



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 28, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Frank M. Krugh
fmkrugh@marathonoil.com

Administrative Order NSL-5341

Dear Mr. Krugh:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-603048395*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on January 26, 2006; (ii) your meeting with Mr. Michael E. Stogner, Engineer with the Division, in Santa Fe on Monday morning, February 27, 2006; and (iii) the Division's records in Santa Fe and Hobbs, which included an independent search by Mr. Stogner of records in the public domain (i.e. topographic maps, aerial photos, Google Earth®, and personal knowledge and familiarity of the immediate area): all concerning Marathon Oil Company's ("Marathon") request for an exception to Division Rule 104.B (1) for its proposed Mark Owen Well No. 14 to be drilled essentially as an infill well at an unorthodox oil well location within the SW/4 SW/4 of Section 35, Township 21 South, Range 37 East, NMPM, Lea County, New Mexico, being a standard 40-acre oil spacing and proration unit within the Penrose Skelly (Grayburg) Pool (50350), 1090 feet from the South line and 760 feet from the West line (Unit M) of Section 35.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

Furthermore, from the Examiner's review of the Division's records, it is our understanding that the SW/4 of Section 35 comprises a single fee lease (Mark Owen lease) with common mineral interest in which Marathon is the leasehold operator; therefore, there are no adversely effected offsetting mineral interest owners to the subject 40-acre tract within the Grayburg interval.

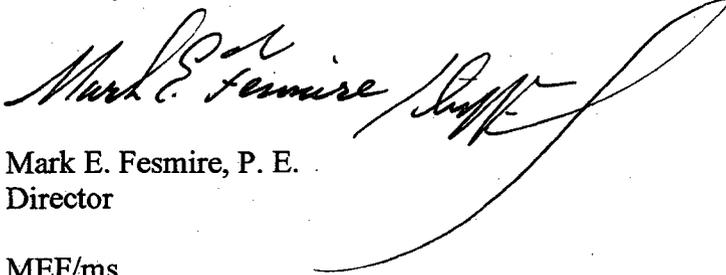
Even though Marathon cites topographic reasons as the necessity for this unorthodox well location within the northern portion of this 40-acre unit, it is the Division's understanding that Marathon also intends to develop this 40-acre Penrose unit with the following two additional wells: (i) Mark Owen Well No. 10 (API No. 30-025-37533) located at a standard oil well location 510 feet from the South line and 660 feet from the West line of Section 35; and (ii) Mark Owen Well No. 13 (API No. 30-025-37648) to be drilled at a standard oil well location 330 feet from the South and West lines of Section 35.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox Grayburg oil well location for Marathon's proposed Mark Owen Well No. 14 is hereby approved.

IT HOWEVER SHALL BE NOTED for future reference, Marathon as a prudent and reputable applicant/operator, must provide adequate supporting data necessary to complete an application, otherwise all request for administrative relief from the Division's rules filed by Marathon will automatically be set for hearing.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark E. Fesmire" followed by a large, stylized flourish.

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Hobbs
W. Thomas Kellahin, Legal Counsel for Marathon Oil Company – Santa Fe, NM