



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
BETTY RIVERA
Cabinet Secretary

June 18, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: K. W. Tatarzyn

Administrative Order NSL-4750 (BHL) (SD)

Dear Mr. Tatarzyn:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on June 7, 2002 (*Division application reference No. pKRV0-216135512*); (ii) the Division's records in Santa Fe; and (iii) Mr. Walter Dueease's meeting in Santa Fe with Mr. Michael E. Stogner, Chief Hearing Officer/Engineer with the Division in Santa Fe on May 20, 2002: 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, 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 its proposed Indian Hills Unit Well No. 45 to be drilled as a infill well to an unorthodox subsurface location within an existing standard 298.02-acre spacing and proration unit comprising Lots 1 through 8 (E/2 equivalent) of Section 21, 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. 24 (**API No. 30-015-31266**), located on the surface 685 feet from the North line and 2073 feet from the East line (Unit B) of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool (**33685**) at a standard sub-surface location within Lot 6 (NW/4 SE/4 equivalent - Unit J) of Section 21; and
- (ii) Indian Hills Unit Well No. 28 (**API No. 30-015-31267**), located on the surface 218 feet from the South line and 660 feet from the East line (Unit P) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool at a standard sub-surface location within Lot 2 (NW/4 NE/4 equivalent - Unit B) of Section 21.

It is our understanding the proposed Indian Hills Unit Well No. 45, because of topographic reasons, will be spud at a surface location 806 feet from the North line and 1010 feet from the East line

(Unit B) of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, an directionally drilled to the north to a targeted-bottomhole location at an approximate depth 8,300 feet (TVD) 339 feet from the South line and 1148 feet from the East line (Lot 8/Unit P) of Section 21. The well bore will intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,400 feet (TVD) 100 feet from the South line and 1119 feet from the East line (Lot 8/Unit P) of Section 21. The proposed well will be unorthodox in that the entire producing interval will be closer then the standard setback distance of 660 from the South line of Section 21. This bottomhole 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. 45 within the E/2 equivalent of Section 21 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. 24, 28, and 45. Furthermore, Marathon is permitted to produce the allowable assigned the subject 298.02-acre spacing and proration unit from all three wells in any proportion.

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

Sincerely,



Lori Wrotenbery
Director

LW/MES/kv

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