



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson

Governor

Joanna Prukop

Cabinet Secretary

July 15, 2003

Lori Wrotenbery

Director

Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552

Attention: Steve Millican
SEMillican@MarathonOil.com

Administrative Order NSL-4215-B (BHL) (SD)

Dear Mr. Millican:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on May 30, 2003 (*administrative application reference No. pKRV0-315347812*); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Orders NSL-4215 and 4215-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 its proposed Indian Hills Unit Well No. 53 to be drilled as an upper Pennsylvanian infill well to an unorthodox subsurface location within an existing standard 320-acre lay-down spacing and proration unit comprising the S/2 of Section 28, Township 21 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool (33685), Eddy County, New Mexico.

This unit is currently simultaneously dedicated to Marathon's:

- (i) Indian Hills Unit Well No. 19 (API No. 30-015-30572), located at an unorthodox location (approved by Division Administrative Order NSL-4215, dated February 18, 1999) 1400 feet from the South line and 1248 feet from the West line (Unit L) of Section 28;
- (ii) Indian Hills Unit Well No. 20 (API No. 30-015-30658), located at an unorthodox location (approved by Division Administrative Order NSL-4215-A, dated August 13, 2001) 2250 feet from the South line and 1730 feet from the East line (Unit J) of Section 28; and
- (iii) Indian Hills Unit Well No. 35 (API No. 30-015-32199), located on the surface 1087 feet from the North line and 2037 feet from the East line (Unit B) of Section 33, 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 the SW/4 SE/4 (Unit O) of Section 28.

It is our understanding the proposed Indian Hills Unit Well No. 53, because of topographic reasons, will be spud at a surface location 1383 feet from the North line and 1586 feet from the West line (Unit F) of Section 28, and drilled directionally to the south-southeast to a targeted-bottomhole location at an approximate depth 8,119 feet (TVD) 2397 feet from the South line and 2014 feet from the West line (Unit K) of Section 28. The wellbore is to intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,419 feet (TVD) 2582 feet from the South line and 1945 feet from the West line (Unit K) of Section 28. The proposed well will be unorthodox in that the entire producing interval will be closer then the standard setback distance of 660 from the northern boundary line South line of this spacing and proration unit. Further, this bottom-hole 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.

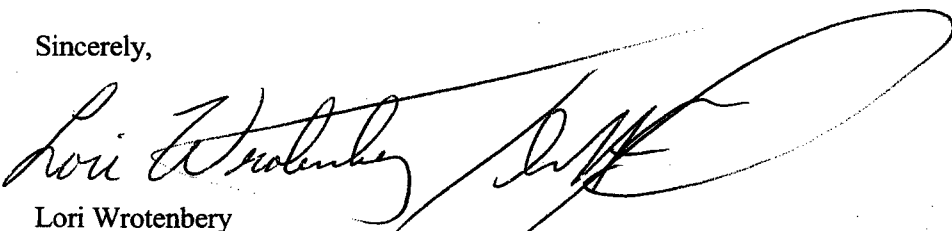
By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, the above-described unorthodox sub-surface location for the Indian Hills Unit Well No. 53 within the N/2 of Section 28, 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. 19, 20, 35, and 53. Furthermore, Marathon is permitted to produce the allowable assigned the subject 320-acre spacing and proration unit from both wells in any proportion.

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-4215
NSL-4215-A (SD)