

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

1

TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

- [D] Other: Specify _____

01 AUG 15 PM 2:39
 OIL CONSERVATION DIV

2

NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

3

SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

4

CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

[Handwritten Signature]

Print or Type Name: **KELLAHIN & KELLAHIN**
 Attorneys At Law
 P.O. Box 2265
 Santa Fe, N.M. 87504-2265

Signature: _____ Title: **Attorney**
 Date: **8/15/01**
 e-mail Address: **t.kellahin@worldnet.att.net**

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

W. THOMAS KELLAHIN*

*NEW MEXICO BOARD OF LEGAL SPECIALIZATION
RECOGNIZED SPECIALIST IN THE AREA OF
NATURAL RESOURCES-OIL AND GAS LAW

JASON KELLAHIN (RETIRED 1991)

August 15, 2001

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

**RE: *Indian Hills Unit Well No. 10
2080 feet FNL & 660 feet FWL NMPM, N/2 Section 28, T21S, R24E
Administrative Application of Marathon Oil Company for Approval
of an Unorthodox Gas Well Location, Eddy County, New Mexico***

Dear Mr. Stogner:

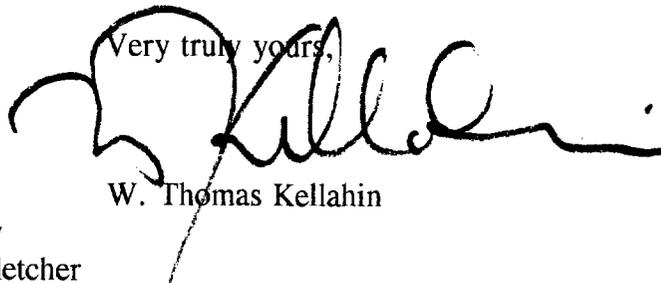
In accordance with our telephone conversation on August 13, 2001, I am resubmitting the referenced matter to you as a new application on behalf of Marathon Oil Company. This well has been drilled, completed and is producing from a 320-acre gas spacing and proration unit consisting of the N/2 of this section for production from the Indian Basin Upper-Pennsylvanian Gas Pool with the production commingled on the surface pursuant to Division Order R-11186. **See enclosed plat.**

The location is unorthodox because it is only 560 feet from the southern boundary of its S/2 spacing unit. The encroachment is towards the S/2 of Section 28 which is operated by Marathon as the operator of the Indian Hills Unit. Notice was originally sent on June 1, 2001 to the following who are the working interest owners in that unit:

| | |
|---|-----------------|
| Hanagan Properties | waiver attached |
| Nearburg Exploration | waiver attached |
| Claremont Corporation | waiver attached |
| Nolan Brunson, Jr. | waiver attached |
| Hugh Hanagan | waiver attached |
| Devon Energy | |
| Texas Independent Exploration, Inc. | |
| Tandem Energy (formerly Merit Group II Partnership) | |

As part of this refiling, we have again sent notice to all the above working interest owners even if they have already signed a waiver.

Very truly yours,



W. Thomas Kellahin

fx: Marathon Oil Company
Attn: Jerry Fletcher

Tom,

Here is the waiver list:

Devon Energy Production Company LP
P.O. Box 843559
Dallas, Tx. 75284-3559
W.I. % 1.15313
Waiver not signed

Hanagan Properties
Attn. Robert G. Hanagan
P.O. Box 1887
Santa Fe, N.M. 87504-1887
W.I. % 0.28125
Waiver signed

Texas Independent Exploration Inc.
1600 Smith Suite 3800
Houston, Tx. 77002-7345
W.I. % 1.28125
Waiver not signed

Tandem Energy
P.O. Box 351
Midland, Tx. 79702-0351
W.I. % 1.28125
Waiver not signed

Nolan E. Brunson, Jr.
P.O. Box 2390
Hobbs N.M. 88241-2390
W.I. % 0.56250
Waiver signed

Hugh E. Hanagan
P.O. Box 1737
Roswell, N.M. 88202-1737
W.I. % 0.28125
Waiver signed

Nearburg Exploration Co., LLC
3300 N. "A" Street Bldg. 2, Ste. 120
Midland, Tx. 79705
W.I. % 0.42615
Waiver signed

Claremont Corporation
P.O. Box 549
Claremore, OK 74018-0549
W.I. % 1.40937
Waiver signed

District I
 PO Box 1980, Hobbs, NM 88241-1980
 District II
 811 S. 1st Street, Artesia, NM 88210-2834
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, NM 87504-2088

Revised February 10, 199
 Instructions on bac
 Submit to Appropriate District Office
 State Lease - 4 Copie
 Fee Lease - 3 Copie

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|--|--|---|---------------------------------|
| ¹ API Number 30-015-30571 | | ² Pool Code 33685 | | ³ Pool Name Indian Basin Upper Penn. Assoc. | |
| ⁴ Property Code | | ⁵ Property Name Indian Hills Unit | | | ⁶ Well Number 10 |
| ⁷ OGRID No. 14021 | | ⁸ Operator Name Marathon Oil Company | | | ⁹ Elevation 3763' |

¹⁰ Surface Location

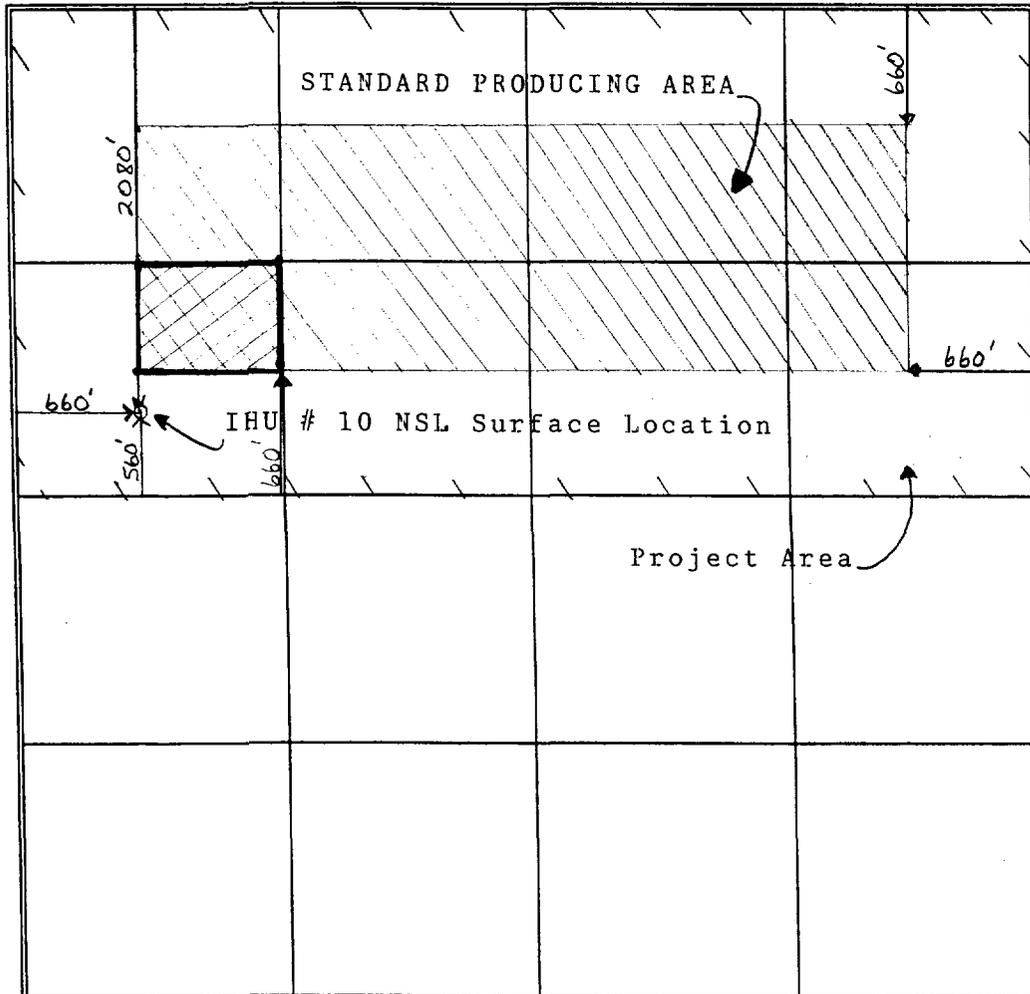
| UL or lot no. | Section | Township | Range | Lot. Idn | Feet from the | North/South Line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| "E" | 28 | 21-S | 24-E | | 2080' | NORTH | 660' | WEST | EDDY |

¹¹ 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 |
|---------------|---------|----------|-------|----------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|--|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 320 N/2 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ Order No. |
|--|-------------------------------|----------------------------------|-------------------------|

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



¹⁷ OPERATOR CERTIFICATION

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

Jerry Fletcher
 Signature

Jerry Fletcher
 Printed Name

Engineer Tech.
 Title

8/14/01
 Date

¹⁸ 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.

November 4, 1998
 Date of Survey

Signature and Seal of Professional Surveyor:

Certificate Number



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

August 13, 2001

Mr. Michael Stogner
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87504

Re: *Indian Hills Unit No. 10*
2080' FNL & 660' FWL
Section 28, Township 21 South, Range 24 East
Indian Basin-Upper Pennsylvanian Associated Pool

Dear Mr. Stogner:

Recently while in the process of permitting a new well location in Section 28, Township 21 South, Range 24 East, you brought to Marathon Oil Company's attention that our Indian Hills Unit Well No. 10 was drilled in an unorthodox location without the appropriate administrative approval.

Indian Hills Unit Well No. 10 is completed in the "Indian Basin Upper Pennsylvanian Associated Pool" as promulgated by the New Mexico Oil Conservation Division Order Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, and R-9922-D and the general rules for the Associated Gas Pools of Southeast New Mexico as promulgated by Division Order No. R-5533. These rules require wells to be located no closer than 660 feet to the outer boundary of the proration/spacing unit and no closer than 330 feet to the governmental quarter/quarter section line. Indian Hills Unit Well No. 10 is unorthodox because it is located 2080 feet from the north line of the 320-acre "lay-down" Gas Proration Unit located in the north half of Section 28 (please refer to attached Well Location and Acreage Dedication Plats).

By means of this application, Marathon Oil Company respectfully requests NSL approval for the above referenced well. In support of this application, Marathon's reservoir development plans at the time the well was permitted are discussed below. In addition, specific details are reviewed in order to explain how the well was located in its current unorthodox location.

Reservoir Management & Well Spacing:

Indian Hill Unit Well No. 10 was drilled in Marathon's initial development phase of the East Indian Basin. The development was targeting gas reserves trapped in the reservoir from water influx. Therefore, structural location was considered to be important to well productivity. Based on this theory, it required the Indian Hills Unit Well No. 10 to target a location in the western half of Section 28 that is structurally higher than the eastern half of section the (please see Attachment #1 – Structure map of Section 28). Since there was an existing well in the SW/4 of Section 28 (Indian Hills Unit Well No 4), the NW/4 of the section was targeted for development.

Surface Restrictions:

Several surface restriction issues arose in trying to spot a standard location in the NW/4 of Section 28. The primary factor forcing the well location into the SW/4 of the NW/4 was maintaining a 200 meter (656 feet) set back from the 100 year flood plain of the Rocky arroyo. Because a suitable drilling pad could not be located between the flood plain set back and the existing pipeline right-of-ways, the well location was pushed south of the pipelines in order to provide a safe drilling pad location. A letter from the Bureau of Land Management is attached to help summarize the surface restrictions realized during the process of spotting the Indian Hills Unit Well No. 10 location (please see Attachment #2 – Letter from the BLM). Surveys of archaeological sites and infrastructure as well as a topographical map of Section 28 are also attached to help visualize the issues described in the letter from the BLM (please see Attachment #3 – Large scale topographical map showing cross-hatched archaeological sites, Attachment #4 – Topographical detail of Section 28 & Attachment #5 – Survey of Indian Hills Unit Well No. 10 Wellsite).

Waivers:

On June 01, 2001, Marathon notified our offset operators of our intent to request administrative approval for non-standard location for Indian Hills Unit #10. Please see attached copies of waiver letters. Please note that all of Section 28 has common ownership in both Gas Proration Units.

Unfortunately, we cannot provide you with a strong explanation of why an application for administrative approval of an unorthodox location has not been submitted to date. It appears that during the permitting process, we failed to identify the location as unorthodox after it was moved by the BLM, and hence did not apply for an NSL. During the subsequent months of producing this well, this non-compliance had continued to be an oversight upon our part until now.

Marathon recognizes the importance of ensuring that its work activities are in compliance with all regulatory requirements. Over the past two months, we have been striving to improve our regulatory performance and are confident we will be able file all future applications in a timely manner.

If you have any questions/comments/concerns, please contact me at (915) 687-8306.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. Millican', with a long horizontal line extending to the right.

Steven F. Millican
Operations Engineer
Marathon Oil Company

DISTRICT I
P.O. Box 1000, Hobbs, NM 88241-1000

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0710

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2086, SANTA FE, N.M. 87504-2086

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------|----------------------|---------------------------------|
| API Number | Pool Code | Pool Name |
| | | Indian Basin - Upper Penn Assoc |
| Property Code | Property Name | Well Number |
| | INDIAN HILLS UNIT | 10 |
| OGRID No. | Operator Name | Elevation |
| 14021 | MARATHON OIL COMPANY | 3763' |

Surface Location

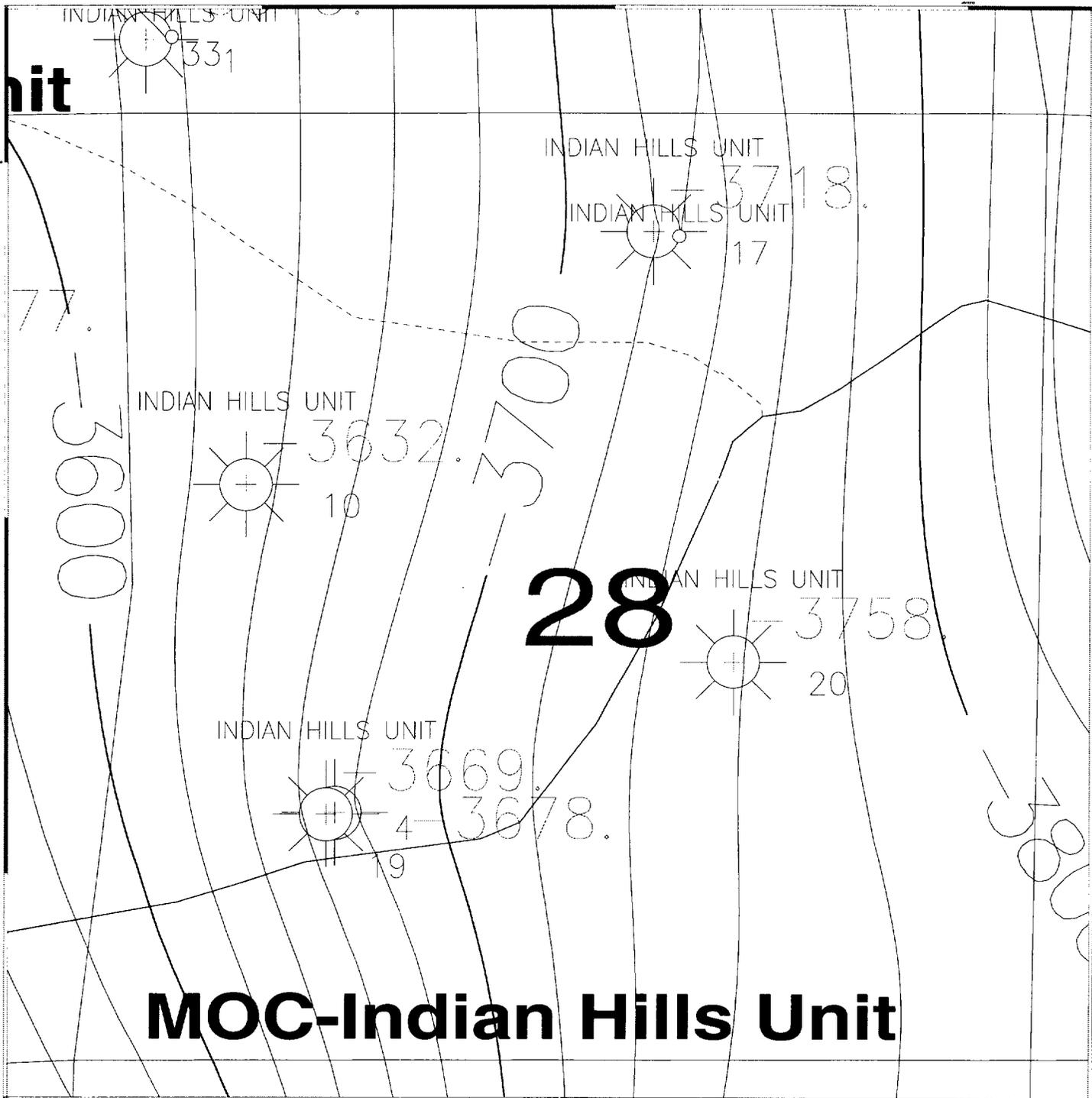
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 28 | 21 S | 24 E | | 2080 | NORTH | 660 | WEST | 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 |
|-----------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. | | | | | | |
| 320 | | | | | | | | | |

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

| | |
|--|---|
| | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Walter J. Longmire</i> Signature</p> <p>R. J. Longmire Printed Name</p> <p>Drilling Superintendent Title</p> <p>12/8/98 Date</p> |
| | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>NOVEMBER 4, 1998</p> <p>Date Surveyed</p> <p><i>Ronald J. Eidson</i> Signature of Seal of Professional Surveyor</p> <p>CDG</p> |
| | |
| | <p>Certificate No. RONALD J. EIDSON 3239 DARYL EIDSON 12641</p> |



| | | |
|--|---------------|------------|
| Marathon Oil Company | | |
| INDIAN BASIN FIELD TOP CISCO STRUCTURE ATTACHMENT #1 | | |
| M R BITTER | | 8/14/2001 |
| | Scale 1:10000 | EIBSGM.GPF |



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
 620 E. Greene St.
 P.O. Box 1778
 Carlsbad, New Mexico 88221-1778
 Tel. (505) 234-5972
 Fax (505) 885-9264

IN REPLY REFER TO:
 3160 (080) bwh

To whom it may concern:

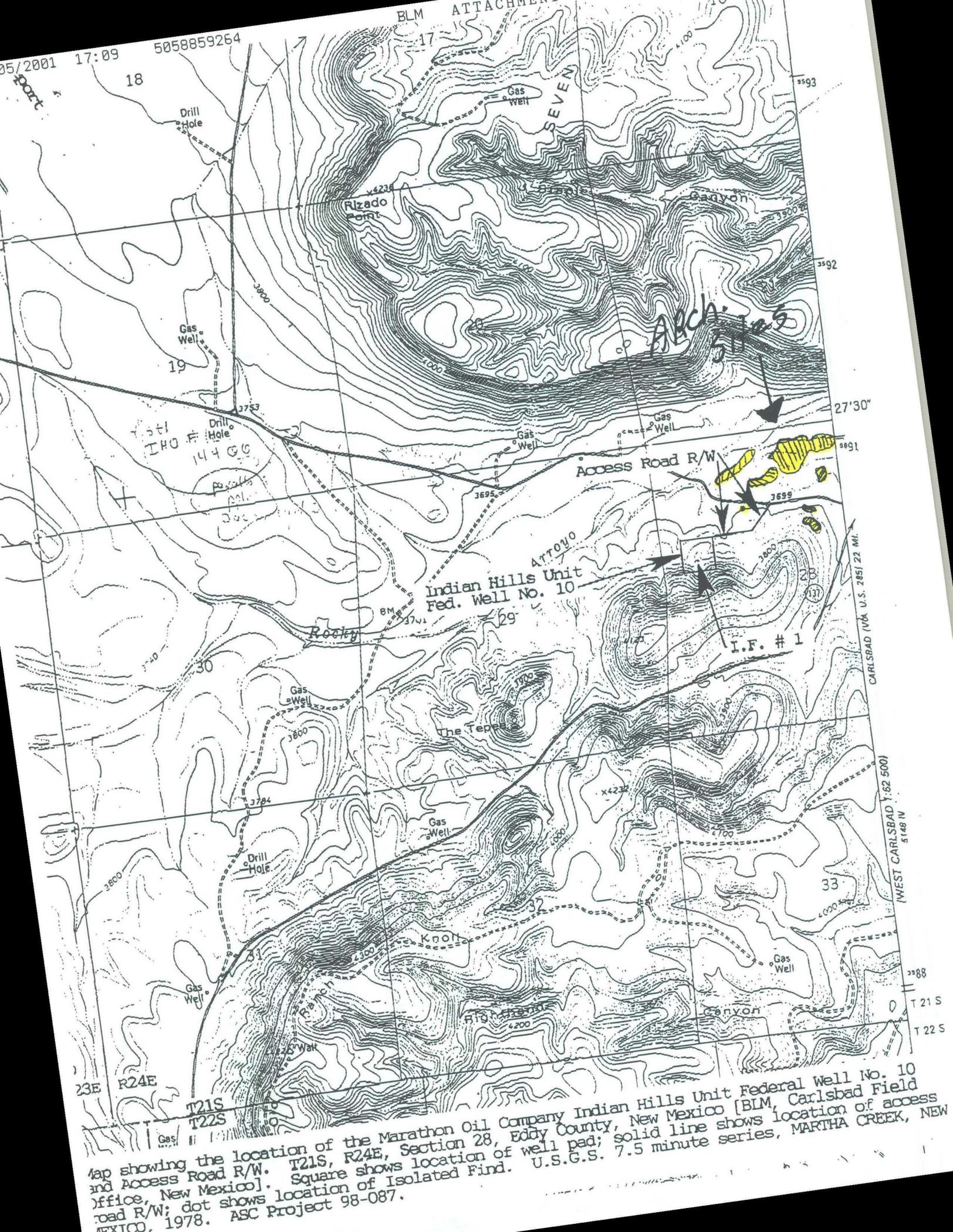
In considering the proposal to identify a suitable drilling location for Marathon's Indian Hills Unit # 10 in the W/2 of the NW/4 of Section 28, T-21-S, R-24-E, I have reviewed the East Indian Basin Azotea Mesa Environmental Assessment, and the Resource Management Plan as they relate to the recommended construction practices on slopes and location of drillsites near drainages.

Marathon's first proposal for this location was to be located at 1650' FNL & 660' FWL. This site was condemned due to the proximity of the 100 year floodplain of Rocky Arroyo. Executive Order 11988, May 1977, directs Federal Agencies to "... avoid to the extent possible the long and short term adverse impacts associated with the occupancy and modification of floodplains and to avoid direct and indirect support of floodplain development wherever there is a practical alternative...". The Carlsbad Approved Resource Management Plan Amendment and Record of Decision, October, 1997, in Appendix I, page 3 states that surface disturbance will not be allowed within up to 200 meters of the outer edge of the 100 year floodplain, to protect the integrity of those floodplains. Several attempts were made to locate a suitable drillsite in the N/2 of the NW/4 of the section but these locations were not acceptable due to significant cultural issues and proximity to Rocky Arroyo and the associated floodplain. I recommended that the location be moved south up and away from the floodplain, and in moving south two conflicts became apparent with the extant 12" and 8" above ground gas gathering lines and the parallel secondary power lines. The power and gathering lines were trending east-west and due to avoidance measures and safety considerations it was necessary to move the proposed location further south to completely avoid the lines.

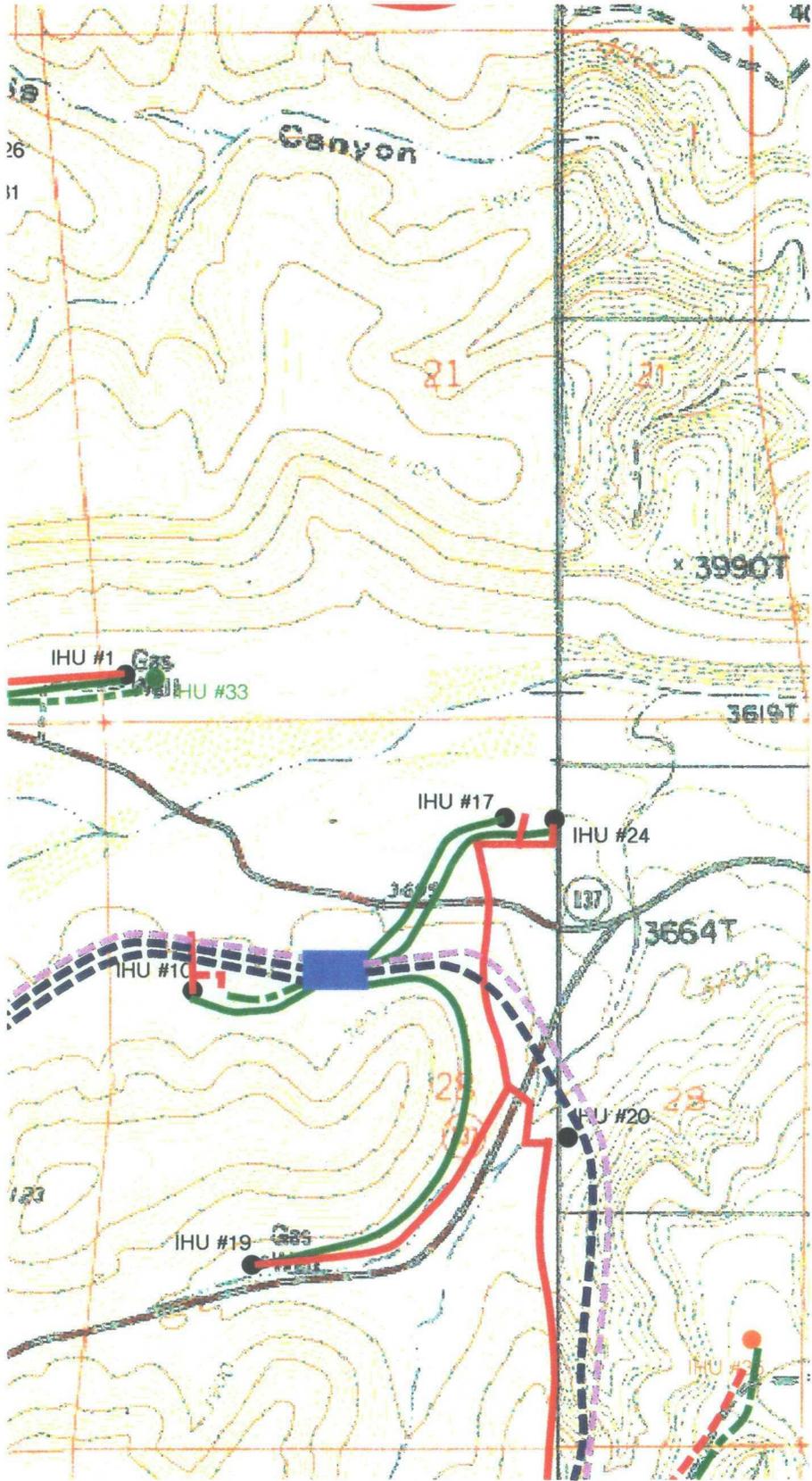
Our recommended procedure for locating well pads in steep terrain such as this requires that reserve pits be located in cut and not fill to avoid erosion and potential loss of reserve pit contents. The location drilled at 2080' FNL & 660' FWL required Marathon to position the rig with a V-door facing west in order to maximize the cut requirements for reserve pit construction.

Due to mandates of the Executive Order and the Approved Resource Management Plan and Record of Decision there was no other feasible drillsite, and this location posed the least amount of damage to surface resource management issues in the W/2 of the NW/4 of section 28.

Leslie A. Theiss
 Field Manager



Map showing the location of the Marathon Oil Company Indian Hills Unit Federal Well No. 10 and Access Road R/W. T21S, R24E, Section 28, Eddy County, New Mexico [BLM, Carlsbad Field Office, New Mexico]. Square shows location of well pad; solid line shows location of access road R/W; dot shows location of Isolated Find. U.S.G.S. 7.5 minute series, MARTHA CREEK, NEW MEXICO, 1978. ASC Project 98-087.



- PRODUCING WELLS
- PENDING WELLS
- PLANNED WELLS
- CONTINGENT WELLS
- EXISTING DUAL FLOWLINES
- - - PROPOSED DUAL FLOWLINES
- EXISTING ELECTRICAL LINES
- - - PROPOSED ELECTRIC LINES
- - - FLUID GATHERING SYSTEM
- OIL GATHERING SYSTEM
- - - LOW PRESSURE GAS GATHERING SYSTEM
- - - HIGH PRESSURE GAS GATHERING SYSTEM
- - - COMPRESSOR FUEL LINE
- COMPRESSOR DISCHARGE LINE
- - - PROPOSED MORROW GAS GATHERING SYSTEM
- SWD INJECTION LINE
- ROADWAY
- △ CENTRAL FACILITY
- SATELLITE STATIONS
- COMPRESSOR STATION

Attachment #4

ATTACHMENT # 5

First proposed site

1650' FNL & 660' FWL

12" GAS GATHERING

8" FLUID

8" FLUID

ELECTRIC LINE

(2) 4" STL PIPELINES

ELECTRIC LINE

E ARROYO

E ARROYO

ACCESS ROAD

CONTROL BOX & ANTENA

I.H.U. #10



MARATHON OIL COMPANY

TOPOGRAPHIC SURVEY OF
 THE I.H.U. #10 WELL IN UNIT E, LOCATED 2080' FNL
 & 660' FWL OF SECTION 28,
 TOWNSHIP 21 SOUTH,
 RANGE 24 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO

| | | |
|-------------------------|-----------------------------|--------|
| Survey Date: 5/25/01 | Sheet 1 of 1 | Sheets |
| W.O. Number: 01-11-0640 | Drawn By: D.COLLINS | |
| Date: 5/30/01 | MARATHON0640 Scale: 1"=100' | |

JOHN WEST SURVEYING COMPANY

112 N. DAL PASO BOBROS W. MEXICO - 505-393-3117



June 01,2001

P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

Hanagan Properties
P.O. Box 1887
Santa Fe N.M. 87504-1887 Attn. Robert G. Hanagan

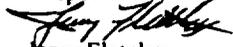
RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

Dear Sir,

Marathon Oil Company was in the process of applying for an unorthodox location for our proposed Indian Hills Unit # 34, located @ 1416' FNL & 1607' FWL of Section 28, T-21-S, R-24-E, Eddy County, New Mexico when it was brought to our attention that the Indian Hills Unit # 10,(2080' FNL & 660' FWL, Section 28, U.L. "E") which was drilled and completed on 6/9/99, located 560 feet from the half section line of section 28, is non standard to the 660' outer boundary of the half section line of the N/2,320 acre Proration Unit. Marathon Oil company has common ownership of the South Half of section 28. We are only 100 feet outside the 660 foot hardline of the North half 320 acre lay down proration unit.

The Indian Hills Unit # 10 is completed in the "Indian Basin Upper Pennsylvanian Associated Pool" which is subject to the Special Rules and Regulations for the Indian Basin Upper Pennsylvanian Associated Gas Pool as promulgated by the 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 Southeast New Mexico, as promulgated by Division Order No. R-5353. These rules require wells to be located no closer than 660 feet to the outer boundary of the proration and spacing unit and no closer than 330' to the governmental quarter/ quarter section line. **The Indian Hills Unit # 10 does not conform to the 660' spacing requirement from the outer boundary of the dedicated North half proration unit.** As offset you are hereby notified of Marathon's intent to request Administrative Approval for this Non-Standard location for the Indian Hills Unit # 10. If you have an objection to this application, it must be filed in writing with the New Mexico Oil Conservation Division at their Santa Fe office within twenty days from the date of this letter. Should Hanagan Properties have no objection to Marathon's Indian Hills Unit # 10 unorthodox location, please sign below and return an executed copy to me in the envelope provided. An application for administrative approval will be sent to the Oil Conservation Division in Santa Fe upon receipt of necessary waivers.

Respectfully,


Jerry Fletcher
Engineer Tech.

Signature Robert G. Hanagan
Name ROBERT G. HANAGAN
Title Partner
Hanagan Properties
Date 6/6/01



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

June 01,2001

Hugh E. Hanagan
P.O. Box 1737
Roswell, N.M. 88202-1737

RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

Dear Sir,

Marathon Oil Company was in the process of applying for an unorthodox location for our proposed Indian Hills Unit # 34, located @ 1416' FNL & 1607' FWL of Section 28, T-21-S, R-24-E, Eddy County, New Mexico when it was brought to our attention that the Indian Hills Unit # 10,(2080' FNL & 660' FWL, Section 28, U.L. "E") which was drilled and completed on 6/9/99, located 560 feet from the half section line of section 28, is non standard to the 660' outer boundary of the half section line of the N/2,320 acre Proration Unit. Marathon Oil company has common ownership of the South Half of section 28. We are only 100 feet outside the 660 foot hardline of the North half 320 acre lay down proration unit.

The Indian Hills Unit # 10 is completed in the "Indian Basin Upper Pennsylvanian Associated Pool" which is subject to the Special Rules and Regulations for the Indian Basin Upper Pennsylvanian Associated Gas Pool as promulgated by the 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 Southeast New Mexico, as promulgated by Division Order No. R-5353. These rules require wells to be located no closer than 660 feet to the outer boundary of the proration and spacing unit and no closer than 330' to the governmental quarter/ quarter section line. **The Indian Hills Unit # 10 does not conform to the 660' spacing requirement from the outer boundary of the dedicated North half proration unit.** As offset you are hereby notified of Marathon's intent to request Administrative Approval for this Non-Standard location for the Indian Hills Unit # 10. If you have an objection to this application, it must be filed in writing with the New Mexico Oil Conservation Division at their Santa Fe office within twenty days from the date of this letter. Should **Hugh E. Hanagan** have no objection to Marathon's Indian Hills Unit # 10 unorthodox location, please sign below and return an executed copy to me in the envelope provided. An application for administrative approval will be sent to the Oil Conservation Division in Santa Fe upon receipt of necessary waivers.

Respectfully,


Jerry Fletcher
Engineer Tech.

Signature 
Name _____
Title _____
Hugh E. Hanagan
Date 6/11/01



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

June 01,2001

Nolan H. Brunson, Jr.
P.O. Box 2390
Hobbs N.M. 88241-2390

RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

Dear Sir,

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The Indian Hills Unit # 10 is completed in the "Indian Basin Upper Pennsylvanian Associated Pool" which is subject to the Special Rules and Regulations for the Indian Basin Upper Pennsylvanian Associated Gas Pool as promulgated by the 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 Southeast New Mexico, as promulgated by Division Order No. R-5353. These rules require wells to be located no closer than 660 feet to the outer boundary of the proration and spacing unit and no closer than 330' to the governmental quarter/ quarter section line. **The Indian Hills Unit # 10 does not conform to the 660' spacing requirement from the outer boundary of the dedicated North half proration unit.** As offset you are hereby notified of Marathon's intent to request Administrative Approval for this Non-Standard location for the Indian Hills Unit # 10. If you have an objection to this application, it must be filed in writing with the New Mexico Oil Conservation Division at their Santa Fe office within twenty days from the date of this letter. Should **Nolan H. Brunson, Jr.** have no objection to Marathon's Indian Hills Unit # 10 unorthodox location, please sign below and return an executed copy to me in the envelope provided. An application for administrative approval will be sent to the Oil Conservation Division in Santa Fe upon receipt of necessary waivers.

Respectfully,


Jerry Fletcher
Engineer Tech

Signature 
Name _____
Title _____
Nolan H. Brunson
Date 6/8/01



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

June 01,2001

Nearburg Exploration Co., LLC
3300 N. "A" Street Bldg. 2 Ste 120
Midland, Tx. 79705

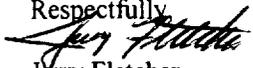
RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

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Respectfully,


Jerry Fletcher
Engineer Tech.

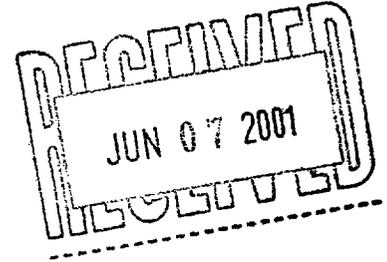
Signature 
Name Robert G. Shelton
Title Attorney-in-Fact
Nearburg Exploration Co., LLC
Date 6/6/01



P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

June 01,2001

Claremont Corporation
P.O. Box 549
Claremore, OK. 74018-0549



RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

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Respectfully,


Jerry Fletcher
Engineer Tech.

Signature 
Name _____
Title Pres.
Claremont Corporation
Date 6/7/01

August 14,2001

Devon Energy Production Company LP
P.O. Box 843559
Dallas, Texas 75284-3559

RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

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Respectfully,

Jerry Fletcher
Engineer Tech.

Signature _____

Name _____

Title _____

Devon Energy Production Company LP

Date _____

August 14,2001

Tandem Energy
P. O Box 351
Midland, Tx. 79702-0351

RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
Eddy County, New Mexico

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Respectfully,

Jerry Fletcher
Engineer Tech.

Signature _____
Name _____
Title _____
Tandem Energy
Date _____

August 14,2001

Texas Independent Exploration, Inc.
1600 Smith, Suite 3800
Houston, Texas 77002-7345

RE: Application for an Unorthodox well location
Indian Hills Unit # 10
2080' FNL & 660' FWL
Section 28, T-21-S, R-24-E, U.L."E" API # 30-015-30571
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Respectfully,

Jerry Fletcher
Engineer Tech.

Signature _____
Name _____
Title _____
Texas Independent Exploration Inc.
Date _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

September 4, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
c/o **W. Thomas Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504-2265

Administrative Order NSL-4638 (SD)

Dear Mr. Kellahin:

Reference is made to the following: (i) your application dated August 15, 2001; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Santa Fe: all concerning Marathon Oil Company's ("Marathon") belated 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, 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 unorthodox location within an existing 320-acre lay-down spacing and proration unit comprising the N/2 of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

This unit is currently simultaneously dedicated to Marathon's: (i) Indian Hills Unit Well No. 10 (**API No. 30-015-30571**), located at an unorthodox location 2080 feet from the North line and 660 feet from the West line (Unit E) of Section 28; and (ii) Indian Hills Unit Well No. 17 (**API No. 30-015-30661**), located at a standard location 660 feet from the North line and 2220 feet from the East line (Unit B) of Section 28.

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 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 gas well location for the Indian Hills Unit Well No. 10 is hereby approved.

Marathon is hereby authorized to simultaneously dedicate production attributed to the Indian Basin-Upper Pennsylvanian Associated Pool from both the existing Indian Hills Unit Wells No. 10 and 17. Furthermore, Marathon is permitted to continue producing the allowable assigned the subject 320-acre spacing and proration unit from both wells in any proportion.

Administrative Order NSL-4638(SD)
Marathon Oil Company
September 4, 2001
Page 2

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 Wrotenbery" followed by a stylized set of initials, possibly "LW/MES".

Lori Wrotenbery
Director

LW/MES/kv

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

122754259

***New Mexico Oil Conservation Division---Engineering Bureau
Administrative Application Process Documentation***

Date Application Received: 8-15-01

Date of Preliminary Review: 8-27-01
(Note: Must be within 10-days of received date)

Results: Application Complete Application Incomplete

Date Incomplete Letter Sent: NA

Deadline to Submit Requested Information: NA

Phone Call Date: NA
(Note: Only applies if requested data is not submitted within the 7-day deadline)

Phone Log Completed? Yes No

Date Application Processed: 9-5-01

Date Application Returned: _____
(Note: Only as a last resort & only after repeated attempts by the Division to obtain the necessary information to process the application)