

May 22, 2003

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

Attention: Steve Millican
SEMillican@MarathonOil.com

Administrative Order NSL-4755-A (BHL) (SD)

Dear Mr. Millican:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on April 16, 2003 (***administrative application reference No. pKRV0-310738106***); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Order NSL-4755 (BHL): 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. 52 to be drilled as an upper Pennsylvanian infill well to an unorthodox subsurface location within an existing standard 343.86-acre lay-down spacing and proration unit comprising Lots 1 through 8 (S/2 equivalent) of Section 17, Township 21 South, Range 24 East, NMPM, Indian Basin-Upper Pennsylvanian Associated Pool (**33685**), Eddy County, New Mexico.

This unit is currently dedicated to Marathon's Indian Hills Unit Well No. 42 (**API No. 30-015-32355**), located on the surface 475 feet from the North line and 2522 feet from the East line (Lot 2/Unit B) 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 an unorthodox sub-surface location within Lot 8 (SE/4 SE/4 equivalent - Unit P) of Section 17, see Division Administrative Order NSL-4755 (BHL), dated July 3, 2002.

It is our understanding the proposed Indian Hills Unit Well No. 52, because of topographic reasons, will be spud at a surface location 1265 feet from the South line and 2073 feet from the East line (Lot 7/Unit O) of Section 17, and drilled directionally to the south to a targeted-bottomhole location at an approximate depth 8,700 feet (TVD) 69 feet from the South line and 2089 feet from the East line (Lot 7/Unit O) of Section 17. The wellbore is to intersect the top of the Upper-Pennsylvanian interval at an approximate depth of 7,900 feet (TVD) 280 feet from the South line and 2073 feet from the East line (Lot 7/Unit O) of Section 17. The proposed well will be unorthodox in that the entire producing interval will be closer then the

standard setback distance of 660 from the South line of Section 17. 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. 52 within the S/2 equivalent of Section 17 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. 42 and 52. Furthermore, Marathon is permitted to produce the allowable assigned the subject 343.86-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/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management – Carlsbad
File: NSL-4755 (BHL)