



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

May 12, 1999

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

Administrative Order NSL-3558-A (SD)

Dear Mr. Dueease:

Reference is made to your application dated April 21, 1999 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, and R-9922-D 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 an infill well to be drilled at an unorthodox location within an existing 342.48-acre lay-down spacing and proration unit comprising Lots 9 through 16 (S/2 equivalent) of Section 33, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

This unit is currently dedicated to Marathon Oil Company's ("Marathon") Indian Hills Unit Well No. 8 (API No. 30-015-28590), located at an unorthodox location [approved by Division Administrative Order NSL-3558 (NSP)] 1182 feet from the South line and 1545 feet from the West line (Lot 14/Unit N) of Section 33.

The subject 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: (i) Rule 2(c) of the "*Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Associated Pool/General Rules and Regulations for the Associated Oil and Gas Pools of Northwest New Mexico and Southeast New Mexico*"; and (ii) Division Rule 104.F(2), the following described well to be drilled at an unorthodox infill location in Section 33 is hereby approved:

Indian Hills Unit Well No. 11
335' FSL & 1880' FEL (Lot 15/Unit O)
(API No. 30-015-28748).

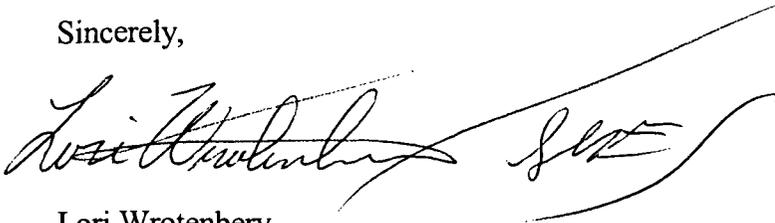
Also, Marathon is hereby authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from the existing Indian Hills Unit Well No. 8 with the proposed Indian Hills Unit Well No. 11. Furthermore, Marathon is permitted to produce the allowable assigned the subject 342.48-acre spacing and proration unit from both wells in any proportion.

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The provisions of Division Administrative Order NSL-3558 (NSP) for Marathon's Indian Hills Unit Well No. 8 shall remain in full force and effect until further notice and such provisions contained therein shall be expanded to include the Indian Basin-Upper Pennsylvanian Associated Pool.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrottenbery". The signature is written in black ink and is positioned above the typed name and title.

Lori Wrottenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
W. Thomas Kellahin, Counsel for Marathon Oil Company - Santa Fe
File: NSL-3558 (NSP)
DD-139

Remarks: The previously issued Division Administrative Order DD-139, dated April 30, 1996, which order authorized Marathon to directionally drill the Indian Hills Unit Well No. 11 from the proposed (surface) location to a subsurface location within the Indian Basin-Upper Pennsylvanian Associated Pool that is standard within Lot 15 (SW/4 SE/4 equivalent) of Section 33, is hereby placed in abeyance until further notice.