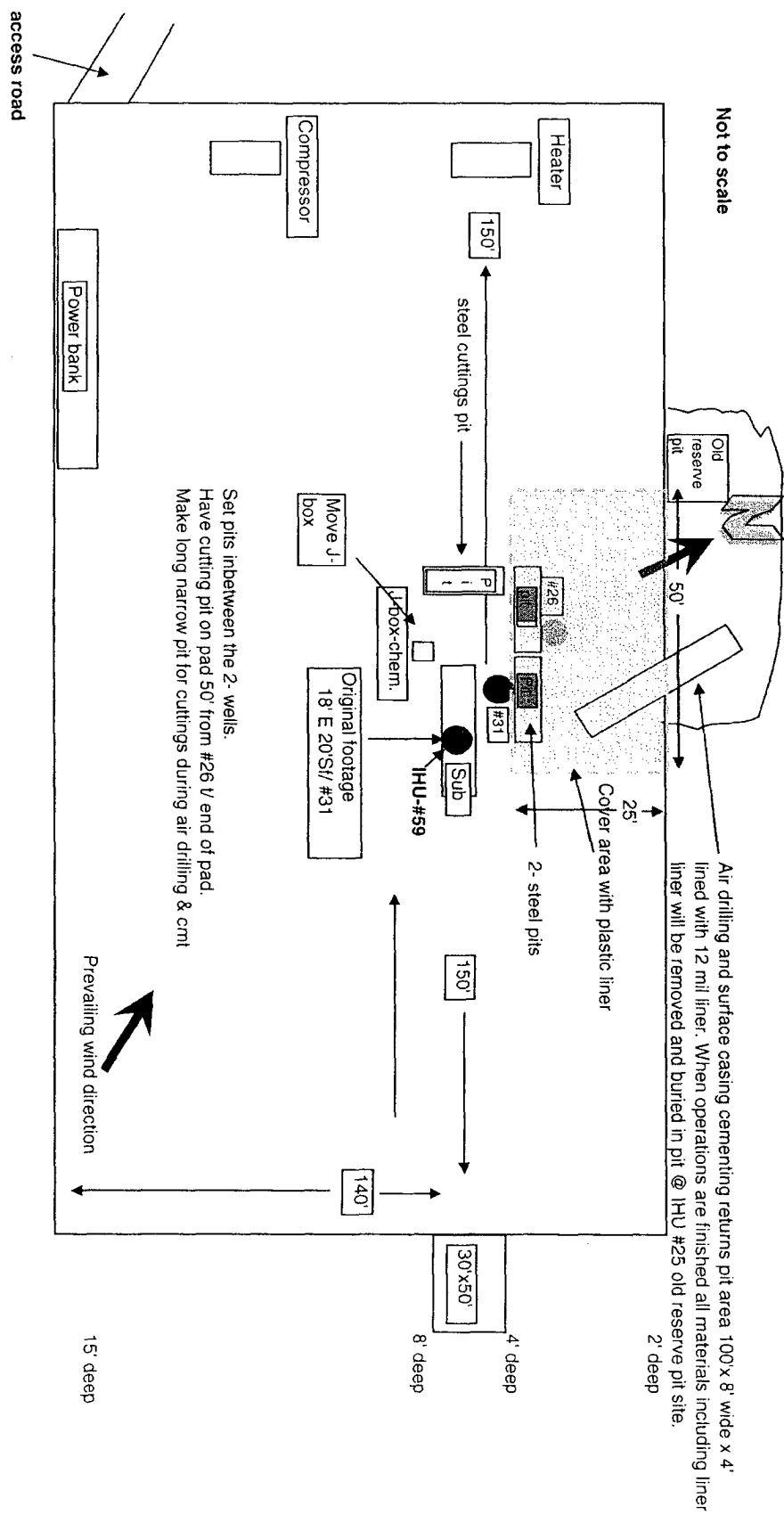
ELEVATION 4149'

OPERATOR MARATHON OIL COMPANY

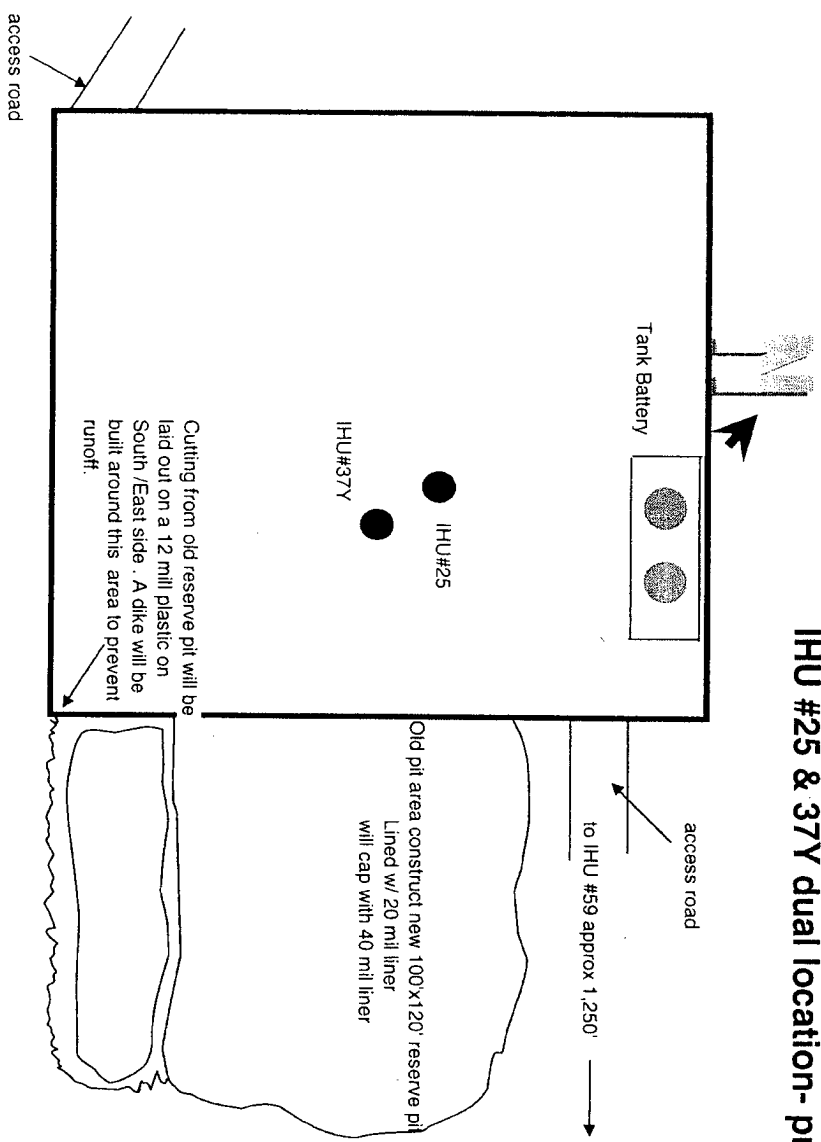
LEASE INDIAN HILLS UNIT

U.S.G.S. TOPOGRAPHIC MAP
MARTHA CREEK, N.M.





IHU #25 & 37Y dual location- proposed site for IHU #59 cuttings p



DRILLING PROGRAM
MARATHON OIL COMPANY
INDIAN HILLS UNIT #59

1. **Estimated KB Elevation:** 4166' KB **Ground Elevation** 4149' Rig-17'

<u>FORMATION</u>	<u>-----TOP-----</u>		<u>-----BASE-----</u>		<u>FLUID CONTENT</u>
	<u>MEASURED</u>	<u>SUBSEA</u>	<u>MEASURED</u>	<u>SUBSEA</u>	
Queen	Surface	+3725'	650'	+3075'	water
San Andres	650'	+3075'	2250'	+1475'	water
Glorietta	2250'	+1475'	2355'	+1375'	
Delaware	3300'	+425'	4300'	- 575'	
Bone Spring	4300'	-575'	5950'	-2225'	oil gas
Wolfcamp	5950'	-2225'	7520'	-3795'	oil gas
B/Permian Shale	7520'	-3795'	7530'	-3805'	
U. Penn	8234'	-4068'	9350'	-5184'	gas, oil, water
Atoka	9350'	-5184'	9650'	-5484'	gas, oil, water
Morrow	9650'	-5484'	10,300'	-6134'	oil, gas
Mississippian	10,300'	-6134'	10,300'	-6134'	oil& gas
TD	10,800	-6634	10,800'	-6634'	

<u>FORMATION</u>	<u>---EST PSIG</u>	<u>SBHP--- PPG EMW</u>	<u>H2S PPM</u>	<u>---SIGNIFICANCE--- (obj, marker, etc.)</u>
Bone Springs	1210	8.5	500	marker
Wolfcamp	1680	9.0		marker
B/Permian Shale	1810	9.0		marker
U. Penn	2050	9.0	5000	objective pay
Morrow	3460	9.2		objective pay
Mississippian	3460	9.2		objective par

2. See (1) above.
 If any unexpected water or mineral bearing zones are encountered, they will be reported, evaluated, and protected as circumstances and regulations require.

3. **Pressure Control Equipment:**

9-5/8" Surface: 11 3M annular tested to 300# PSI / 3000#PSI PSI, 11" 3M Dual rams, choke manifold and mud cross, tested to 300# PSI/3000# PSI.

Auxiliary Equipment:

Surface Hole: Annular or rotating head w/air rig.

Intermediate Hole: N/A

Production Hole: Flow indicator, PVT, H₂S Sensors, air packs, stroke counter, rotating head.

BOP systems will be consistent with API RP 53. Blowout preventers will be installed and tested prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. Preventers and casing will be pressure tested before drilling casing cement plugs.

Upper and lower kelly cocks with valve wrench and safety valve and subs to fit all drill string connections in use will be available on rig floor.

Test Frequency

1. When installed.
2. Anytime a pressure seal is broken (test confined only to affected equipment).
3. At least every 20 days.
4. Blind and pipe rams shall be activated each trip but not more than once/day.

4. Casing and Cement Program:

<u>---DEPTH---</u> <u>FROM TO</u>	<u>SECTION</u> <u>LENGTH</u>	<u>HOLE</u> <u>SIZE</u>	<u>CSG</u> <u>SIZE</u>	<u>WT.</u> <u>PPF</u>	<u>GRADE</u>	<u>THREADS</u> <u>COUPLINGS</u>	<u>NEW</u> <u>USED</u>	
0 1800'	1800'	12.25"	9-5/8"	36.00#	K-55	8rd, STC	New	WITNESS
0 4800'	4800'	8.750"	7.00"	23.00#	K-55	8rd, LT&C	New	
4800' 10,800'	6,000'	8.750"	7.00"	26.00#	K-55	8rd, LT&C	New	

<u>Casing</u> <u>String</u>	<u>DV</u> <u>Depth</u>	<u>Stg.</u>	<u>Lead</u> <u>Tail</u>	<u>Amt</u> <u>SXS</u>	<u>Type</u> <u>Cement</u>	<u>Yield</u> <u>CF/SX</u>	<u>Wt.</u> <u>PPG.</u>	<u>TOC</u>	<u>Additives</u>
9.625"	none	1	L	300	Foam Cmt.	1.78	11.2	100'	
9.625"	none		T	140	"C Neat	1.35	14.8	900'	3% Cacl

NOTE: Pump 55 sks. Class "C" dn. Annulus W/ 3% CACL2, Yield: 1.35cf/sk, Density 14.8 ppg coverage, Surface To 100'.

This surface casing program has been approved by the OCD in Artesia by Mr. Tim Gum and Mr. Van Barton as of 11/29/01.

7.0"	6300'	1	L	340	Prem.	1.44	13.0	5600'	Foamers, N2
7.0"		2	L	840	Interfill "C"	2.47	11.9	Surface Cello,3pps Gilsonite,0.2% Halad 322	1/4pps
7.0		2	T	100	"C" Neat	1.32	14.8	6000'	N/A

Each stage will be preceded by an appropriate mud flush. Actual production hole volumes will be based on the caliper volume plus 25% excess.

5. **Mud Program**

<u>---DEPTH---</u>		<u>MUD TYPE</u>	<u>WEIGHTWL</u>		<u>CC</u>	<u>ADDITIVES</u>	<u>VISUAL</u>
<u>FROM</u>	<u>TO</u>		<u>(PPG)</u>	<u>VIS</u>			<u>MONTR.</u>
0	1800'	air/air mist	8.3	28	N/A	Gel, Lime	Reserve
1200'	5000'	fresh	8.5	28-32	N/C	Gel, caustic, H ₂ S Scavenger	Steel pits
5000'	7000'	fresh	8.9	32-36	N/C	Gel, caustic, H ₂ S Scavenger	Steel pits
7000'	8800'	cut brine	9.0	32-36	<20	Gel, caustic, H ₂ S Scavenger	Steel Pits
8800'	10,800	cut brine	9.0	32-36	<20	Gel, caustic, H ₂ S Scavenger	Steel pits

Sufficient quantities of additives will be on location to maintain above mud properties for any anticipated well conditions.

6. **Logging, Testing & Coring Programs:**

<u>LOG/TEST/CORE/MUDLOG/OTHER</u>	<u>--INTERVAL--</u>		<u>REMARKS</u>
	<u>FROM</u>	<u>TO</u>	
DLL/MSFL/GR/CNL/LDT/CAL	TD	5000'	
LDT/CNL/GR/CAL	TD	surf casing	
MUD LOGGER	6000'	TD	ROP, Lithology, Gas Analysis, Chromatograph
NO CORES OR DST'S			

7. **Abnormal Pressures, Temperatures or Potential Hazards:**

None anticipated. Possible H₂S in Cisco & Upper Penn. See H₂S Drilling Operations Plan.

8. **Other Information:**

Anticipated Starting Date: As soon as possible.

Duration of Well: drilling - 25 days, completion - 10 days.

MARATHON OIL COMPANY

H2S DRILLING OPERATIONS PLAN

• HYDROGEN SULFIDE TRAINING

All contractors and subcontractors employed by Marathon Oil Company will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on this well.

- 1. The hazards and characteristics of hydrogen sulfide (H2S)**
- 2. Safety precautions**
- 3. Operations of safety equipment and life support systems**

In addition, contractor supervisory personnel will be trained or prepared in the following areas:

- 1. The effect of H2S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.**
- 2. Corrective action and shut-down procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.**
- 3. The contents and requirements of the contingency plan when such plan is required.**

All personnel will be required to carry documentation of the above training on their person.

II. H2S EQUIPMENT AND SYSTEMS

1. Safety Equipment

The following safety equipment will be on location.

- A. Wind direction indicators.**

B. Automatic H2S detection alarm equipment (both audio and visual).

C. Clearly visible warning signs. Signs will use the words "POISON GAS" and "CAUTION" with a strong color contrast.

D. Protective breathing equipment will be located in the dog house and at briefing areas.

2. WELL CONTROL SYSTEMS

A. Blowout Prevention Equipment

Equipment includes but is not limited to:

- a. pipe rams to accommodate all pipe sizes**
- b. blind rams**
- c. choke manifold**
- d. closing unit**

Auxiliary equipment added as appropriate includes:

- a. annular preventor**
- b. rotating head**
- c. mud- gas separator**
- d. flare line and means of ignition _____ e. remote operated choke**

B. Communication

The rig contractor will be required to have two-way communication capability. Marathon Oil Company will have either land-line or mobile telephone capabilities.

C. Mud Program

The mud program has been designed to minimize the volume of H2S circulated to surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers when appropriate will minimize hazards when penetrating H2S bearing zones.

III. WELL SITE DIAGRAM

BOP Stack

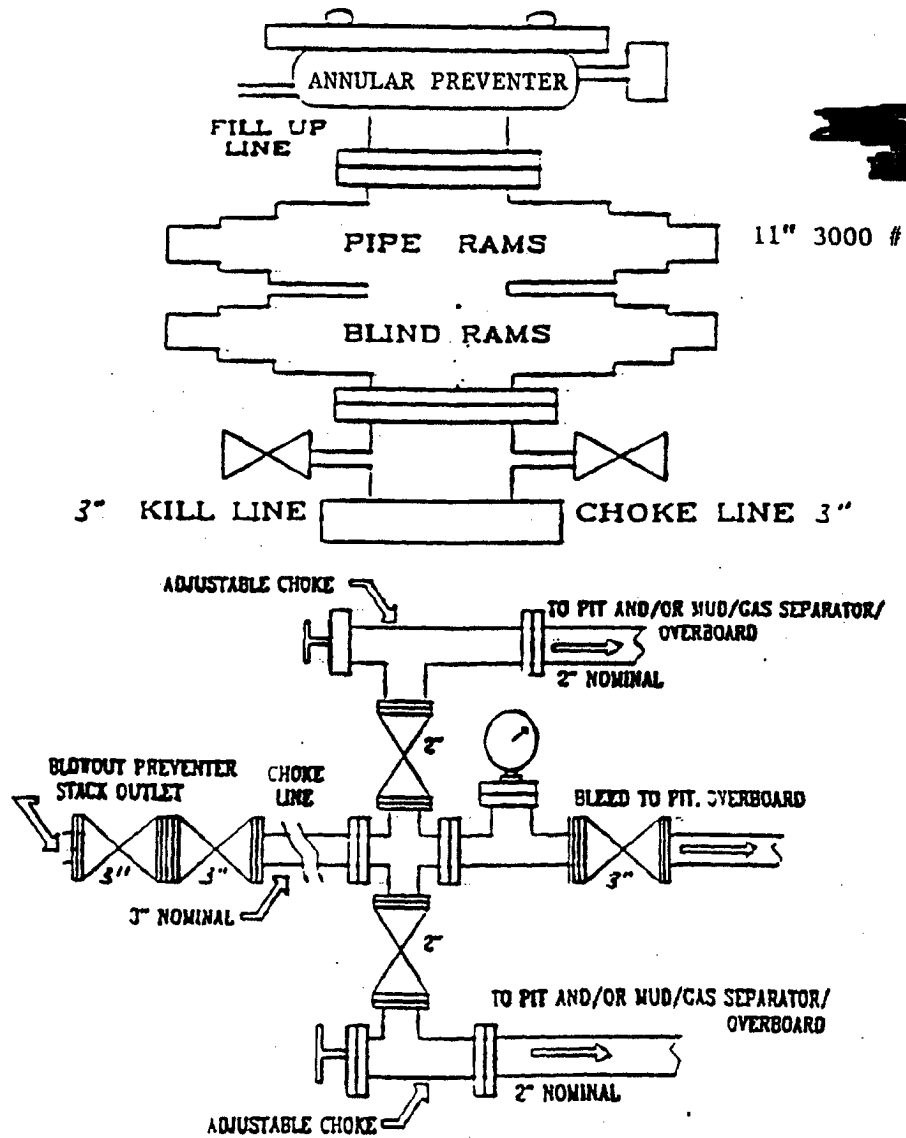


Exhibit "I"

Marathon Oil Company

SPILL PREVENTION CONTROL AND COUNTERMEASURE PLAN (SPCC PLAN)

Marathon Oil Company has pollution prevention, good housekeeping, safety and fire prevention policies that are to be followed at all times. All company employees, contractors and subcontract personnel are to observe safe working practices and prevent pollution to the maximum extent possible.

In the event of an emergency, spill, fire, explosion or blowout, personal injuries, property or equipment damage, call **MARATHON OIL COMPANY @ 1-800-351-1417**

Prior to drilling, certain measures should be taken:

1. Use impervious materials to build the location and the reserve pit.
2. Ditch the outline of the rig toward the reserve pit.
3. Place sumps on each end of the rig to catch any free oil or debris from entering the reserve pit.
4. Keep materials on location to contain or clean up spills (absorbent pads, shovels, etc).
5. Make known to Drilling Supervisors a list of spill response contractors available.
6. BOP testing shall be performed each time a casing string is set.
7. The Drilling contractor is required to have a certified SPCC plan for the Drilling rig.
8. Routine inspections of the operations shall be performed to ensure SPCC guidelines are followed.
9. Ensure all Marathon personnel are HAZWOPER trained in methods for stopping, controlling, and cleaning up any spills.

Spill control measures to be taken:

1. Shut down activities underway, as deemed necessary by the person in charge.
2. Determine the source of pollution and stop the discharge, if possible.
3. Isolate and contain the discharged materials, if possible.
4. Seek guidance from the Southern Region Emergency Action Plan.

Marathon Oil Company

Structure : IHU 59

Slot : slot #1

Field : Indian Basin

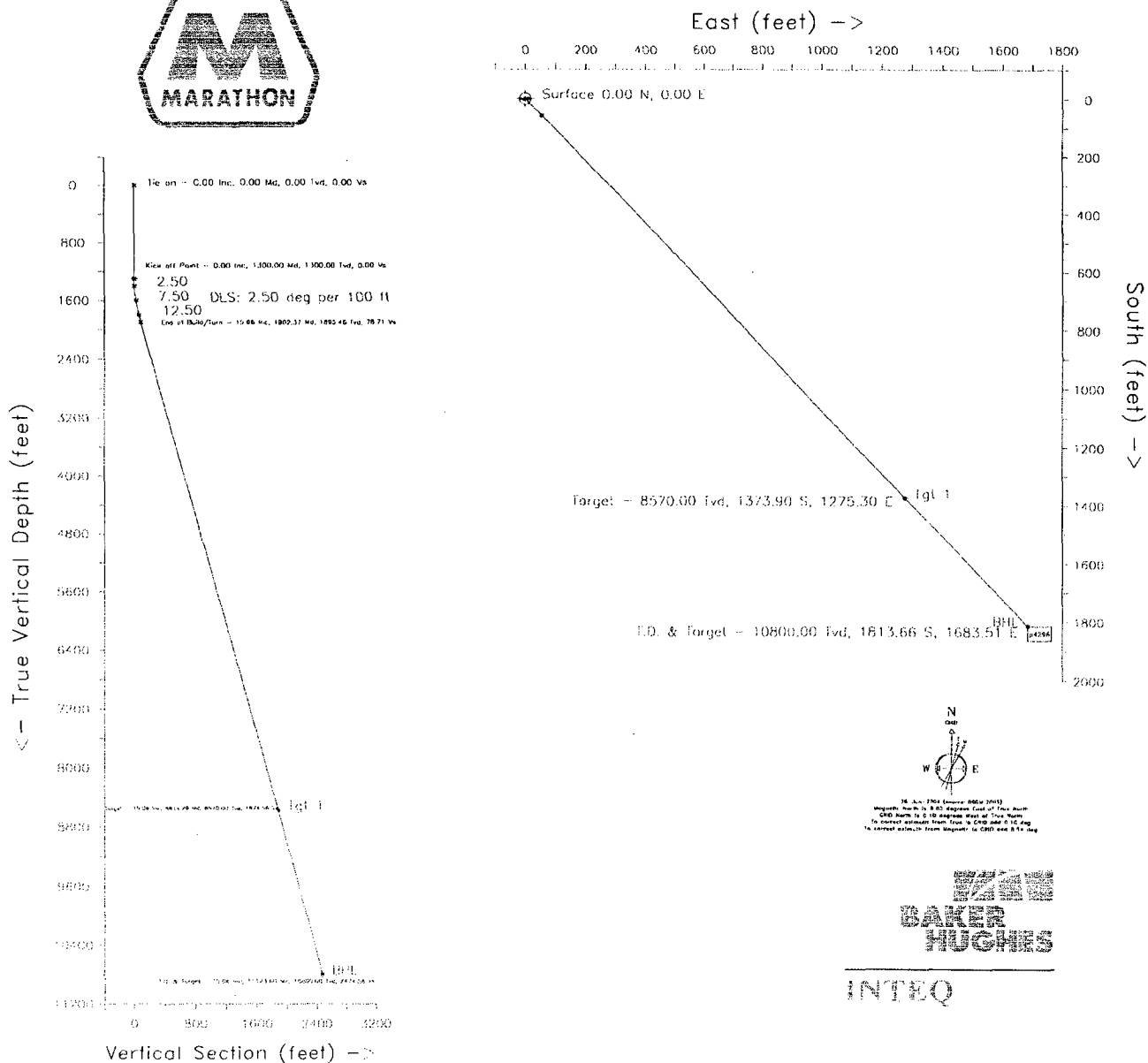
Location : EDDY COUNTY, NM.

Created by adrynm
Date plotted : 22-Jul-2004
Plot Reference is Hn 1.
Coordinates are in feet reference slot #1.
True vertical depths are reference rotary table.

--- Baker Hughes INTEQ ---

WELL PROFILE DATA

Point	MD	Inc	Dir	TVD	North	East	V. Sect	Derz/100
Tie on	0.00	0.00	137.13	0.00	0.00	0.00	0.00	0.00
KOP	1300.00	0.00	137.13	1300.00	0.00	0.00	0.00	0.00
End of Build/Turn	1902.37	15.06	137.13	1895.46	-57.69	53.55	78.71	2.50
Target Tgt 1	8814.29	15.06	137.13	8570.00	-1373.90	1275.30	1874.56	0.00
T.D. & Target BHL	11123.60	15.06	137.13	10800.00	-1813.66	1683.51	2474.58	0.00



Azimuth 137.13 with reference 0.00 N, 0.00 E from slot #1

Marathon Oil Company
IHU 59

slot #1
Indian Basin
EDDY COUNTY, NM.

P R O P O S A L L I S T I N G

by
Baker Hughes INTEQ

Your ref : Pln 1
Our ref : prop4296
License :

Date printed : 22-Jul-2004
Date created : 26-Jun-2004
Last revised : 22-Jul-2004

Field is centred on n32 30 0.000,w104 30 0
Structure is centred on 444189.700,534264.900,999.00000,N

Slot location is n32 28 7.234,w104 30 51.466
Slot Grid coordinates are N 534264.900, E 444189.700
Slot local coordinates are 0.00 N 0.00 E

Projection type: mercator - New Mexico East (3001), Spheroid: Clarke - 1866
Reference North is Grid North

Marathon Oil Company
IHU 59, slot #1
Indian Basin, EDDY COUNTY, NM.

PROPOSAL LISTING Page 1
Your ref : Pln 1
Last revised : 22-Jul-2004

Measured Depth	Inclin Degrees	Azimuth Degrees	True Vert Depth	R E C T A N G U L A R C O O R D I N A T E S	Dogleg Deg/100ft	Vert Sect	G R I D Easting	C O O R D S Northing
0.00	0.00	137.13	0.00	0.00N	0.00	0.00	444189.70	534264.90
500.00	0.00	137.13	500.00	0.00S	0.00	0.00	444189.70	534264.90
1000.00	0.00	137.13	1000.00	0.00S	0.00	0.00	444189.70	534264.90
1300.00	0.00	137.13	1300.00	0.00S	0.00	0.00	444189.70	534264.90
1400.00	2.50	137.13	1399.97	1.60S	2.50	2.18	444191.18	534263.30
1500.00	5.00	137.13	1499.75	6.39S	2.50	8.72	444195.63	534258.51
1600.00	7.50	137.13	1599.14	14.37S	2.50	19.61	444203.04	534250.53
1700.00	10.00	137.13	1697.97	25.52S	2.50	34.82	444213.39	534239.38
1800.00	12.50	137.13	1796.04	39.82S	2.50	54.33	444226.66	534225.08
1900.00	15.00	137.13	1893.17	57.24S	2.50	78.09	444242.83	534207.66
1902.37	15.06	137.13	1895.46	57.69S	2.50	78.71	444243.25	534207.21
2000.00	15.06	137.13	1989.74	76.28S	0.00	104.07	444260.50	534188.62
2500.00	15.06	137.13	2472.56	171.49S	0.00	233.98	444348.88	534093.41
3000.00	15.06	137.13	2955.39	266.70S	0.00	363.89	444437.26	533998.20
3500.00	15.06	137.13	3438.22	361.92S	0.00	493.80	444525.64	533902.98
4000.00	15.06	137.13	3921.05	457.13S	0.00	623.71	444614.02	533807.77
4500.00	15.06	137.13	4403.88	552.34S	0.00	753.62	444702.40	533712.56
5000.00	15.06	137.13	4886.71	647.56S	0.00	883.54	444790.78	533617.34
5500.00	15.06	137.13	5369.53	742.77S	0.00	1013.45	444879.17	533522.13
6000.00	15.06	137.13	5852.36	837.98S	0.00	1143.36	444967.55	533426.92
6500.00	15.06	137.13	6335.19	933.20S	0.00	1273.27	445055.93	533331.70
7000.00	15.06	137.13	6818.02	1028.41S	0.00	1403.18	445144.31	533236.49
7500.00	15.06	137.13	7300.85	1123.62S	0.00	1533.09	445232.69	533141.28
8000.00	15.06	137.13	7783.68	1218.84S	0.00	1663.00	445321.07	533046.06
8500.00	15.06	137.13	8266.51	1314.05S	0.00	1792.91	445409.45	532950.85
8814.29	15.06	137.13	8570.00	1373.90S	0.00	1874.56	445465.00	532891.00
8900.00	15.06	137.13	8652.77	1390.22S	0.00	1896.83	445480.15	532874.68
9000.00	15.06	137.13	8749.33	1409.26S	0.00	1922.82	445497.83	532855.64

9100.00	15.06	137.13	8845.90	1428.31S	1325.80E	0.00	1948.80	445515.50	532836.59
9200.00	15.06	137.13	8942.47	1447.35S	1343.48E	0.00	1974.78	445533.18	532817.55
9300.00	15.06	137.13	9039.03	1466.39S	1361.16E	0.00	2000.76	445550.86	532798.51
9400.00	15.06	137.13	9135.60	1485.44S	1378.83E	0.00	2026.75	445568.53	532779.46
9500.00	15.06	137.13	9232.16	1504.48S	1396.51E	0.00	2052.73	445586.21	532760.42
9600.00	15.06	137.13	9328.73	1523.52S	1414.18E	0.00	2078.71	445603.88	532741.38
9700.00	15.06	137.13	9425.29	1542.56S	1431.86E	0.00	2104.69	445621.56	532722.34
9800.00	15.06	137.13	9521.86	1561.61S	1449.54E	0.00	2130.68	445639.24	532703.29
9900.00	15.06	137.13	9618.42	1580.65S	1467.21E	0.00	2156.66	445656.91	532684.25
10000.00	15.06	137.13	9714.99	1599.69S	1484.89E	0.00	2182.64	445674.59	532665.21
10100.00	15.06	137.13	9811.56	1618.74S	1502.57E	0.00	2208.62	445692.27	532646.16
10200.00	15.06	137.13	9908.12	1637.78S	1520.24E	0.00	2234.61	445709.94	532627.12
10300.00	15.06	137.13	10004.69	1656.82S	1537.92E	0.00	2260.59	445727.62	532608.08
10400.00	15.06	137.13	10101.25	1675.86S	1555.60E	0.00	2286.57	445745.30	532589.04
10500.00	15.06	137.13	10197.82	1694.91S	1573.28E	0.00	2312.55	445762.98	532569.99
10600.00	15.06	137.13	10294.38	1713.95S	1590.95E	0.00	2338.54	445780.65	532550.95
10700.00	15.06	137.13	10390.95	1732.99S	1608.63E	0.00	2364.52	445798.33	532531.91
10800.00	15.06	137.13	10487.51	1752.04S	1626.31E	0.00	2390.50	445816.01	532512.86
10900.00	15.06	137.13	10584.08	1771.08S	1643.98E	0.00	2416.49	445833.68	532493.82
11000.00	15.06	137.13	10680.65	1790.12S	1661.66E	0.00	2442.47	445851.36	532474.78
11100.00	15.06	137.13	10777.21	1809.17S	1679.34E	0.00	2468.45	445869.04	532455.73
11123.60	15.06	137.13	10800.00	1813.66S	1683.51E	0.00	2474.58	445873.21	532451.24

All data in feet unless otherwise stated. Calculation uses minimum curvature method.

Coordinates from slot #1 and TVD from rotary table.

Bottom hole distance is 2474.58 on azimuth 137.13 degrees from wellhead.

Vertical section is from N 0.00 E 0.00 on azimuth 137.13 degrees.

Grid is mercator - New Mexico East (3001).

Grid coordinates in FEET and computed using the Clarke - 1866 spheroid

Presented by Baker Hughes INTEQ

Marathon Oil Company
IHU 59, slot #1
Indian Basin, EDDY COUNTY, NM.

PROPOSAL LISTING Page 2
Your ref : Pln 1
Last revised : 22-Jul-2004.

Measured Depth	Inclin Degrees	Azimuth Degrees	True Vert Depth	R E C T A N G U L A R C O O R D I N A T E S	Dogleg Deg/100ft	Vert Sect	G R I D C O O R D S Easting	Northing
----------------	----------------	-----------------	-----------------	---	------------------	-----------	-----------------------------	----------

All data in feet unless otherwise stated. Calculation uses minimum curvature method.
Coordinates from slot #1 and TVD from rotary table.
Bottom hole distance is 2474.58 on azimuth 137.13 degrees from wellhead.
Vertical section is from N 0.00 E 0.00 on azimuth 137.13 degrees.
Grid is mercator - New Mexico East (3001).
Grid coordinates in FEET and computed using the Clarke - 1866 spheroid
Presented by Baker Hughes INTEQ

Marathon Oil Company
IHU 59, slot #1
Indian Basin, EDDY COUNTY, NM.

PROPOSAL LISTING Page 3
Your ref : Pln 1
Last revised : 22-Jul-2004

Comments in wellpath
=====

MD	TVD	Rectangular Coords.	Comment
8814.29	8570.00	1373.90S	1275.30E Tgt 1
11123.60	10800.00	1813.66S	1683.51E BHL

Targets associated with this wellpath
=====

Target name	Geographic Location	T.V.D.	Rectangular Coordinates	Revised
Tgt 1	445465.000, 532891.000, 0.00000	8570.00	1373.90S	1275.30E 26-Jun-2004
BHL		10800.00	1813.66S	1683.51E 26-Jun-2004



OCD - Artesia

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

October 13, 2004

Marathon Oil Company
P. O. Box 3487
Houston, Texas 77253-3487

RECEIVED

OCT 21 2004

OCD-ARTESIA

Attention: Mark Mick
Operations Engineer
msmick1@yahoo.com

Administrative Order NSL-4649-B (BHL) (SD)

Dear Mr. Mick:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on September 15, 2004 (***administrative application reference No. pSEM0-425948610***); (ii) the Division's initial response by e-mail on Tuesday, October 12, 2004 from Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the Division in Santa Fe requesting verification of certain data submitted; (iii) your reply by e-mail on Wednesday, October 13, 2004 with the necessary explanation to complete your application; and (iv) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4649 (BHL) and NSL-4649-A (BHL) (SD): all concerning Marathon Oil Company's ("Marathon") request for an exception to Rule 2 (b) of the "Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool", as promulgated by New Mexico Oil Conservation Division ("Division") Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E and the "General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico," as promulgated by Division Order No. R-5353, as amended, for its proposed Indian Hills Unit Well No. 59 to be drilled as an upper Pennsylvanian infill well to an unorthodox subsurface location within an existing standard 320-acre stand-up spacing and proration unit comprising the W/2 of Section 21, Township 21 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool (33685), Eddy County, New Mexico.

This unit is currently simultaneously dedicated to Marathon's:

- (i) Indian Hills Unit Well No. 1 (API No. 30-015-10066), located on the surface 416 feet from the South line and 176 feet from the West line (Unit M) of Section 21 and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at an unorthodox bottom-hole location that is 427 feet from the South line and 30 feet from the West line (Unit M) of Section 21, see Division Administrative Order NSL-4649 (BHL), dated October 3, 2001;

(ii) Indian Hills Unit Well No. 31 (API No. 30-015-31534), located on the surface 1093 feet from the North line and 663 feet from the East line (Unit A) of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at a bottom-hole infill location within Unit "F" of offsetting Section 21 that is 1327 feet from the North line and 1510 feet from the West line of Section 21, see Division Administrative Order NSL-4649-A (BHL) (SD), dated April 23, 2004, as corrected administratively by order also dated April 23, 2004; and

(iii) Indian Hills Unit Well No. 36 (API No. 30-015-32140), located on the surface 429 feet from the South line and 506 feet from the West line (Unit M) of Section 21, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at a bottom-hole infill location within Unit "K" of Section 21 that is 1708 feet from the South line and 1608 feet from the West line of Section 21.

It is the Division's understanding that Marathon's proposed Indian Hills Unit Well No. 59, because of topographic reasons and to utilize the same well pad as its above-described Indian Hills Well No. 31, will be spud at a surface location 1117 feet from the North line and 641 feet from the East line (Lot 1/Unit A) of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico and drilled directionally to the southeast to a targeted-bottomhole location within the Mississippian formation at an approximate depth of 11,124 feet (MD) 2349 feet from the South line and 1043 feet from the West line (Unit L) of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico. The wellbore is to intersect the top of the Indian Basin-Upper Pennsylvanian Associated Pool at an approximate depth of 8,006 feet (MD), or 7,790 feet (TVD), 2293 feet from the North line and 361 feet from the West line (Unit E) of Section 21, and exit the base of the Indian Basin-Upper Pennsylvanian Associated Pool at an approximate depth of 8,735 feet (MD), or 8,493 feet (TVD), 2429 feet from the North line and 479 feet from the West line (Unit E) of Section 21. The proposed wellbore will be unorthodox throughout the entire Indian Basin-Upper Pennsylvanian Associated Pool since the borehole will be closer than the standard setback distance of 660 from the West line of Section 21. Further, this bottom-hole location has been chosen by Marathon to optimize reservoir drainage in the Upper-Pennsylvanian interval and minimize geological risk in the upper and lower Pennsylvanian and the deeper Mississippian interval.

This application has been duly filed under the provisions of Division Rule 104.F and Rule 2 (c) of the Division's associated pool rules.

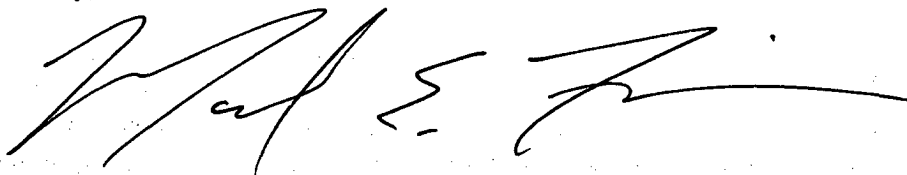
By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, the above-described unorthodox sub-surface location for the Indian Hills Unit Well No. 59 within the W/2 of Section 21 is hereby approved.

Further, the aforementioned well and spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Marathon is hereby authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from the aforementioned Indian Hills Unit Wells No. 1, 31, 36, and 59. Furthermore, Marathon is permitted to produce the allowable assigned the subject 320-acre spacing and proration unit from all four wells in any proportion.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', is written over a horizontal line.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: NSL-4649 (BHL)
NSL-4649-A (BHL) (SD)