



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Marathon Oil Company

P. O. Box 552

Midland, Texas 79702-0552

August 19, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Attention: Steve Millican, (SEMillican@MarathonOil.com)

Administrative Order NSL-4175-A (BHL) (SD)

Dear Mr. Millican:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on August 14, 2003 (*administrative application reference No. pLR0-322640855*); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Order NSL-4175 (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 Marathon's existing Indian Hills Unit Well No. 9 (API No. 30-015-28754) to be recompleted with a horizontal drainhole within an existing standard 340.40-acre spacing and proration unit for the Indian Basin-Upper Pennsylvanian Associated Pool (33685) comprising Lots 1 through 8 (N/2 equivalent) of Irregular Section 33, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico

This application has been duly filed under the provisions of: (i) Division Rule 104.F; (ii) Division Rule 1207.A; (iii) 111.C (2); and (iv) Rule 2 (c) of the aforementioned associated oil and gas pool rules.

This unit is currently simultaneously dedicated to Marathon's:

(i) aforementioned Indian Hills Unit Well No. 9 located at a standard location 990 feet from the North line and 1980 feet from the East line (Lot 2/Unit B) of Irregular Section 33;

(ii) Indian Hills Unit Well No. 12 (API No. 30-015-28813), located at an unorthodox location (approved by Division Administrative Order NSL-4175, dated December 4, 1998) 2080 feet from the North line and 2130 feet from the West line (Lot 6/Unit F) of Irregular Section 33;

(iii) Indian Hills Unit Well No. 22 (API No. 30-015-31150), located on the surface 1691 feet from the North line and 10 feet from the West line (Lot 5/Unit E) of Irregular Section 33 and completed, presumably, at a standard sub-surface location pursuant to Division Rules 111.A (7) and (13) and 111.C (2) within Lot 4 (NW/4 NW/4 equivalent - Unit D) of Irregular Section 33; and

(iv) Indian Hills Unit Well No. 44 (API No. 30-015-32656), located on the surface 2679 feet from the South line and 1396 feet from the East line (Lot 10/Unit J) of Irregular Section 33 and drilled to and completed at, presumably, a standard sub-surface location pursuant to Division Rules 111.A (7) and (13) and 111.C (2) within Lot 8 (SE/4 NE/4 equivalent - Unit H) of Irregular Section 33.

It is the Division's understanding that Marathon initially drilled the Indian Hills Unit Well No. 9 vertically to a depth of 10,300 feet in 1996 in order to penetrate the Morrow formation. Evidently the deeper Morrow interval tested dry for gas and the well was subsequently completed up-hole into the Indian Basin-Upper Pennsylvanian Associated Pool as the initial well within this 340.40-acre unit at a location considered to be standard. It is further understood that Marathon now intends to recomplete this well by kicking-off at a depth of 8,000 feet in a northeasterly direction, build angle to approximately 94 degrees, and continue drilling horizontally a distance of 1,261 feet. The targeted end or bottom-hole location of this drainhole is proposed to be within Lot 1 (the NE/4 NE/4 equivalent -- Unit A) of Irregular Section 33 at an unorthodox subsurface location that is approximately 50 feet from the North line and 975 feet from the East line of Irregular Section 33.

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. 9 within the N/2 equivalent of Irregular Section 33, is hereby approved. The aforementioned Indian Hills Unit Well No. 9 and 340.40-acre spacing unit will be subject to all existing rules, regulations, policies, and procedures applicable to the Indian Basin-Upper Pennsylvanian Associated Pool.

Furthermore, 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. 9, 12, 22, and 44. Furthermore, Marathon is permitted to produce the allowable assigned the subject 340.40-acre spacing and proration unit from all four wells in any proportion. Finally, Marathon shall comply with all provisions of Division Rule 111 applicable in this matter.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: NSL-4175