



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 1, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Mark Mick
Operations Engineer
msmick@marathonoil.com

Administrative Order NSL-4638-B (BHL) (SD)

Dear Mr. Mick:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on May 25, 2004 (***administrative application reference No. pMES0-414947371***); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Orders NSL-4638 (SD) and NSL-4638-A (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. 49 (**API No. 30-015-32723**) to be recompleted with a horizontal drainhole within an existing standard 320-acre lay-down spacing and proration unit for the Indian Basin-Upper Pennsylvanian Associated Pool (**33685**) comprising the N/2 of Section 28, 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) Division Rule 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. 49 located at a standard location 705 feet from the North line and 855 feet from the East line (Unit A) of Section 28;
- (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.
- (iii) Indian Hills Unit Well No. 10 (**API No. 30-015-30571**), located at an unorthodox location [approved by Division Administrative Order NSL-4638 (SD), dated September 4, 2001] 2080 feet from the North line and 660 feet from the West line (Unit E) of Section 28; and

(iv) Indian Hills Unit Well No. 34 (API No. 30-015-31751), located at an unorthodox location [approved by Division Administrative Order NSL-4638-A (SD), dated November 27, 2001] 1416 feet from the North line and 1607 feet from the West line (Unit F) of Section 28.

It is the Division's understanding that Marathon now intends to abandon the current Upper Pennsylvanian completion within its Indian Hills Unit Well No. 49 and recomplete by plugging back to a depth of 7,680 feet (MD), kick-off to the south, build angle to approximately 94.2 degrees, and continue drilling horizontally with a slight inclination a distance of approximately 1,200 feet. The targeted end or bottom-hole location of this drainhole at 8,861 feet (MD) is proposed to be within the SE/4 NE/4 (Unit H) of Section 28 at an unorthodox subsurface location that is approximately 2590 feet from the North line and 1000 feet from the East line of Section 28.

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 recompletion resulting in an unorthodox sub-surface location for the Indian Hills Unit Well No. 49 within the N/2 of Section 28, is hereby approved. Further, the aforementioned well and 320-acre spacing and proration 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. 10, 17, 34, and 49. Furthermore, Marathon is permitted to produce the allowable assigned the subject 320-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,



Michael E. Stogner
Engineer/Hearing Officer

MES/ms

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
File: NSL-4638 (SD)
NSL-4638-A (SD)