

October 3, 2001

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

Telefax No. (915) 687-8305

Attention: Ginny Larke

Administrative Order NSL-4649 (BHL)

Dear Ms. Larke:

Reference is made to the following: (i) your initial application that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe on August 15, 2001 (*application reference No. pKRV0-123433433*); (ii) your supplemental correspondence with Mr. Michael E. Stogner, Engineer in Santa Fe with the Division, by letters and telefax dated June 21, July 19, August 22, August 27, August 29, August 30, and September 4, 2001; (iii) the Division's records in Santa Fe and Artesia: 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 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 the existing Indian Hills Unit Well No. 1 (**API No. 30-015-10066**) in the SW/4 SW/4 (Unit M) of Section 21, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

The W/2 of Section 21, being a standard 320-acre stand-up gas spacing and proration unit for the Indian Basin-Upper Pennsylvanian Associated Pool (**33685**), is the assigned acreage for the subject well.

It is our understanding this well was initially drilled in 1963 by Ralph Lowe as a Morrow gas well. Its location being 660 feet from the South and West lines (Unit M) of Section 21 was considered to be standard at that time (see Division Order No. R-2441 dated February 28, 1963). In 1992 this Morrow producing gas well was plugged and abandoned. In February 1998 Marathon decided to re-enter this well and complete it as a gas well in the Indian Basin-Upper Pennsylvanian interval. A re-survey of the surface location at that time showed the actual location of this well to be 416 feet from the South line and 176 feet from the West line of Section 21. Further, Marathon performed a blind kick on the well during its re-entry/recompletion operations in 1998, the directional survey of the wellbore shows the actual bottomhole location of this well to be 427 feet from the South line and 30 feet from the West line of Section 21.

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.