

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

[NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
[DD-Directional Drilling] [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 - Directional Drilling

☒ NSL ☐ NSP ☐ DD ☐ SD

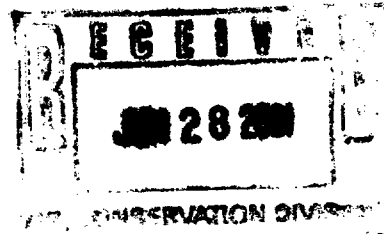
Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement

☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery

☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR



[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

Encroachment is towards Section 35
which is 100% Marathon working interest

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

KELLAHIN & KELLAHIN

Attorneys At Law

P.O. Box 2265

Santa Fe, N.M. 87504-2265
Print or Type Name

Note: Statement must be completed by an individual with supervisory capacity.

Signature

Title

Date

6/26/01



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

Monday, June 18, 2001

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

30-015-31713

RE: *Denied application for administrative approval for an exception to the well location requirements provided within the "Special Rules and Regulations for the Indian Basin Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, for the proposed Indian Basin "D" Well No. 3 to be drilled 1980' FSL & 1470' FEL (Unit J) of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico*

Dear Mr. Stogner:

Marathon Oil Company respectfully requests that our application for the above referenced unorthodox location be reconsidered. In support of this application, Marathon requests that additional information and details be considered that were omitted in the original application. This letter provides geological maps and justification, to date held confidential, that support developing the SE/4 of Section 34. Additional surface location detail and maps are provided to support two potential locations within the SE/4 of Section 34. Finally, reservoir management issues are discussed to provide justification for our proposed location.

Geologic Justification:

In selecting a location for the Indian Basin "D" Well No. 3, Marathon wishes to drill in the SE 1/4 of section 34, instead of the NE 1/4 of section 34 for a number of geologic reasons. After carefully mapping the various high stand sequences in the Canyon and Cisco, it appears that the upper Canyon (please refer to Figure 1 - Canyon 4H sequence and Figure 2 - Canyon 5H sequence) and lower Cisco (Figure 3 - Cisco 1H sequence) are thicker and better developed in the SE 1/4 of section 34 than in the NE 1/4 of that same section. This is especially true of the lower Cisco (Cisco 1H), which consists of a south-facing margin that runs east-west through sections 35 and 36 (T21S-R23E). The trend then passes through the SE 1/4 of section 34 and turns south through sections 3 and 10 (T22S-R23E). Thus, the NE 1/4 of section 34 appears to be behind the main margin of

algal buildups and would contain muddier, and therefore less porous, reservoir facies. A similar margin exists in the upper Canyon (Canyon 4H), but this margin runs north-south through sections 26 and 35 (T21S-R23E), but then turns to the SW, running through the SE 1/4 of section 34 and on towards sections 3 and 10 (T22S-R23E) to the south. The youngest Canyon sequence (Canyon 5H) backsteps towards the west, such that the main margin and thickest dolomite development runs north-south through sections 27 and 34 (T21S-R23E). This sequence appears thickest in the NE 1/4 of section 3 (T22S-R23E) and suggests that the SE 1/4 of section 34 will have a higher probability of encountering thick, clean dolomite than the NE 1/4 of section 34. In addition to the above stratigraphic reasons for placing a well in the SE 1/4 of section 34, the SE 1/4 is also expected to be about 30 feet higher structurally than a standard location in the NE 1/4 of the same section.

Surface Location Justification:

Marathon had originally planned to drill the Indian Basin “D” Well No. 3 from a standard surface location of 1980’ FSL and 1870’ FEL (here after referred to as Site “A”). When Barry Hunt, Surface Protection Specialist with the Bureau of Land Management, reviewed this location it “was deemed unacceptable as the construction of the drilling rig pits would have either resulted in blasting near high pressure gas lines south of the location, or the blockage of the drainage area north of the area.” (Please see attached letter from Mr. Hunt detailing the locations considered). Three additional potential surface locations were identified within Unit Letter “J” of Section 34. (Please see Figure 4 – Topographical map referencing the four locations considered). Site “B” was located by Marathon and the BLM as a suitable surface location but due to reservoir management issues (discussed below), this location was declined. The next potential location, Site “C”, could not be considered due to two high-pressure gas lines that run under that location. Site “D” is located 400’ due east of Site “A” at 1980’ FSL and 1470’ FEL. This site was agreeable to the BLM as minimal cut and fill is necessary, it is a safe distance away from the pipelines, and none of the natural drainage areas will be affected (please see Figure 5 – Survey of existing pipelines, natural drainage, and sites “A” and “D”). In addition, several pictures were taken to help better illustrate the topographical reasons limiting surface location selection (please see Figures 6-9)

Reservoir Management Justification:

Marathon’s strategy in drilling the Indian Basin “D” Well No. 3 is to develop reserves from the east half of Section 34 that would otherwise be unrecoverable. Between the two available locations in Unit Letter “J”, Marathon prefers to drill the unorthodox Site “D”. Based on the best data available at the time of this evaluation, Marathon believes Site “D” will more efficiently and effectively exploit the existing reserves and be more likely to not interfere with existing wells. Site “D” is located more of an equal distance away from existing wells, and is approximately 1860’ ENE of Indian Basin “D” Well No. 1. Site “B” is located only from 1320’ east from Indian Basin “D” Well No. 1 that has

produced 46.2 BCF to date (see attached Figure 10 - Gas cumulative plat for Sections 34 and 35).

Morrow Exploration "Tail"

In addition to drilling the Upper Pennsylvanian formation, Marathon is seeking approval to continue the Indian Basin "D" Well No. 3 down to the Morrow formation. It is Marathon's understanding that this Morrow "tail" will be classified as a wildcat Morrow test because it falls outside of the ½ mile "buffer zone" extending around the Indian Basin-Morrow Gas Pool (as promulgated by Division Orders No. R-8170-O-1/R-2441-B, issued in Case No. 11512 and dated July 31, 1996, and R-8170-O-2/R-2441C dated August 15, 1996). Therefore, under the statewide rules for the Morrow formation, the proposed location will be an orthodox Morrow test.

Waivers:

At the time of Marathon's original application of February 22, 2001, waivers were submitted to offset operators (Chevron USA, Kerr McGee, and Texaco E&P). None of these operators had any objections to the proposed location. Please note, that the gas proration unit towards which we are unorthodox is a 100% working interest Marathon operated proration unit.

Acreage Factor & Simultaneous Dedication:

Marathon Oil Company respectfully requests the NMOCD to approve an acreage factor of 0.94 for gas allowable purposes. Marathon asks that this factor be applied to the unit located in Section 34, T-21-S, R-23-E, Eddy County, New Mexico. This number is calculated by averaging the following methods:

A. Productive Acreage: Based on a geologic evaluation, Section 34 is estimated to have 640 productive acres, therefore $640/640 = 100\%$ of the Section.

B. Distance Ratio Method: The percent distance from the lease line for the proposed unorthodox location compared to a regular location, therefore $1470'/1650' = 89.1\%$ of distance.

C. Average of Above Methods is therefore 94.6% of allowable.

Furthermore, Marathon Oil Company requests an Amended Order authorization to simultaneously dedicate Indian Basin Upper Pennsylvanian Pool production to a standard 640 acre gas proration unit comprising the entire Section 34, T-21-S, R-23-E, Eddy County, New Mexico for the Indian Basin "D" Well No. 1 and Indian Basin "D" Well No. 2. Reference NMOCD # SD-01-02. This Authorization was given for the original

proposed STANDARD LOCATION, 1980' FSL & 1870' FEL of Section 34, T-21-S, R-23-E, Unit "J".

Thank you for your time in reviewing this updated application. If you have any questions/comments/concerns, please contact me at (915) 687-8306.

Truly Yours,

A handwritten signature in cursive script, reading "Steve Millican".

Steven F. Millican
Operations Engineer
Marathon Oil Company

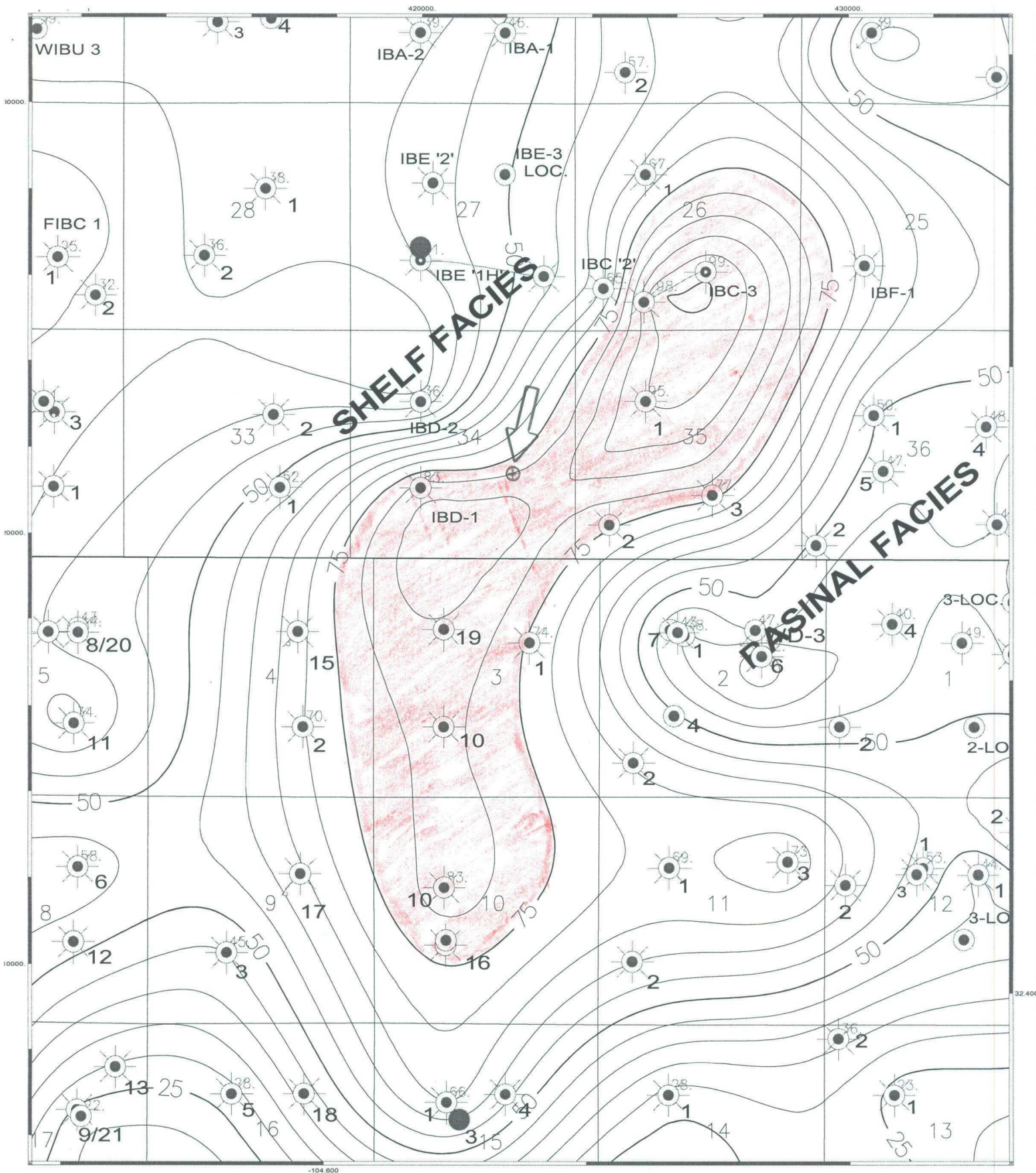


FIGURE # 1

Marathon Oil Company		
INDIAN BASIN FIELD CANYON 4H GROSS ISOPACH		
MRBITTER		6/4/2001
H BEN TAHAR	Scale 1:38000.	CANHISO.GPF

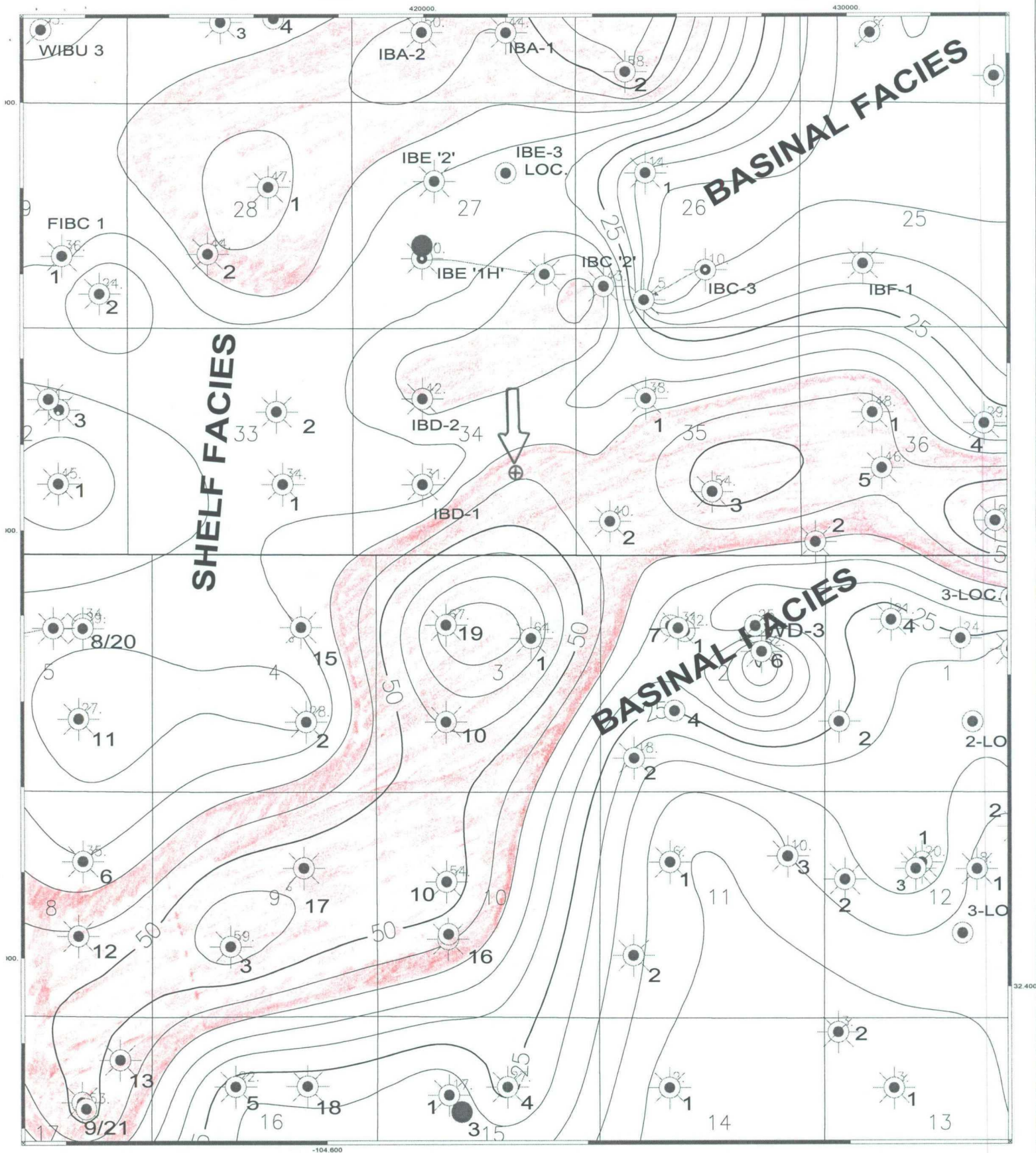
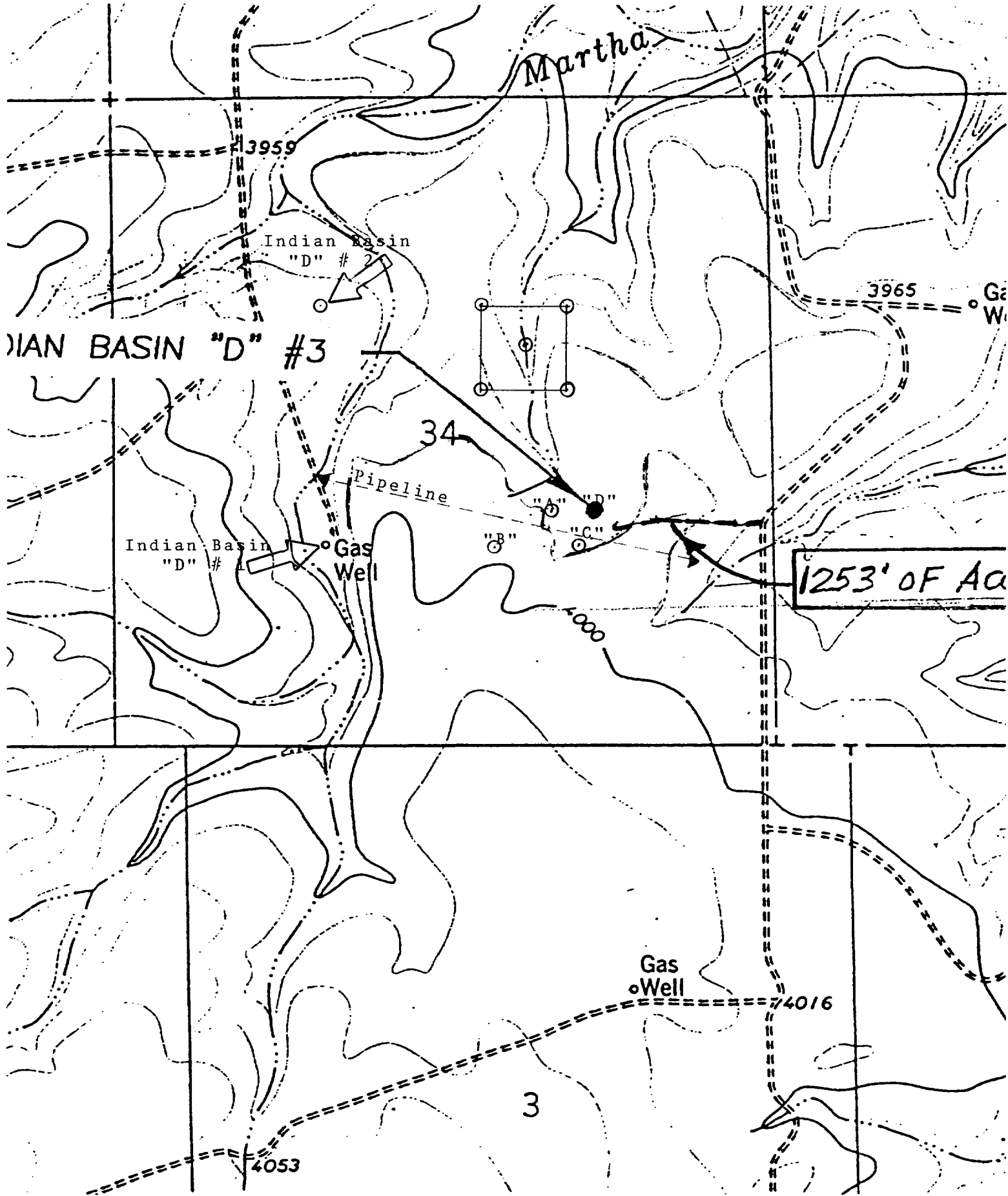


FIGURE # 3

Marathon Oil Company		
INDIAN BASIN FIELD CISCO 1H GROSS ISOPACH		
MRBITTER		8/4/2001
H BEN TAHAR	Scale 1:35000	CIS1HISO.GPF

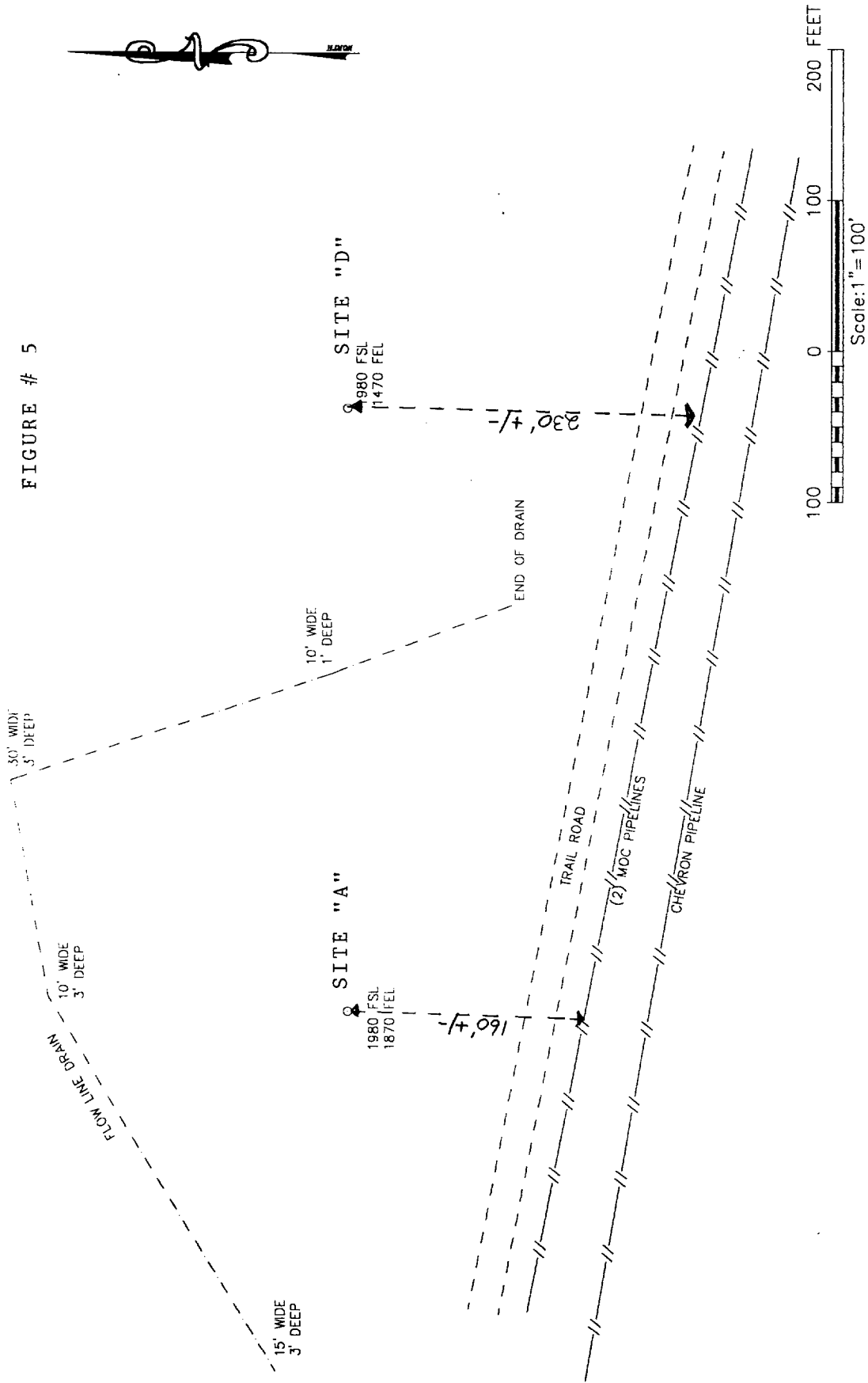


1" = 1000'

FIGURE # 4

CONTOUR INTERVAL

FIGURE # 5



MARATHON OIL COMPANY

SURVEY TO LOCATE PIPELINES, TRAIL ROAD
& DRAIN NEAR THE PROPOSED
INDIAN BASIN "D" #3
LOCATED IN SECTION 34,
TOWNSHIP 21 SOUTH,
RANGE 34 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO

Survey Date: 3/30/01	Sheet 1 of 1	Sheets
W.O. Number: 01-11-0405	Drawn By: D.COLLINS	
Date: 4/11/01	D-1	Scale: 1"=100'

JOHN WEST SURVEYING COMPANY

412 N. DAL PASO - HOBBS, NEW MEXICO - 505-393-3117

To Whom It May Concern:

The Indian Basin "D" Fed. #3 surface location was moved 400 ft to the east of its original proposed location to avoid cut/fill slope, a high pressure gas pipeline, and the head of a natural drainage system in the Limestone Hills area of the Indian Basin area. A total of four potential drilling locations were identified within the SE/4 of Section 34:

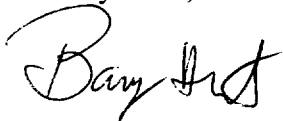
Marathon's original location, Site "A", is located at 1980' FSL and 1870' FEL. This site was deemed unacceptable, as the construction of the drilling rig pits would have either resulted in blasting near high-pressure gas lines south of the location, or the blockage of a drainage area north of the area. There were no other practical ways to develop this location within these constraints and therefore three other locations were examined.

The next location reviewed was Site "B" located at 1650' FSL and 2310' FEL. This site is a suitable location, but was too close to offsetting production and hence Marathon requested another location.

The third location reviewed was Site "C" located at 1650' FSL and 1650' FEL. This site is topographically suitable, however it overlays two high-pressure gas lines. Therefore, the location was dismissed.

The final location reviewed was Site "D" located at 1980' FSL and 1470' FEL. This site was ultimately selected as the proposed location because it is a safe distance from the existing pipelines and because it does not interfere with the natural drainage systems to the north and west of this location. This site is therefore agreeable to both Marathon Oil and the BLM.

Barry Hunt,

A handwritten signature in black ink, appearing to read "Barry Hunt", written in a cursive style.

Surface Protection Specialist
B.L.M.

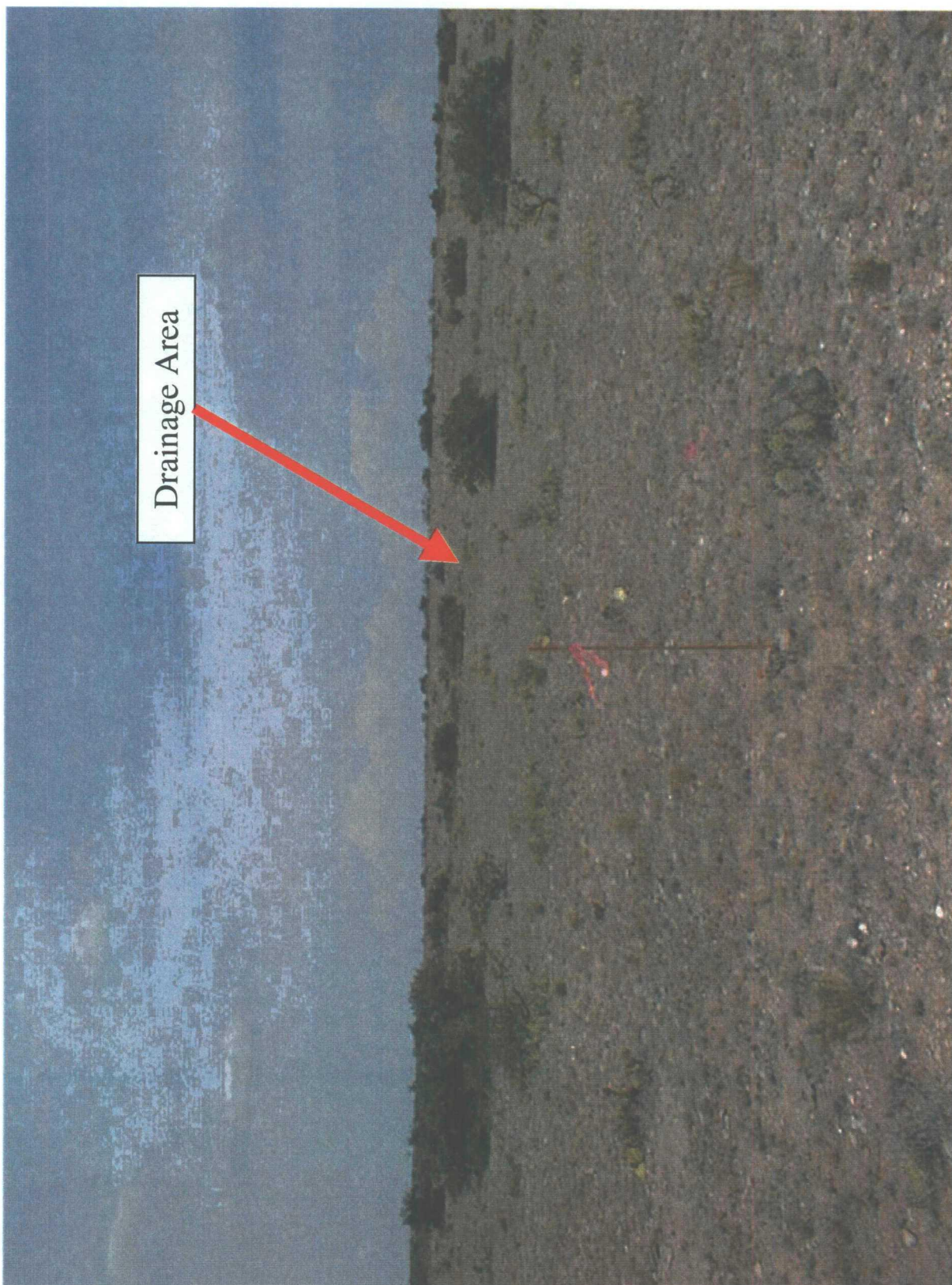


Figure 6– North from Site “A”

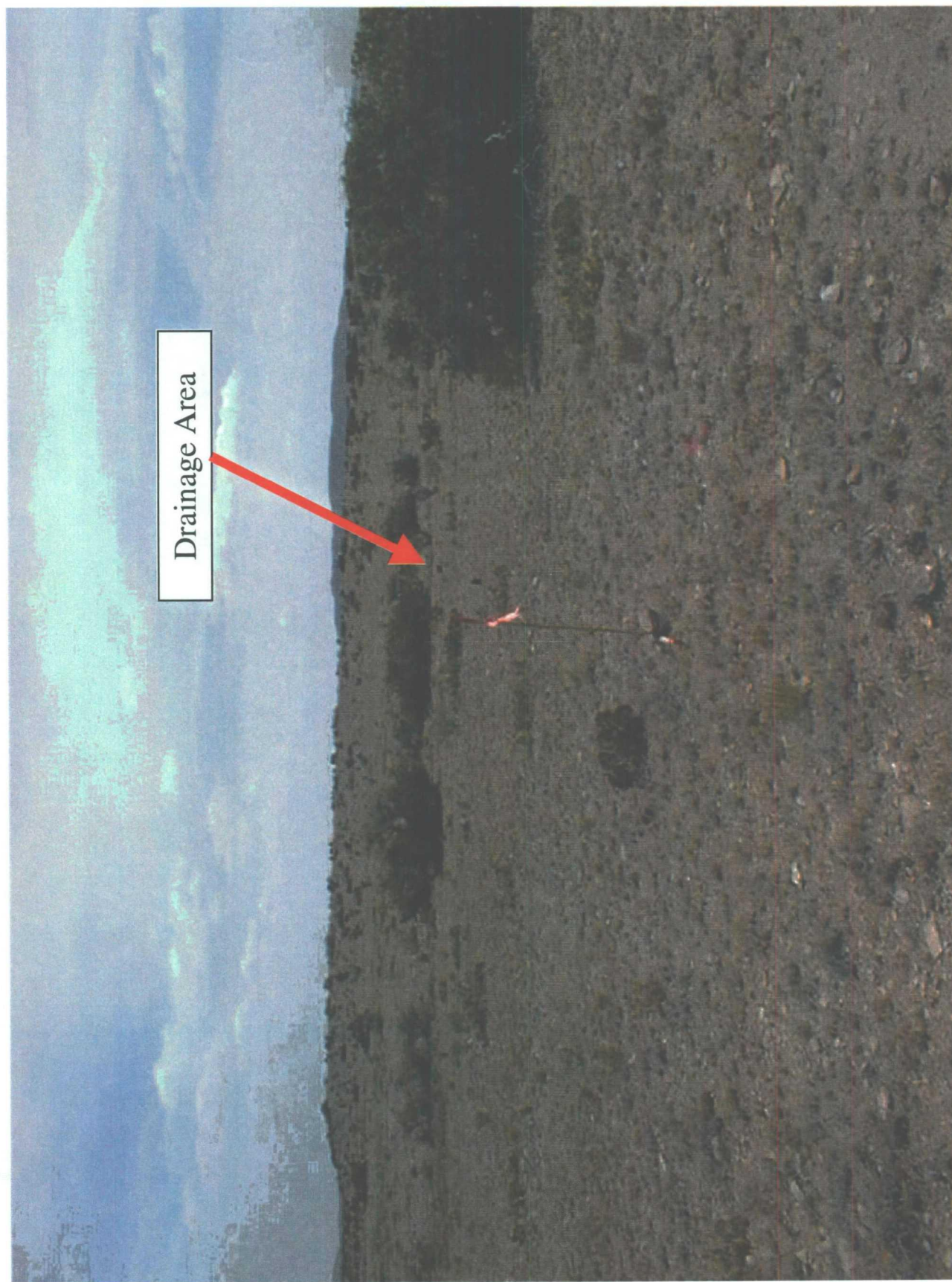


Figure 7 – View East of Site “A”

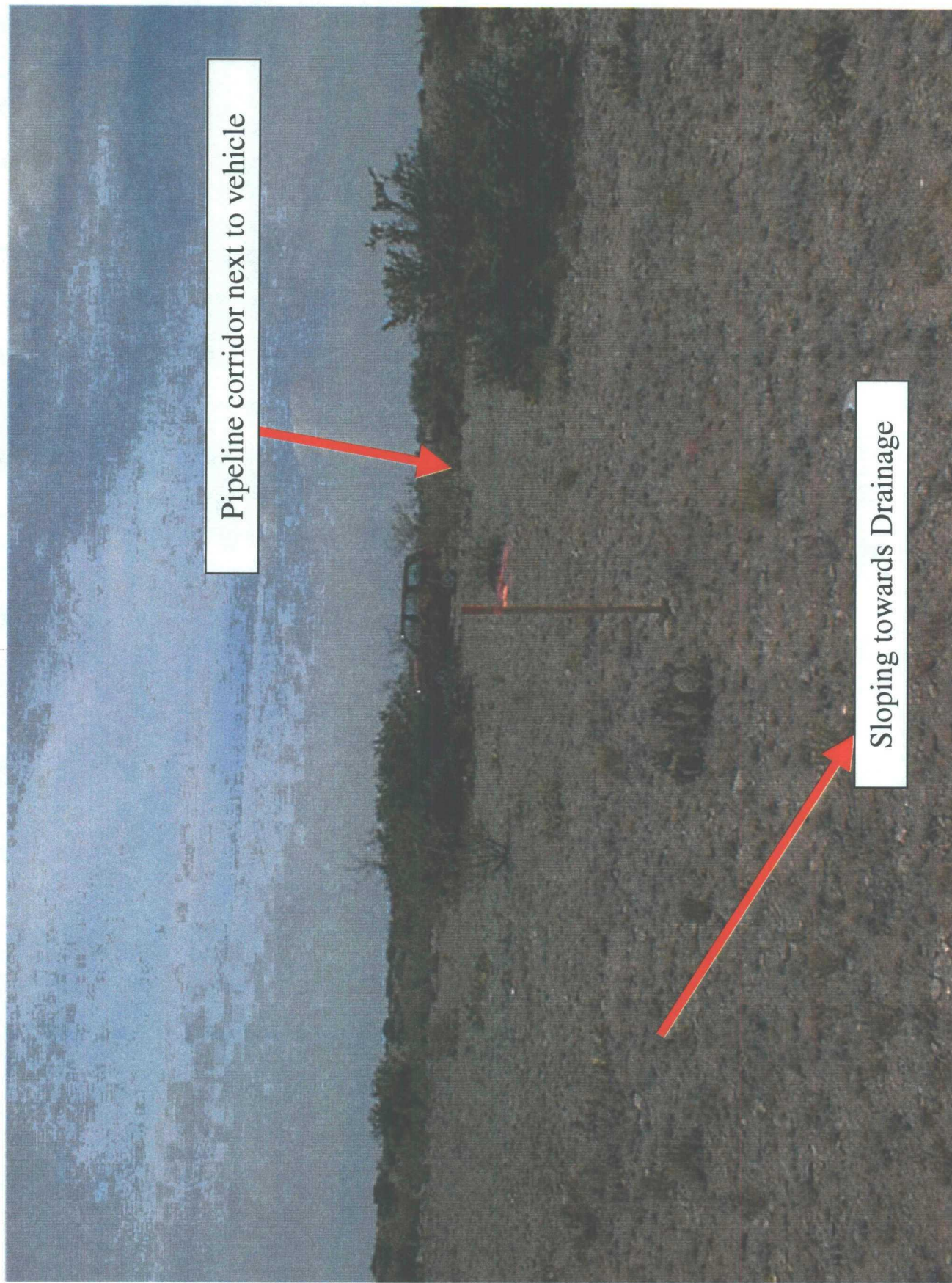


Figure 8 – View South from Site “A”

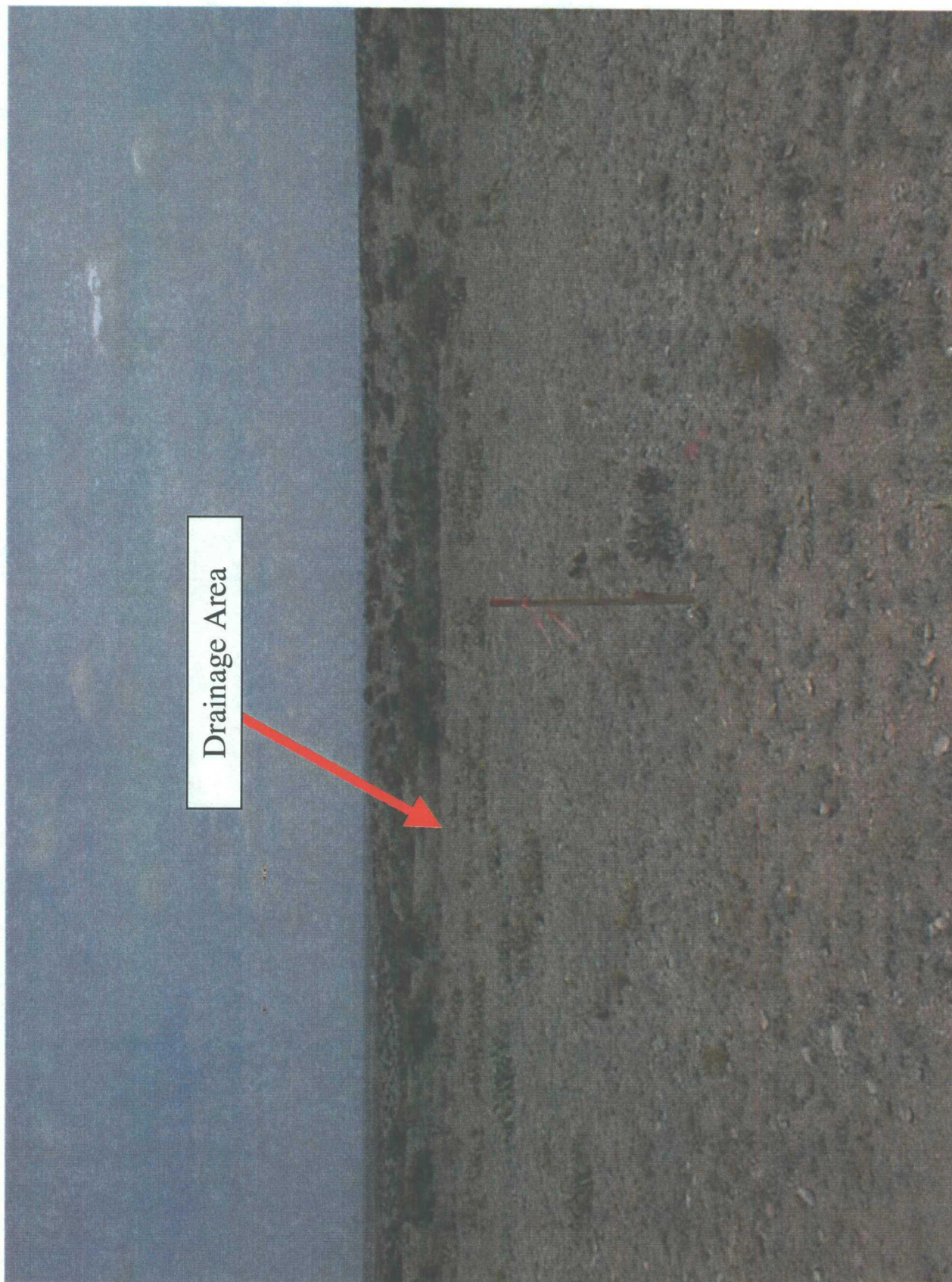
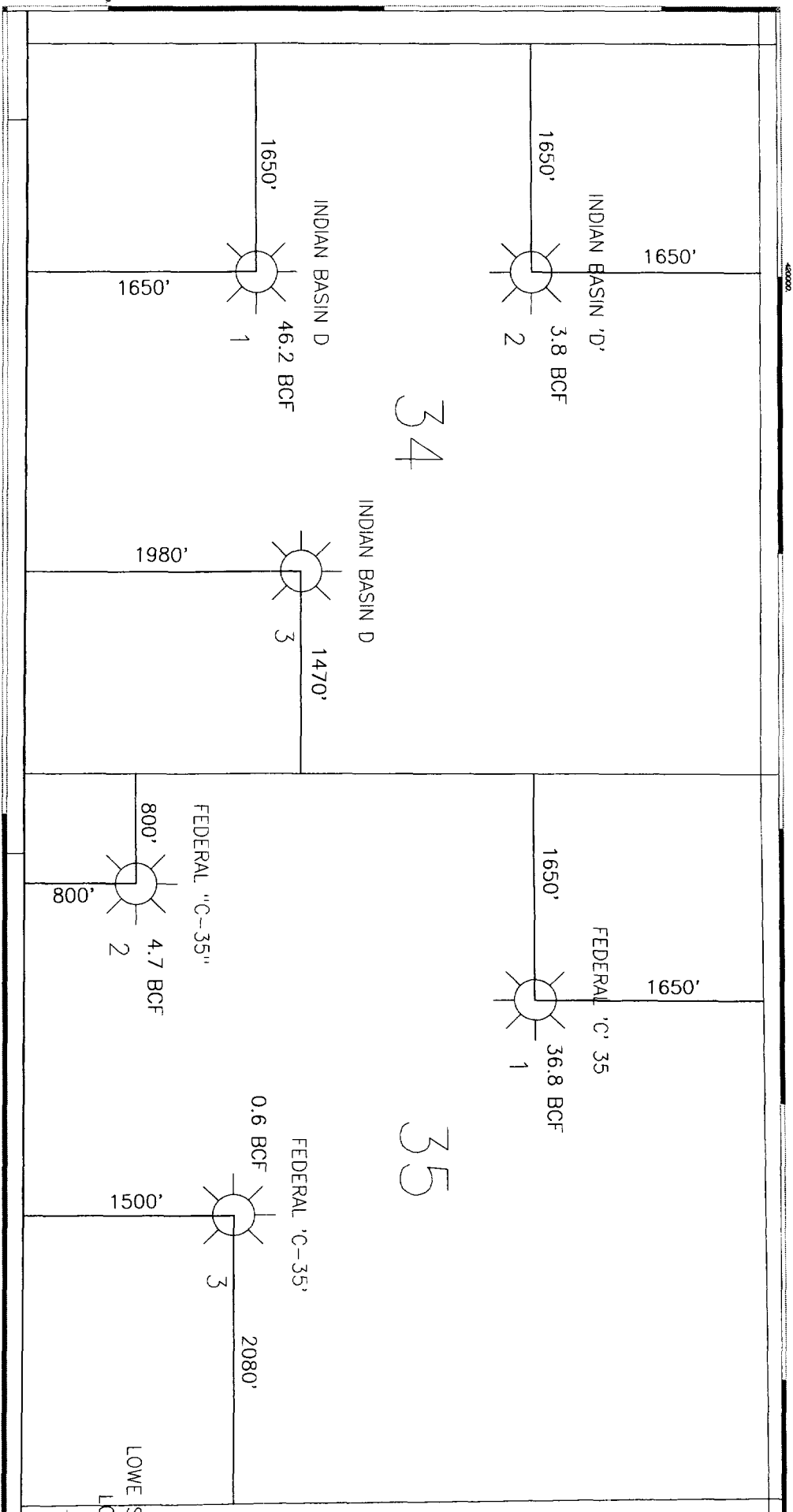


Figure 9 – View West from Site “A”



Marathon Oil Company

INDIAN BASIN D #3

Application for Unorthodox Location

FIGURE 10

V.L. Latta

Scale 1:13233.58

6/19/2001

IBDAMAP.GPJ

DISTRICT I
P.O. Box 1960, Hobbs, NM 88241-1960

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
Fec Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

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

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ **AMENDED REPORT**

API Number	Pool Code	Pool Name
		Indian Basin Upper Penn.
Property Code	Property Name	Well Number
	INDIAN BASIN "D"	3
OGRID No.	Operator Name	Elevation
14021	MARATHON OIL COMPANY	3974

Surface Location

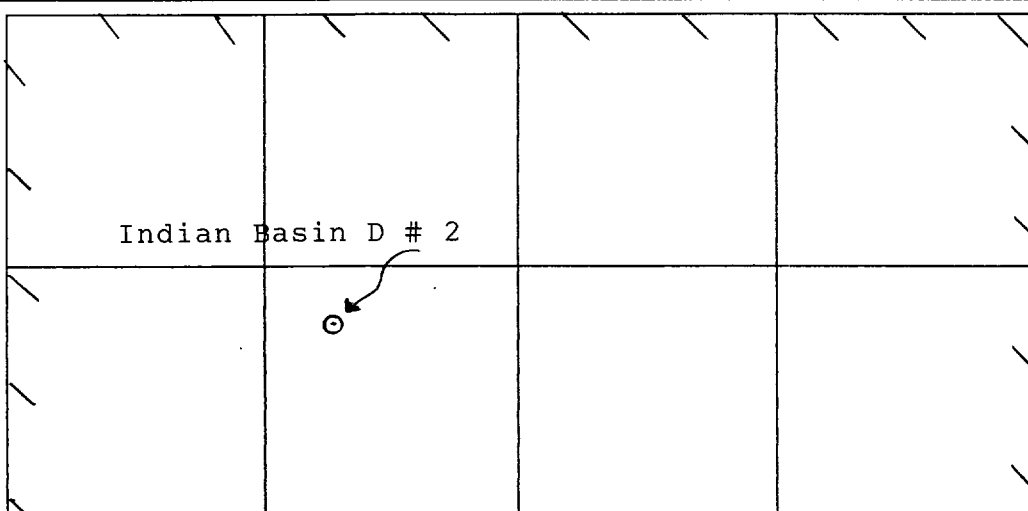
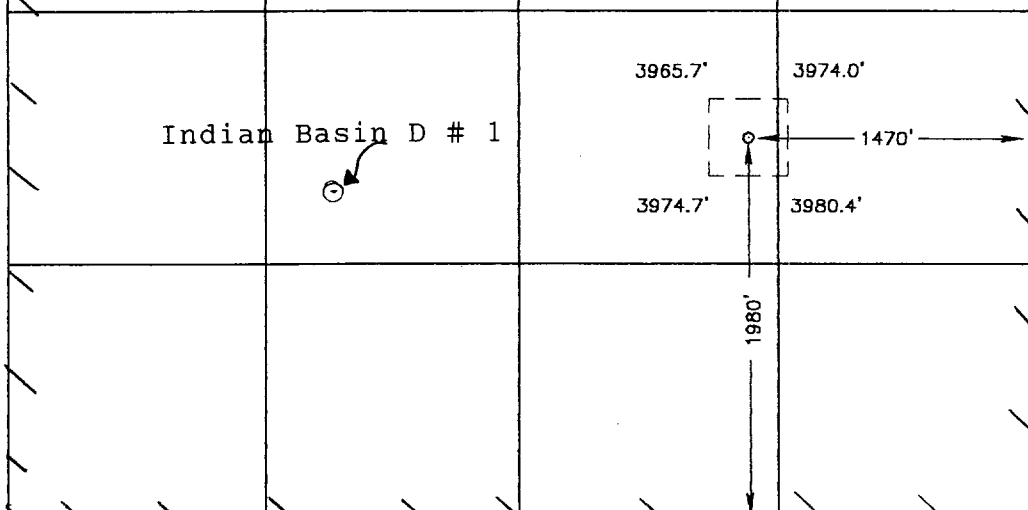
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	34	21-S	23-E		1980	SOUTH	1470	EAST	EDDY

Bottom Hole Location If Different From Surface

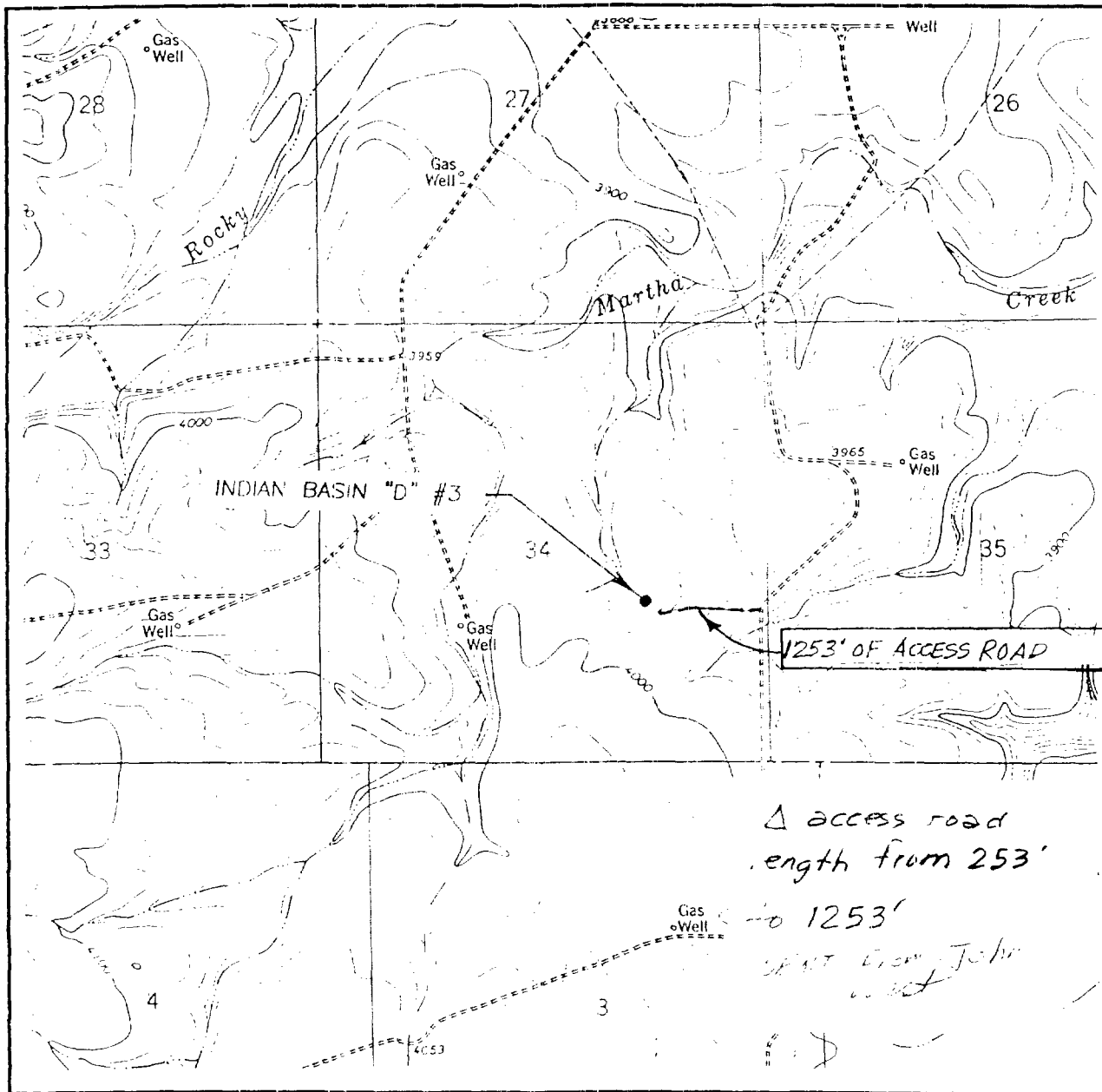
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
640			

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>Indian Basin D # 2</p> 		<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><u><i>Jerry Fletcher</i></u> Signature</p> <p><u>Jerry Fletcher</u> Printed Name</p> <p><u>Engineer Tech.</u> Title</p> <p><u>2/22/01</u> 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><u>JANUARY 30, 2001</u> Date Surveyed</p> <p><u>AWB</u> Signature & Seal of Professional Surveyor</p> <p><u><i>Ronald J. Eidson</i></u> 02/16/01 01-11-0035</p> <p>Certificate No. <u>RONALD J. EIDSON</u> 3239 <u>GARY EIDSON</u> 12641</p>	
<p>Indian Basin D # 1</p> 			

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'
MARTHA CREEK N.M.

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

ELEVATION 3974

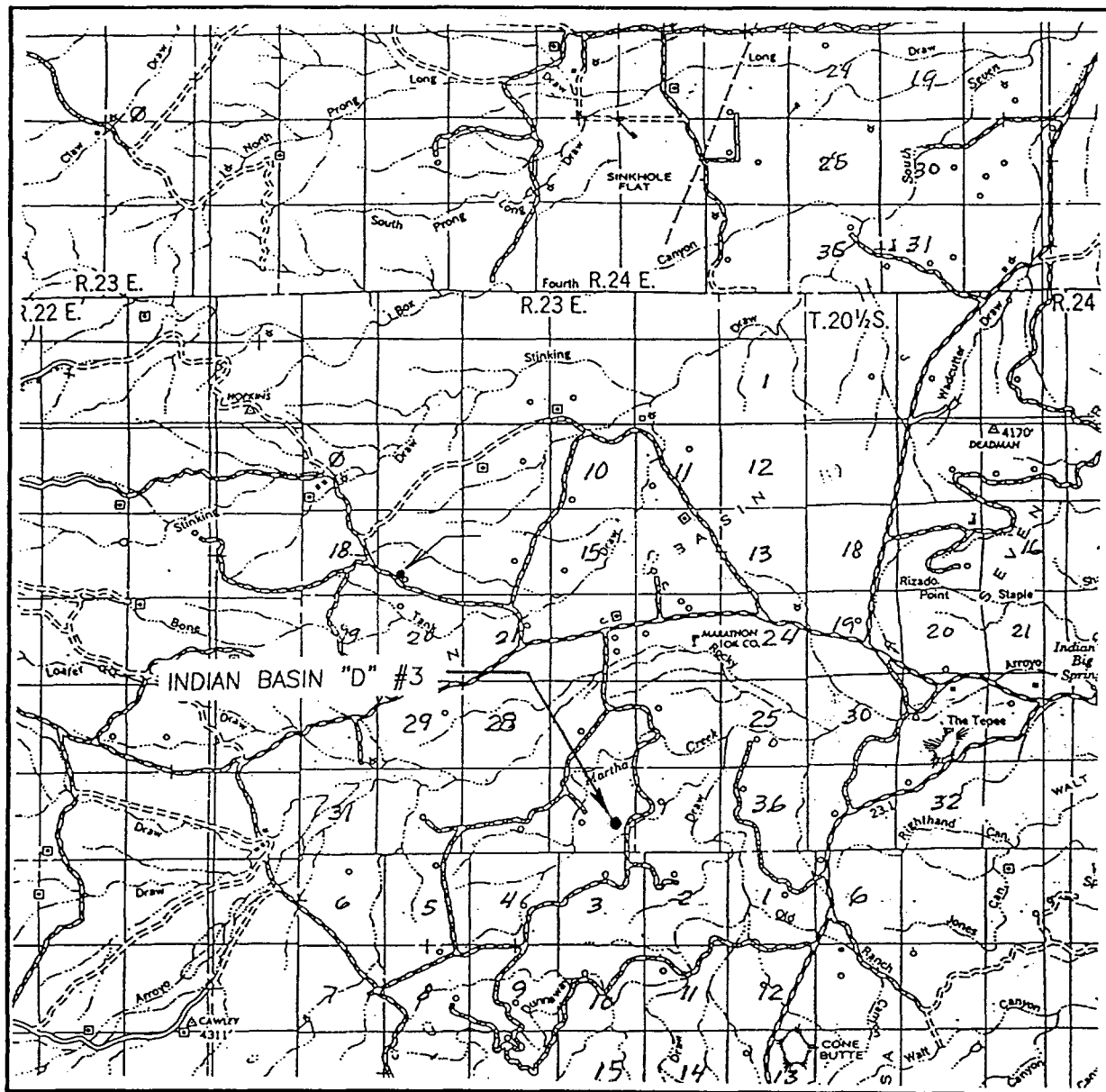
OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

U.S.G.S. TOPOGRAPHIC MAP

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

ELEVATION 3974

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 15, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Jerry Fletcher
Engineering Technician

RE: NMOCD Correspondence Reference No. SD-01-02: *Indian Basin-Upper Pennsylvanian Gas Pool development within an existing standard 640-acre gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

Reference is made to your letter dated January 25, 2001 notifying the New Mexico Oil Conservation Division's ("Division") Santa Fe office of Marathon Oil Company's ("Marathon") plans for further Upper Pennsylvanian gas development within the existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The rules currently governing spacing, well locations, and allowables for the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool include, but not necessarily limited to:

- (a) *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool,"* as promulgated by Division Order No. R-8170, dated March 28, 1986, as amended by Division Orders No. R-8170-H, dated December 10, 1990, and R-10987, dated May 7, 1998, which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary; and
- (b) Division Rules 104 (*Well Spacing and Location*) and 605 (*Gas Proration Rules*).

It is our understanding that gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool within this 640-acre GPU will to be simultaneously dedicated to the following three wells:

- Marathon's existing Indian Basin "D" Well No. 1 (**API No. 30-015-10616**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34;
- Marathon's existing Indian Basin "D" Well No. 2 (**API No. 30-015-28955**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 34; and
- Marathon's proposed Indian Basin "D" Well No. 3 to be drilled at a standard gas well location 1980 feet from the South line and 1870 feet from the East line (Unit J) of Section 34.

It is understood by the Division that Marathon will abide by all existing rules, regulations, policies, and procedures applicable to prorated gas pools in New Mexico and that Marathon intends to operate the aforementioned Indian Basin "D" Wells No. 1, 2, and 3 and the existing 640-acre standard gas spacing and proration unit in accordance therein. It is further understood that Marathon will not allow the total combined gas production from these three wells to exceed that volume assigned this GPU with its assessed acreage factor of 1.00 in accordance to the gas proration rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

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

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

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)

TELEPHONE (505) 982-4285
TELEFAX (505) 982-3047

July 11, 2001

Via Facsimile

Mr. Richard Ezeanyim
Chief Engineer
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RE: Indian Basin "D" Well No. 3
1980 feet FSL & 1470 feet FEL
Unit J Section 34, T21S, R23E
Administrative Application of
Marathon Oil Company for Approval
of an Unorthodox Gas Well Location,
Eddy County, New Mexico

Dear Mr. Ezeanyim:

On June 26, 2001, I filed the referenced administrative application with the Division. Because the encroachment was towards 100% Marathon acreage, no notice was required and the normal 20-day waiting period is not applicable.

Marathon has a rig available and would like to commence this well as soon as possible. I would appreciate anything you can do to expedite processing this application.

Very truly yours,



W. Thomas Kellahin

✓ cfx: Michael E. Stogner (OCD-Santa Fe)
Marathon Oil Company
Attn: Kent Bickham, Esq.

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/19/01 13:45:51
OGOMES -TPEU
PAGE NO: 1

Sec : 34 Twp : 21S Rng : 23E Section Type : NORMAL

D 40.00	C 40.00	B 40.00	A 40.00
Federal owned	Federal owned	Federal owned	Federal owned
E 40.00	F 40.00	G 40.00	H 40.00
Federal owned	Federal owned A	Federal owned	Federal owned

PF01 HELPPF02PF03 EXITPF04 GoToPF05PF06

PF07 BKWDPF08 FWDPF09 PRINTPF10 SDIVPF11PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

07/19/01 13:45:55
OGOMES -TPEU
PAGE NO: 2

Sec : 34 Twp : 21S Rng : 23E Section Type : NORMAL

L 40.00	K 40.00	J 40.00	I 40.00
Federal owned	Federal owned	Federal owned	Federal owned
	A	A	
M 40.00	N 40.00	O 40.00	P 40.00
Federal owned	Federal owned	Federal owned	Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06

PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

March 22, 2001

Lori Wrotenbery
Director
Oil Conservation Division

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

Attention: Jerry Fletcher
Engineering Technician

Re: *Application for administrative approval for an exception to the well location requirements provided within the "Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, for the proposed Indian Basin "D" Well No. 3 to be drilled 1980' FSL & 1470' FEL (Unit J) of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

In reviewing the subject application at face value and assuming no other factors, it would appear that there are other locations within the E/2 of Section 34 that meet the set back requirements of the Indian Basin-Upper Pennsylvanian Gas pool rules while avoiding the "existing pipeline and topographic conditions." Not only is your application incomplete by lacking details and providing no data (maps, plats, diagrams, surveys, etc.) to support your stated reasons, it is confusing and contradictory. Why would Marathon move east to avoid an east-west pipeline?

This application is hereby **denied**. I am returning a copy of your application for I wish to keep the original. I understand from the Division Director that I am expected to conduct instructional presentations in the future concerning drilling location requirements and would like to use this filing as an example.

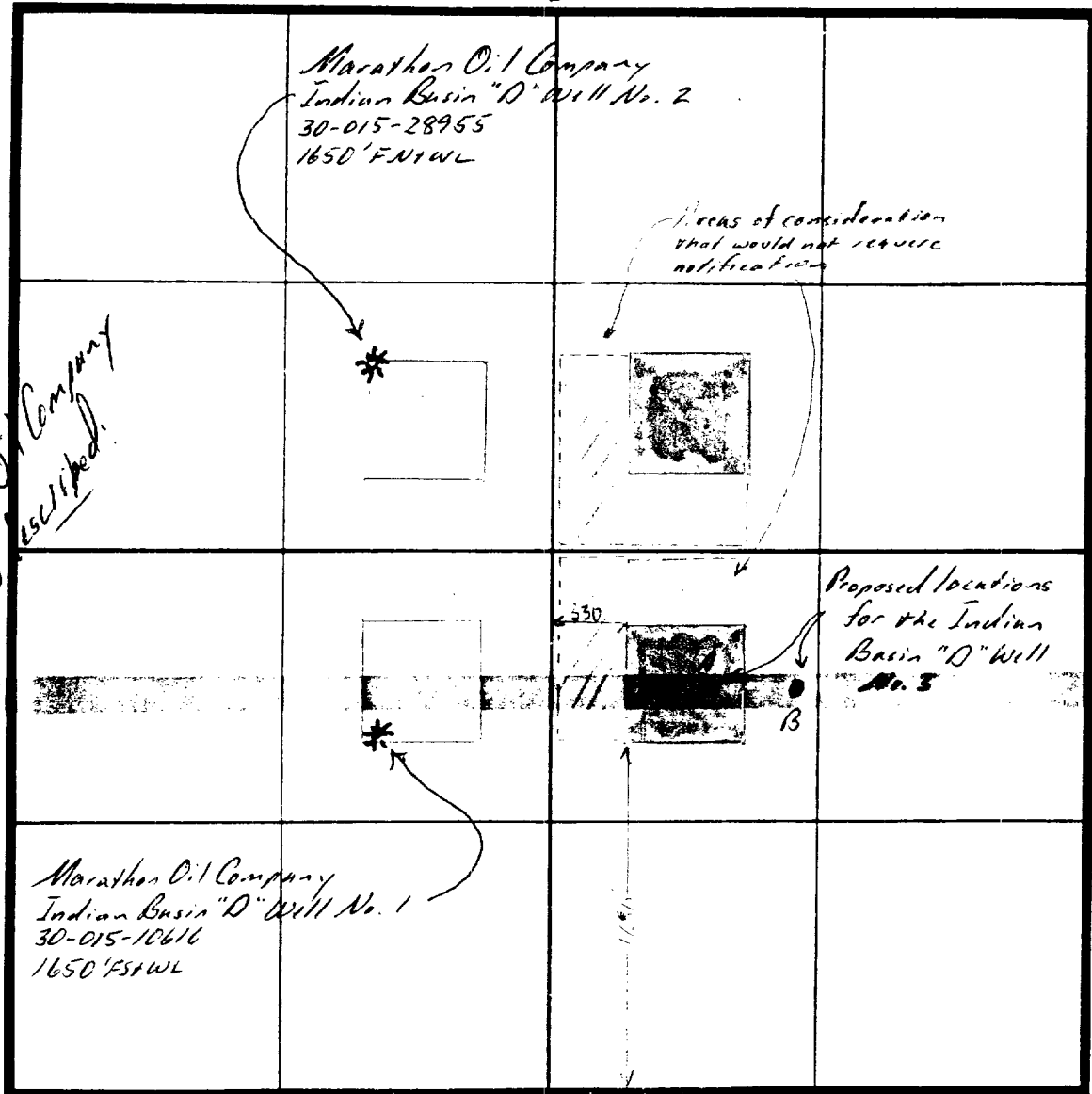
Thank you for your cooperation in this matter.


Sincerely,

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad
Kathy Valdes, NMOCD - Santa Fe
W. Thomas Kellahin, Legal Counsel for Marathon Oil Company - Santa Fe
Walter J. Ducease, Marathon Oil Company - Midland, Texas

Sec 34 Township No. 21 South of Range No. 23 East



-  Area of standard drilling locations for wells pursuant to R-8170, as amended
- Location "A" 1980' FSL & 1870' FEL, which was the subject of NMOCD Correspondence Reference No. SD-01-02 (2-15-2001).
- Location "B" 1980' FSL - 1470' FEL, which is the subject of this appl. (2-22-2001)
- Reason: OMB 1004-G135 dated 2-22-01 states "on-site preferred" and "move well to the east 400 feet to avoid topographic problems". Per 2-22-2001 letter of application "Marathon has identified an existing pipeline and topographic conditions preventing a standard location in Unit 3. Further, "all other standard location sites not feasible due to an East-West pipeline at loc. site".

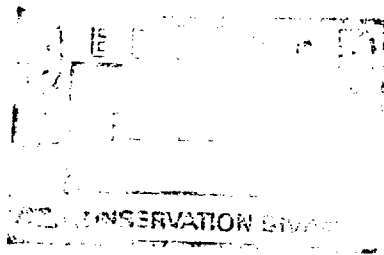
106048673

NSL

3/19/01

Southern U.S. Business Unit
Domestic Production**Marathon
Oil Company**P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

February 22, 2001

Mr. Michael Stogner
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87504RE: Application for a Unorthodox Well Location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Sec, 34, T-21-S, R-23-E
Eddy Co. New Mexico

Dear Mr. Stogner:

Marathon Oil Company has identified an existing pipeline and topographical conditions preventing us from locating the well in a Standard Location in Unit Letter "J" of Section 34. All other standard location sites are not feasible projects due to a pipeline running East and West at the location site. Accordingly, please find enclosed our application for an unorthodox well location requesting administrative approval under conditions of OCD Rule # 104.

Marathon Oil Company is applying to the New Mexico Conservation Division to drill this well at an unorthodox location of 1980' FSL & 1470' FEL, Unit Letter "J", of Section 34, T-21-S, R-23-E, NMPPM. Said well is dedicated to a standard 640 Acre Proration Unit of Section 34.

In Support Thereof:

1) This Indian Basin Upper Penn gas well is subject to the Division's statewide rules and regulations specifying that a well shall be located not closer than 1650 feet to the outer boundary of a lease and no closer than 330 feet to any quarter/ quarter section line or subdivision inner boundary. The proposed well is unorthodox because it is located 1470 feet from the outer boundary, and unorthodox to the internal governmental 330 feet quarter/ quarter section line.

2) Due to an existing pipeline, and BLM's topographical constraints the Proposed well @ 1980'FSL & 1870' FEL was moved to 1980'FSL & 1470' FEL of Section 34. This well is now Unorthodox from the outer boundary and to the 330' Quarter/ Quarters. **Reference: NMOCD Reference # SD-01-02 for Simultaneous Dedication.**

3) Marathon Oil Company respectfully request the NMOCD to approve an acreage factor off .94 for gas allowable purposes. Marathon ask that this factor be applied to the unit located in Section 34, T-21-S, R-23-E, Eddy County, New Mexico. This number is calculated by averaging the following methods:

- A. **PRODUCTIVE ACREAGE:** Based on a geologic evaluation, Section 34 is estimated to have 640 productive acres: $640/640=$ (1.0% of the Section)
- B. **DISTANCE RATIO METHOD:** The percent distance from the lease line for the proposed unorthodox location compared to a regular location: $1470'/1650'=0.89$ (.89% of Distance)
- C. **THE AVERAGE OF THE TWO METHODS IS:** 0.9455(94.55% of allowable)

Furthermore, Marathon Oil Company request authorization to simultaneously dedicate Indian Basin Upper Penn. Pool production to a standard 640 acre gas proration unit comprising the entire Section 34 T-21-S, R-23-E, Eddy County, New Mexico for the Indian Basin D-1, and Indian Basin D # 2. **Reference NMOCD # SD-01-02. This Authorization was given for the original proposed STANDARD LOCATION.**

This unorthodox location encroaches on Section 35, T-21-S, R-23-E. A copy of this application, including the attached plats have been sent to the following affected parties:

Chevron USA
P.O. Box 36366
Houston, Texas 77236


Kerr McGee
14311 Welch Road
Dallas, Texas 75244-3934

Texaco E&P
500 North Loraine
Midland, Texas 79701

These parties have been advised if they have an objection to this application, it must be filed in writing with the Division within 21 days of this date.

Marathon Oil Company seeks approval for this unorthodox well location to drill the Indian Basin Upper Penn. Gas well. Enclosed is a copy of the offset's waiver to objection letters. If you have any questions or concerns, please feel free to contact me at (915) 687-8357

Regards,



Jerry Fletcher
Engineering Technician

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FEB 26

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Marathon Oil Company

3a. Address

P.O. Box 552 Midland, TX 79702

3b. Phone No. (include area code)

915-687-8357

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec. 34, T-21-S, R-23-E
1980' FSL & 1470' FEL
Eddy Co. N.M.

5. Lease Serial No.

NM-034446

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA/Agreement, Name and/or N

Indian Basin

8. Well Name and No.

Indian Basin "D" # 3

9. API Well No.

10. Field and Pool, or Exploratory Area

Indian Basin Upper Penn.

11. County or Parish, State

Eddy N.M.

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☒ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☐ Other

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Marathon has changed the surface location of our Indian Basin "D" # 3 well due to On-site performed.

Upon examination of the site, it was determined we needed to move well stake due East 400 feet to avoid topographical problems.

Please reference the new C-102 survey plat and maps.

Please see new ground elevation on C-102.

* Distance from the Indian Basin "D" # 2 to the Indian Basin "D" # 3 is 2185'. Item # 15 on 3160-3 is changed to 1470' FEL.

This is an Unorthodox well location. It is closer than 1650' to the East boundary line and it is closer than 330' to the quarter/ quarter section lines.

Well was placed in this area due to topographical constraints.

All other information on original APD remains unchanged.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Jerry Fletcher

Title

Engineer Tech.

Date

2/22/01

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
P.O. Box 1900, Hobbs, NM 88241-1900

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

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

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

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

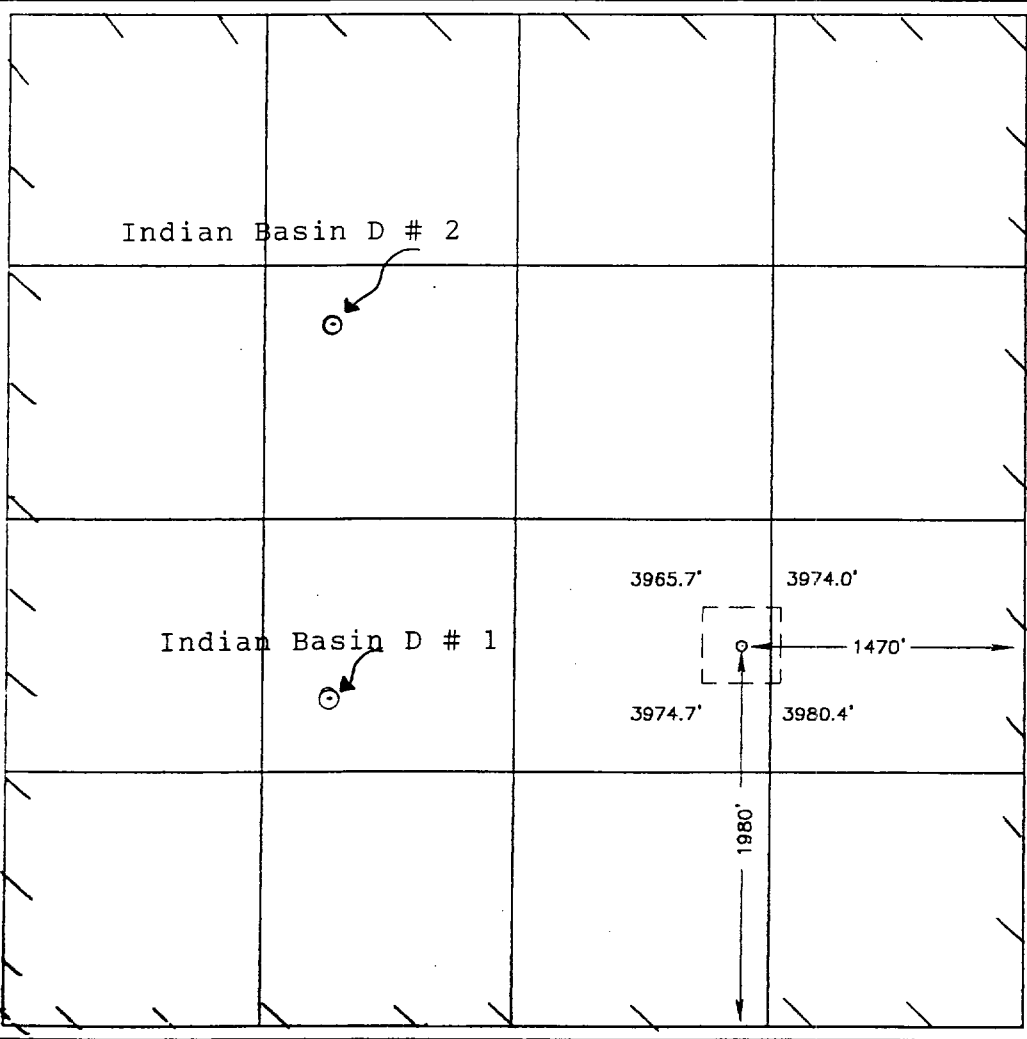
WELL LOCATION AND ACREAGE DEDICATION PLAT ☐ AMENDED REPORT

API Number		Pool Code	Pool Name Indian Basin Upper Penn.	
Property Code	Property Name INDIAN BASIN "D"		Well Number 3	
OGRID No. 14021	Operator Name MARATHON OIL COMPANY		Elevation 3974	

Surface Location									
UL or lot No. J	Section 34	Township 21-S	Range 23-E	Lot Idn	Feet from the 1980	North/South line SOUTH	Feet from the 1470	East/West line EAST	County EDDY

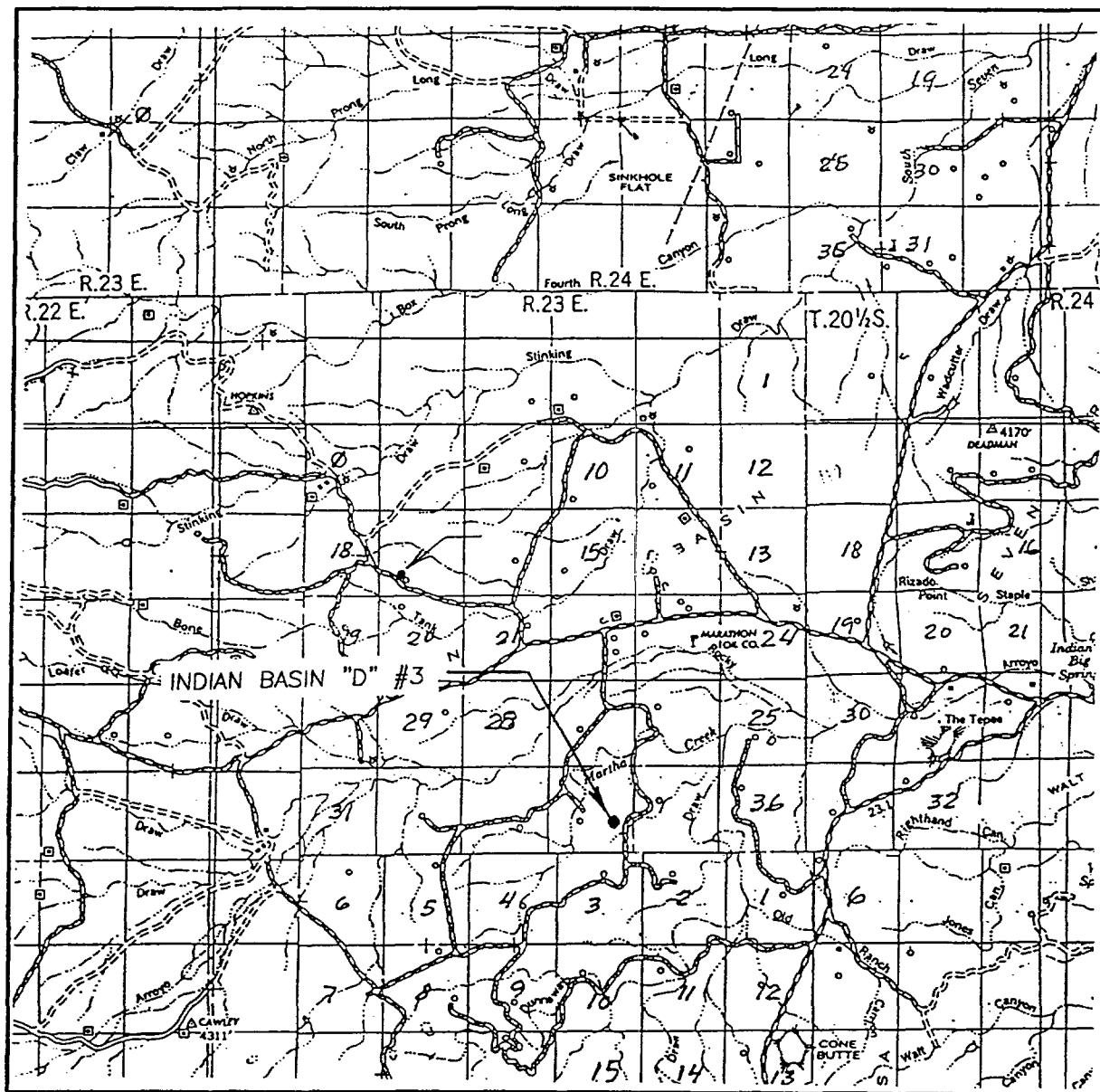
Bottom Hole Location If Different From Surface									
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 640	Joint or Infill	Consolidation Code	Order No.						

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



OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Jerry Fletcher</u> Signature <u>Jerry Fletcher</u> Printed Name <u>Engineer Tech.</u> Title <u>2/22/01</u> Date
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. JANUARY 30, 2001 Date Surveyed Signature & Seal of Professional Surveyor <u>Ronald J. Edson</u> 02/16/01 01-11-0035 Certificate No. RONALD J. EDSON 3239 GARY EDSON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

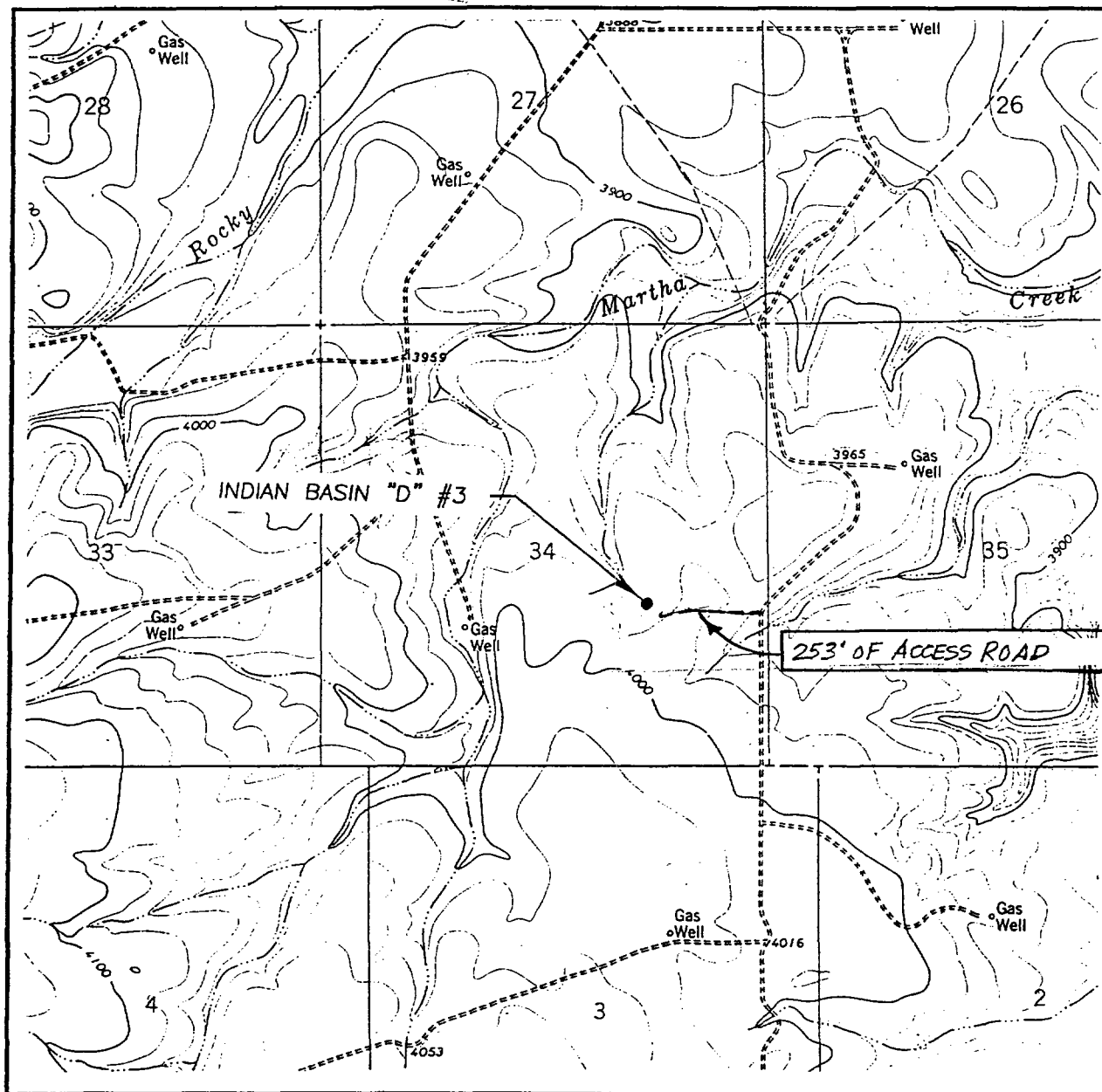
ELEVATION 3974

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'

MARTHA CREEK N.M.

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

ELEVATION 3974

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

U.S.G.S. TOPOGRAPHIC MAP

MARTHA CREEK N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Southern U.S. Business Unit
Domestic Production



**Marathon
Oil Company**

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

February 22, 2001

Chevron USA
P.O. Box 36366
Houston, Texas 77236

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Scott,

Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.

As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.

Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .

This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Chevron USA have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,


Jerry Fletcher
Engineer Tech.

Signature _____

Name _____

Title _____

Chevron USA

Date _____



**Marathon
Oil Company**

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

February 22, 2001

Kerr McGee
14311 Welch Road
Dallas, Texas 75244-3934

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Steve,

Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.

As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.

Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .

This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Kerr McGee have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,

Jerry Fletcher
Engineer Tech.

Signature _____

Name _____

Title _____

Kerr McGee

Date _____

Southern U.S. Business Unit
Domestic Production



**Marathon
Oil Company**

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

February 22, 2001

Texaco E & P
500 North Loraine
Midland, Texas 79701

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Sir,

Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.

As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.

Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .

This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Texaco E & P have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jerry Fletcher'.
Jerry Fletcher
Engineer Tech.

Signature _____
Name _____
Title _____
Texaco E& P
Date _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 15, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Jerry Fletcher
Engineering Technician

RE: NMOCD Correspondence Reference No. SD-01-02: *Indian Basin-Upper Pennsylvanian Gas Pool development within an existing standard 640-acre gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

Reference is made to your letter dated January 25, 2001 notifying the New Mexico Oil Conservation Division's ("Division") Santa Fe office of Marathon Oil Company's ("Marathon") plans for further Upper Pennsylvanian gas development within the existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The rules currently governing spacing, well locations, and allowables for the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool include, but not necessarily limited to:

- (a) *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool,"* as promulgated by Division Order No. R-8170, dated March 28, 1986, as amended by Division Orders No. R-8170-H, dated December 10, 1990, and R-10987, dated May 7, 1998, which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary; and
- (b) Division Rules 104 (*Well Spacing and Location*) and 605 (*Gas Proration Rules*).

It is our understanding that gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool within this 640-acre GPU will to be simultaneously dedicated to the following three wells:

- Marathon's existing Indian Basin "D" Well No. 1 (**API No. 30-015-10616**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34;
- Marathon's existing Indian Basin "D" Well No. 2 (**API No. 30-015-28955**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 34; and
- Marathon's proposed Indian Basin "D" Well No. 3 to be drilled at a standard gas well location 1980 feet from the South line and 1870 feet from the East line (Unit J) of Section 34.

It is understood by the Division that Marathon will abide by all existing rules, regulations, policies, and procedures applicable to prorated gas pools in New Mexico and that Marathon intends to operate the aforementioned Indian Basin "D" Wells No. 1, 2, and 3 and the existing 640-acre standard gas spacing and proration unit in accordance therein. It is further understood that Marathon will not allow the total combined gas production from these three wells to exceed that volume assigned this GPU with its assessed acreage factor of 1.00 in accordance to the gas proration rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

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



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Jennifer A. Salisbury

Cabinet Secretary

March 22, 2001

Lori Wrotenbery

Director

Oil Conservation Division

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

Attention: Jerry Fletcher
Engineering Technician

Re: *Application for administrative approval for an exception to the well location requirements provided within the "Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool," as promulgated by Division Order No. R-8170, as amended, for the proposed Indian Basin "D" Well No. 3 to be drilled 1980' FSL & 1470' FEL (Unit J) of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

In reviewing the subject application at face value and assuming no other factors, it would appear that there are other locations within the E/2 of Section 34 that meet the set back requirements of the Indian Basin-Upper Pennsylvanian Gas pool rules while avoiding the "existing pipeline and topographic conditions." Not only is your application incomplete by lacking details and providing no data (maps, plats, diagrams, surveys, etc.) to support your stated reasons, it is confusing and contradictory. Why would Marathon move east to avoid an east-west pipeline?

This application is hereby **denied**. I am returning a copy of your application for I wish to keep the original. I understand from the Division Director that I am expected to conduct instructional presentations in the future concerning drilling location requirements and would like to use this filing as an example.

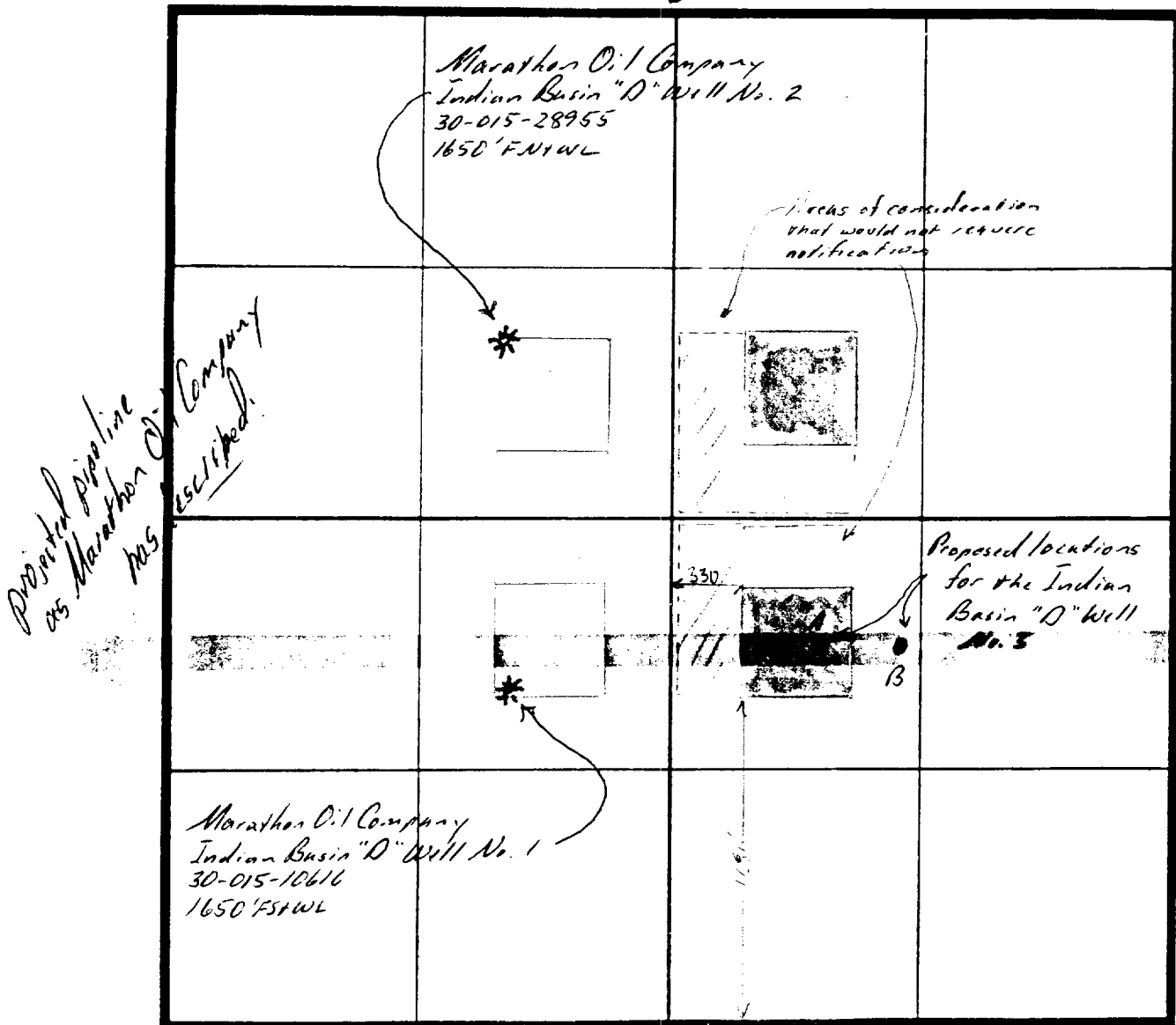
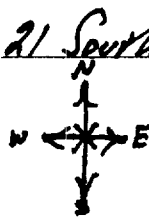
Thank you for your cooperation in this matter.

Sincerely

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad
Kathy Valdes, NMOCD - Santa Fe
W. Thomas Kellahin, Legal Counsel for Marathon Oil Company - Santa Fe
Walter J. Ducease, Marathon Oil Company - Midland, Texas

Sec 34 Township No. 21 South of Range No. 23 East



- ☐ Area of standard drilling locations for wells pursuant to R-8170, as amended
- Location "A" 1980' FSL & 1870' FEL, which was the subject of NMOC Correspondence Reference No. SD-01-92 (2-15-2001).
- Location "B" 1980' FSL & 1470' FEL, which is the subject of this appl. (2-22-2001)
- Reason: OMB 1004-0135 dated 2-22-01 states "on-site performed" and "move wellbore due east 400 feet to avoid topographic problems". Per 2-22-2001 letter of application "Marathon has identified an existing pipeline and topographic conditions preventing a standard location in Unit 2. Further, all other standard location sites not feasible due to an East-West pipeline at loc. site"

- NO supporting
data for
the NSL

- $1.00 + .89$
is unacceptable

how about a
full .89 % off.

10647 80 62

NSL

3/19/01

Southern U.S. Business Unit
Domestic Production**Marathon
Oil Company**P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

February 22, 2001

Mr. Michael Stogner
Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, New Mexico 87504RE: Application for a Unorthodox Well Location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Sec, 34, T-21-S, R-23-E
Eddy Co. New Mexico

Dear Mr. Stogner:

~~Marathon Oil Company has identified an existing pipeline and topographical conditions preventing us from locating the well in a Standard Location in Unit Letter "J" of Section 34. All other standard location sites are not feasible projects due to a pipeline running East and West at the location site.~~ Accordingly, please find enclosed our application for an unorthodox well location requesting administrative approval under conditions of OCD Rule # 104.

Marathon Oil Company is applying to the New Mexico Conservation Division to drill this well at an unorthodox location of 1980' FSL & 1470' FEL, Unit Letter "J", of Section 34, T-21-S, R-23-E, NMPM. Said well is dedicated to a standard 640 Acre Proration Unit of Section 34.

In Support Thereof:

1) This Indian Basin Upper Penn gas well is subject to the Division's statewide rules and regulations specifying that a well shall be located not closer than 1650 feet to the outer boundary of a lease and no closer than 330 feet to any quarter/ quarter section line or subdivision inner boundary. The proposed well is unorthodox because it is located 1470 feet from the outer boundary, and unorthodox to the internal governmental 330 feet quarter/ quarter section line.

2) Due to an existing pipeline, and BLM's topographical constraints the Proposed well @ 1980'FSL & 1870' FEL was moved to 1980'FSL & 1470' FEL of Section 34. This well is now Unorthodox from the outer boundary and to the 330' Quarter/ Quarters. **Reference: NMOCD Reference # SD-01-02 for Simultaneous Dedication.**

3) Marathon Oil Company respectfully request the NMOCD to approve an acreage factor off .94 for gas allowable purposes. Marathon ask that this factor be applied to the unit located in Section 34, T-21-S, R-23-E, Eddy County, New Mexico. This number is calculated by averaging the following methods:

- A. ~~PRODUCTIVE ACRES~~ ~~based on a gas evaluation~~ Section 34 is estimated to have 640 productive acres: $640/640 = 1.0\%$ of the Section)
- B. DISTANCE RATIO METHOD: The percent distance from the lease line for the proposed unorthodox location compared to ~~the original proposed standard location~~ is $0.82 (82\% \text{ of Distance})$
- C. THE AVERAGE ~~PERCENTAGE~~ ~~IS~~ $0.0455 (4.55\% \text{ of allowable})$

Furthermore, Marathon Oil Company request authorization to simultaneously dedicate Indian Basin Upper Penn. Pool production to a standard 640 acre gas proration unit comprising the entire Section 34 T-21-S, R-23-E, Eddy County, New Mexico for the Indian Basin D-1, and Indian Basin D # 2. **Reference NMOCD # SD-01-02. This Authorization was given for the original proposed STANDARD LOCATION.**

This unorthodox location encroaches on Section 35, T-21-S, R-23-E. A copy of this application, including the attached plats have been sent to the following affected parties:

Chevron USA
P.O. Box 36366
Houston, Texas 77236

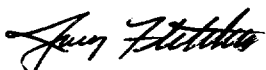
Kerr McGee
14311 Welch Road
Dallas, Texas 75244-3934

Texaco E&P
500 North Loraine
Midland, Texas 79701

These parties have been advised if they have an objection to this application, it must be filed in writing with the Division within 21 days of this date.

Marathon Oil Company seeks approval for this unorthodox well location to drill the Indian Basin Upper Penn. Gas well. Enclosed is a copy of the offset's waiver to objection letters. If you have any questions or concerns, please feel free to contact me at (915) 687-8357

Regards,



Jerry Fletcher
Engineering Technician

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

FEB 26

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Marathon Oil Company

3a. Address

P.O. Box 552 Midland, TX 79702

3b. Phone No. (include area code)

915-687-8357

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec. 34, T-21-S, R-23-E

1980' FSL & 1470' FEL

Eddy Co. N.M.

5. Lease Serial No.

NM-034446

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA/Agreement, Name and/or N

Indian Basin

8. Well Name and No.

Indian Basin "D" # 3

9. API Well No.

10. Field and Pool, or Exploratory Area

Indian Basin Upper Penn.

11. County or Parish, State

Eddy N.M.

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

TYPE OF ACTION

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☒ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☐ Other

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the final site is ready for final inspection.)

Marathon has changed the surface location of our Indian Basin "D" # 3 well due to On-site performed.

Upon examination of the site, it was determined we needed to move well stake due East 400 feet to avoid topographical problems.

Please reference the new C-102 survey plat and maps.

Please see new ground elevation on C-102.

* Distance from the Indian Basin "D" # 2 to the Indian Basin "D" # 3 is 2185'. Item # 15 on 3160-3 is changed to 1470' FEL.

This is an Unorthodox well location. It is closer than 1650' to the East boundary line and it is closer than 330' to the quarter/ quarter section lines.

Well was placed in this area due to topographical constraints.

All other information on original APD remains unchanged.

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Jerry Fletcher

Title

Engineer Tech.

Date 2/22/01

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

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

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
		Indian Basin Upper Penn.
Property Code	Property Name	Well Number
	INDIAN BASIN "D"	3
GRID No.	Operator Name	Elevation
14021	MARATHON OIL COMPANY	3974

Surface Location

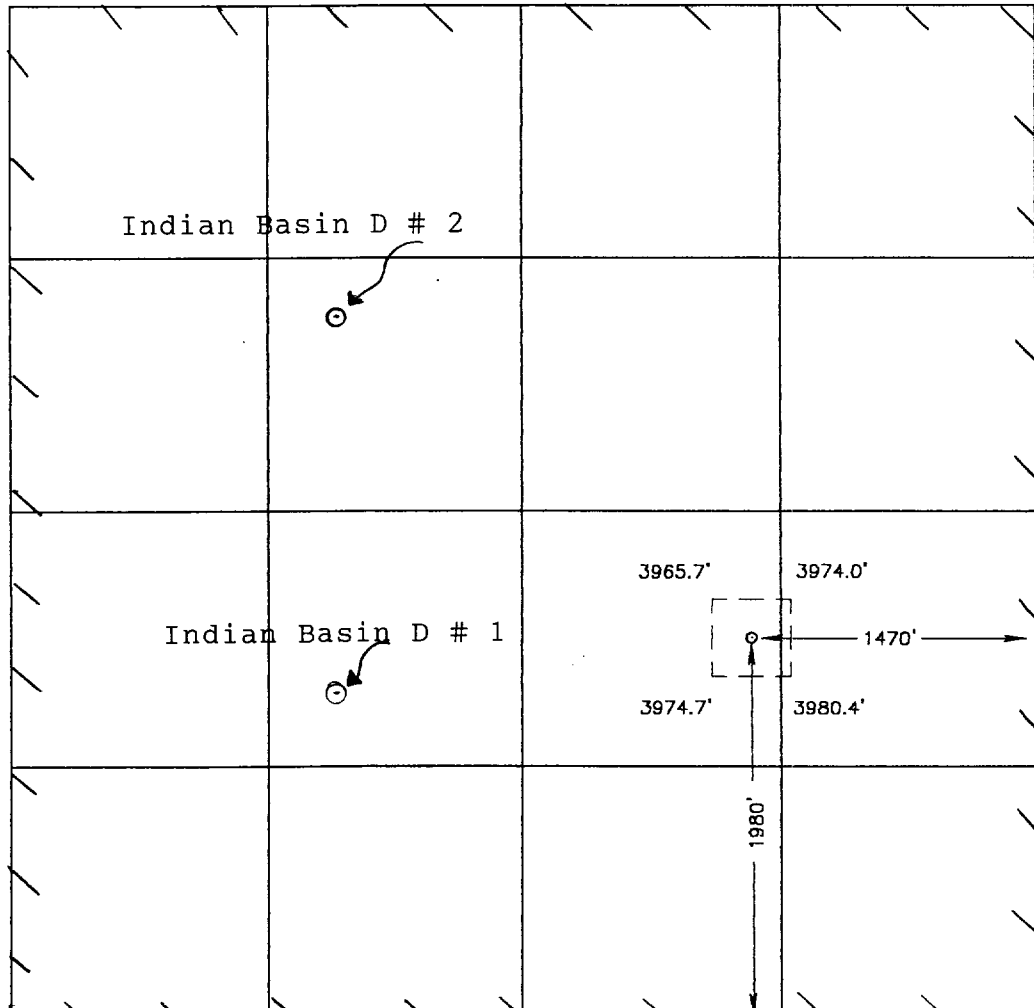

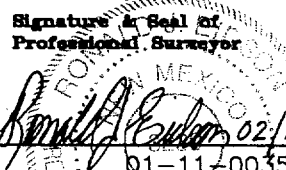
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	34	21-S	23-E		1980	SOUTH	1470	EAST	EDDY

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.
640			

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

	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Jerry Fletcher Printed Name Engineer Tech. Title 2/22/01 Date
	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. JANUARY 30, 2001 Date Surveyed AWB Signature & Seal of Professional Surveyor  Certificate No. RONALD J. EDSON 3239 GARY EDSON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

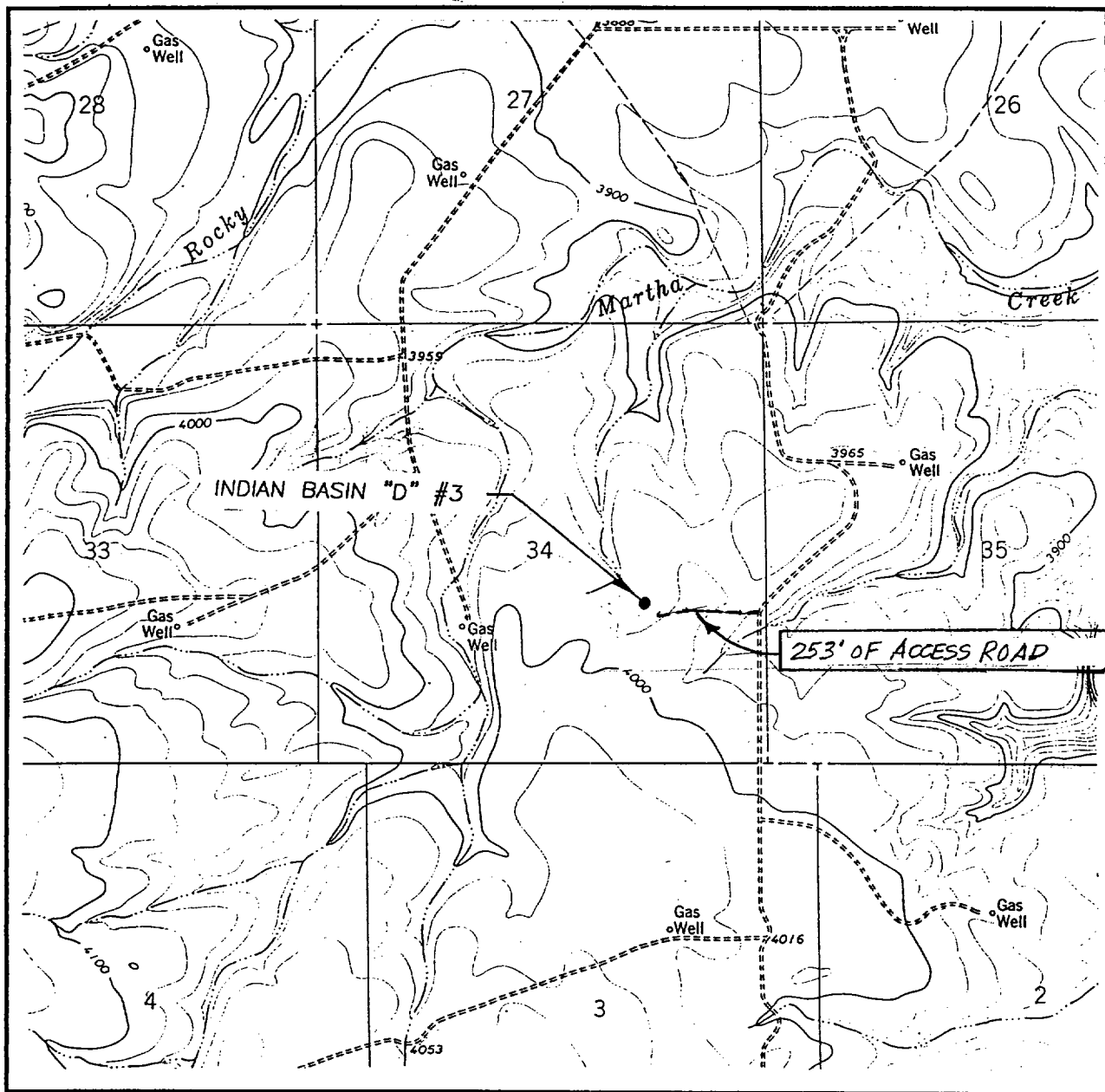
ELEVATION 3974

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'

MARTHA CREEK N.M.

SEC. 34 TWP. 21-S RGE. 23E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1980' FSL & 1470' FEL

ELEVATION 3974

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN BASIN "D"

U.S.G.S. TOPOGRAPHIC MAP

MARTHA CREEK N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117



**Marathon
Oil Company**

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

February 22, 2001

Chevron USA
P.O. Box 36366
Houston, Texas 77236

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Scott,
Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.
As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.
Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .
This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Chevron USA have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,


Jerry Fletcher
Engineer Tech.

Signature _____
Name _____
Title _____
Chevron USA
Date _____



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

February 22, 2001

Kerr McGee
14311 Welch Road
Dallas, Texas 75244-3934

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Steve,

Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.

As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.

Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .

This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Kerr McGee have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,

A handwritten signature in cursive script, appearing to read 'Jerry Fletcher'.
Jerry Fletcher
Engineer Tech.

Signature _____

Name _____

Title _____

Kerr McGee

Date _____



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

February 22, 2001

Texaco E & P
500 North Loraine
Midland, Texas 79701

RE: Application for a Unorthodox well location
Indian Basin "D" # 3
1980' FSL & 1470' FEL
Section 34, T-21-S, R-23-E
Eddy County, New Mexico

Dear Sir,

Marathon Oil Company has made an attempt to locate a suitable location for the above mentioned well. Due to an existing pipeline and BLM'S topographical conditions we had to place the well in a Non- Standard location.

As an offset operator you are hereby notified of Marathon Oil Company's intent to drill this well at an unorthodox location.

Please reference the attached surveyors plat and dedication map.

An application to drill and a request for administrative approval subject to OCD Rule # 104 has been duly filed with the New Mexico Oil Conservation Division in Santa Fe , New Mexico.

This well is subject to the Division's Statewide rules and regulations which provide that a well shall be no closer than 1650' to the outer boundary of a lease and no closer than 330 feet to any governmental quarter/ quarter section line or subdivision inner boundary.

The proposed well is located in an unorthodox location of 1470' from the outer boundary .

This well is also unorthodox in that it is closer than 330' to the governmental quarter /quarter section line.

Should Texaco E & P have no objection to Marathon's intent to drill the above mentioned well due to the existing pipeline and topographical constraints, please signify by signing below and return an executed copy to me in the envelope provided. A copy of the application sent to OCD Santa Fe is enclosed.

Respectfully,

A handwritten signature in black ink, appearing to read 'Jerry Fletcher'.

Jerry Fletcher
Engineer Tech.

Signature _____

Name _____

Title _____

Texaco E& P

Date _____



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Jennifer A. Salisbury
Cabinet Secretary

February 15, 2001

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: Jerry Fletcher
Engineering Technician

RE: NMOCD Correspondence Reference No. SD-01-02: *Indian Basin-Upper Pennsylvanian Gas Pool development within an existing standard 640-acre gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.*

Dear Mr. Fletcher:

Reference is made to your letter dated January 25, 2001 notifying the New Mexico Oil Conservation Division's ("Division") Santa Fe office of Marathon Oil Company's ("Marathon") plans for further Upper Pennsylvanian gas development within the existing 640-acre standard gas spacing and proration unit ("GPU") comprising all of Section 34, Township 21 South, Range 23 East, NMPM, Eddy County, New Mexico.

The rules currently governing spacing, well locations, and allowables for the Indian Basin-Upper Pennsylvanian (Prorated) Gas Pool include, but not necessarily limited to:

- (a) *"Special Rules and Regulations for the Indian Basin-Upper Pennsylvanian Gas Pool,"* as promulgated by Division Order No. R-8170, dated March 28, 1986, as amended by Division Orders No. R-8170-H, dated December 10, 1990, and R-10987, dated May 7, 1998, which require standard 640-acre GPU's with wells to be located no closer than 1650 feet from the outer boundary of the GPU nor closer than 330 feet from any governmental quarter-quarter section line or subdivision inner boundary; and
- (b) Division Rules 104 (*Well Spacing and Location*) and 605 (*Gas Proration Rules*).

It is our understanding that gas production attributed to the Indian Basin-Upper Pennsylvanian Gas Pool within this 640-acre GPU will to be simultaneously dedicated to the following three wells:

SD-01-02

Marathon Oil Company

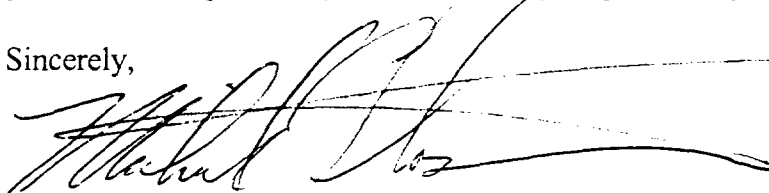
February 15, 2001

Page 2

- Marathon's existing Indian Basin "D" Well No. 1 (**API No. 30-015-10616**), located at a standard gas well location 1650 feet from the South and West lines (Unit K) of Section 34;
- Marathon's existing Indian Basin "D" Well No. 2 (**API No. 30-015-28955**), located at a standard gas well location 1650 feet from the North and West lines (Unit F) of Section 34; and
- Marathon's proposed Indian Basin "D" Well No. 3 to be drilled at a standard gas well location 1980 feet from the South line and 1870 feet from the East line (Unit J) of Section 34.

It is understood by the Division that Marathon will abide by all existing rules, regulations, policies, and procedures applicable to prorated gas pools in New Mexico and that Marathon intends to operate the aforementioned Indian Basin "D" Wells No. 1, 2, and 3 and the existing 640-acre standard gas spacing and proration unit in accordance therein. It is further understood that Marathon will not allow the total combined gas production from these three wells to exceed that volume assigned this GPU with its assessed acreage factor of 1.00 in accordance to the gas proration rules governing the Indian Basin-Upper Pennsylvanian Gas Pool.

Sincerely,



Michael E. Stogner
Chief Hearing Officer/Engineer

LW/mes

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

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

Date Application Received: 6-28-2001

Date of Preliminary Review: 7-18/19-2001
(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? NA Yes NA No

Date Application Processed: 7-19-2001

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