



NSL-4755(BHL)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor

April 13, 2004

Joanna Prukop
Cabinet Secretary
Acting Director
Oil Conservation Division

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

Attention: Mark Mick
Operations Engineer
msmick1@yahoo.com

Administrative Order NSL-4755-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 March 11, 2004 (***administrative application reference No. pMES0-409128991***); and (ii) the Division's records in Santa Fe, including the files on Division Administrative Orders NSL-4755 (BHL) and NSL-4755-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. 58 to be drilled as an upper Pennsylvanian infill well to an unorthodox subsurface location within an existing standard 343.86-acre lay-down spacing and proration unit comprising Lots 1 through 8 (S/2 equivalent) of Section 17, 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. 42 (**API No. 30-015-32355**), located on the surface 475 feet from the North line and 2522 feet from the East line (Lot 2/Unit B) 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 an unorthodox subsurface location within Lot 8 (SE/4 SE/4 equivalent - Unit P) of Section 17, see Division Administrative Order NSL-4755 (BHL), dated July 3, 2002; and

(ii) Indian Hills Unit Well No. 52 (**API No. 30-015-32805**), located on the surface 1265 feet from the South line and 2073 feet from the East line (Lot 7/Unit O) of Section 17, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at an unorthodox subsurface infill location within Lot 7 (SW/4 SE/4 equivalent - Unit O) of Section 17, see Division Administrative Order NSL-4755-A (BHL) (SD), dated May 22, 2003.

It is the Division's understanding that Marathon's proposed Indian Hills Unit Well No. 58, because of topographic reasons and to utilize the same well pad as its above-described Indian Hills Unit Well No. 52, will be spud at a surface location 1288 feet from the South line and 2046 feet from the East line (Lot 7/Unit O) of Section 17, and drilled directionally to the southwest to a targeted-bottomhole location at an approximate depth 8,650 feet (TVD) 70 feet from the South line and 1700 feet from the West line (Lot 6/Unit N) of Section 17. The wellbore is to intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,919 feet (TVD) 212 feet from the South line and 1880 feet from the West line (Lot 6/Unit N) of Section 17. The proposed well will be unorthodox in that the entire producing interval will be closer than the standard setback distance of 660 from the South line of Section 17. Further, this bottom-hole location has been chosen by Marathon to optimize reservoir drainage and minimize geological risk.

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. 58 within the S/2 equivalent of Section 17 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. 42, 52, and 58. Furthermore, Marathon is permitted to produce the allowable assigned the subject 343.86-acre spacing and proration unit from all three wells in any proportion.

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

Sincerely,



Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: NSL-4755 (BHL)
NSL-4755-A (BHL) (SD)