



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor
Betty Rivera
Cabinet Secretary

October 21, 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-4797 (BHL) (SD)

Dear Mr. Tatarzyn:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on October 7, 2002 (*Division application reference No. pKRV0-228126737*); 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, 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. 37 to be drilled as an infill well to an unorthodox subsurface location within an existing standard 314.54-acre spacing and proration unit comprising Lots 1, 2, 7, 8 and Units I, J, O, P (E/2 equivalent) of Section 20, 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. 18 (API No. 30-015-30564), located on the surface 409 feet from the South line and 2324 feet from the East line (Unit O) of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool (33685) at a non-standard subsurface location (NSL-4191) within (SW/4 SE/4 equivalent - Unit O) of Section 20; and
- (ii) Indian Hills Unit Well No. 33 (API No. 30-015-31755), located on the surface 429 feet from the South line and 326 feet from the West line (Unit M) of Section 20, 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 (NE/4 SE/4 equivalent - Unit I) of Section 20.

(iii) Indian Hills Unit Well No. 25 (API No. 30-015-31194), located on the surface 1093 feet from the North line and 1367 feet from the East line Lot 2 (NW/4 NE/4 equivalent) of Section 20, 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 8 (SE/4 NE/4 equivalent - Unit H) of Section 20.

It is our understanding the proposed Indian Hills Unit Well No. 37, because of topographic reasons, will be spud at a surface location 1092 feet from the North line and 1380 feet from the East line Lot 2 (NW/4 NE/4 equivalent) of Section 20, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and directionally drilled to the southwest to a targeted bottom hole location at an approximate depth of 8,575 feet (TVD), 2646 feet from the North line and 2552 feet from the East line, Lot 7 (SW/4 NE/4 equivalent) of Section 20. The well bore will intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,775 feet (TVD) 2,447 feet from the North line and 2401 feet from the East line - Lot 7 of Section 20. The proposed well will be unorthodox in that the entire producing interval will be closer than the standard setback distance of 660 from the western outer boundary of the 314.54 acre "stand-up" spacing unit - E/2 equivalent of Section 20. 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. 37 within the E/2 equivalent of Section 20 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. 18, 33, and 25. Furthermore, Marathon is permitted to produce the allowable assigned the subject 314.54-acre spacing and proration unit from all four (4) wells in any proportion.

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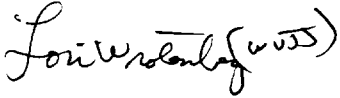
Marathon Oil Company

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

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery (wvjj)".

Lori Wrotenbery

Director

LW/wvjj/kv

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