



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

July 16, 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-4918 (BHL) (SD)

Dear Mr. Millican:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on June 10, 2003 (***administrative application reference No. pKRV0-316332201***); and (ii) the Division's records in Santa Fe: 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 Gas Com. Well No. 56 to be drilled as an upper Pennsylvanian infill well to an unorthodox subsurface location within an existing standard 337.95-acre stand-up spacing and proration unit comprising Lots 1, 6, 7, 8, 13, and 14 and the E/2 NE/4 (E/2 equivalent) of Irregular Section 29, 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. 14 (**API No. 30-015-30624**), located at a standard 2300 feet from the South line and 2000 feet from the East line (Lot 8/Unit J) of Irregular Section 29;
- (ii) Indian Hills Unit Well No. 27 (**API No. 30-015-31406**), located on the surface 503 feet from the North line and 2310 feet from the West line (Lot 2/Unit C) of Irregular Section 29, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool (33685) at a bottom-hole location that is 1313 feet from the North line and 1332 feet from the East line (Lot 1/Unit B) of Irregular Section 29; and
- (iii) Indian Hills Unit Gas Com. Well No. 47 (**API No. 30-015-32536**), located on the surface 2316 feet from the South line and 2004 feet from the East line (Lot 8/Unit J) of Irregular Section 29, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool (33685) at a standard sub-surface location within the SE/4 SE/4 equivalent (Lot 14/Unit P) of Irregular Section 29.

It is our understanding the proposed Indian Hills Unit Gas Com. Well No. 56, because of topographic reasons, will be spud at a surface location 453 feet from the South line and 350 feet from the West line (Unit M) of Section 21, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and drilled directionally to the west-southwest to a targeted-bottomhole location at an approximate depth of 8,084 feet (TVD) 179 feet from the North line and 1207 feet from the East line (Unit A) of Irregular Section 29. The wellbore is to intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,276 feet (TVD) 99 feet from the North line and 1013 feet from the East line (Unit A) of Irregular Section 29. The proposed well will be unorthodox in that the entire producing interval will be closer than the standard setback distance of 660 feet from the North line of Irregular Section 29. 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.

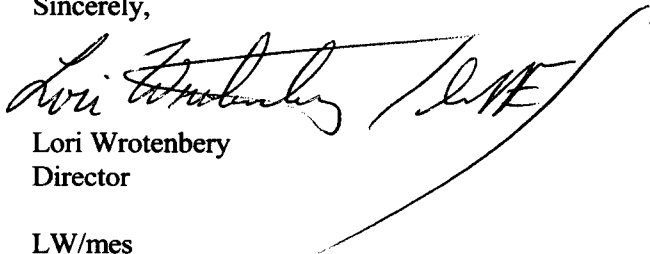
By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, the above-described unorthodox sub-surface location for the Indian Hills Unit Gas Com. Well No. 56 within the E/2 equivalent of Irregular Section 29, 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. 14 and 27 and Indian Hills Unit Gas Com. Wells No. 47 and 56. Furthermore, Marathon is permitted to produce the allowable assigned the subject 337.95-acre spacing and proration unit from all four 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