

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

November 21, 2001

**Via Facsimile
505-748-9720**

Mr. Tim Gum, Supervisor
Oil Conservation Division
P. O. Drawer DD
Artesia, New Mexico 88210

**RE: NMOCN Reference No. pKRVO-105420033
Indian Hills Unit Well No. 34
1416 feet FNL & 1607 feet FWL NMPM,
N/2 Section 28, T21S, R24E
Administrative Application of Marathon Oil Company for Approval
of an Unorthodox Gas Well Location, Eddy County, New Mexico**

Dear Mr. Gum:

Today, on behalf of Marathon Oil Company ("Marathon"), I submitted to Mr. Michael E. Stogner (OCD-Santa Fe) Marathon's referenced administrative application for approval of an unorthodox gas well location ("NSL") for Marathon's Indian Hills Unit Well No. 34. **partial copy attached.**

This well will be the second well within the NW/4 of a 320-acre spacing unit consisting of the N/2 of Section 34 to be dedicated to the Indian Basin Upper Pennsylvanian Associated Pool.

Marathon informed me that you are requiring any such infill well in this pool to be located so that there is no more than one well in a hypothetical 80-acre tract which is oriented in the same direction as the 320-acre spacing unit. I am unaware of any rule that allows you to make this requirement and would appreciate you sending a copy to me if in fact this represents a correct understanding of your position.

KELLAHIN AND KELLAHIN

ATTORNEYS AT LAW

EL PATIO BUILDING

117 NORTH GUADALUPE

POST OFFICE BOX 2265

SANTA FE, NEW MEXICO 87504-2265

TELEPHONE (505) 982-4285
TELEFAX (505) 982-2047

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)

November 21, 2001

HAND DELIVERED

Mr. Michael E. Stogner
Oil Conservation Division
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

RE: **NMOCD Reference No. pKRVO-105420033**
Indian Hills Unit Well No. 34
1416 feet FNL & 1607 feet FWL NMPM,
N/2 Section 28, T21S, R24E
Administrative Application of Marathon Oil Company for Approval
of an Unorthodox Gas Well Location, Eddy County, New Mexico

Dear Mr. Stogner:

Request

On behalf of Marathon Oil Company ("Marathon") and in accordance with your letter dated August 6, 2001, I am resubmitting Marathon's administrative application for approval of an unorthodox gas well location ("NSL") for Marathon Oil Company's Indian Hills Unit Well No. 34.

This well's primary target is the Indian Basin Upper Pennsylvanian Associated Pool ("The Associated Pool") and its secondary target is the Indian Basin-Morrow Gas Pool. Both pools have special rules and regulations requiring, among other things, 320-acre spacing units (GPU) and wells to be located not closer than 330 feet to any interior governmental quarter-quarter section line.

The well is proposed to be dedicated to the N/2 of Section 34 and is to be located in Unit F at a point 287 feet from the west line and 96 feet from the north line of Unit F.

Oil Conservation Division
November 20, 2001
-Page 2-

Infill Well

Indian Hills Unit Well No. 34 will also be the second well within the NW/4 of a 320-acre unit consisting of the N/2 of Section 34 ("GPU") dedicated to the Associated Pool. The first well is the Indian Hills Unit Well No. 10 located in Unit E and approved by Administrative Order NSL-4638-D (copy enclosed).

The rules for the Associated Pool allow for multiple wells provided that no more than one well per 80-acre tract shall be drilled or produced on a standard proration unit. See Rule 2.

The pool rules do not require that the 80-acre tract be oriented in the same manner as the 320-acre GPU. Accordingly, Indian Hills Unit Well No. 34 qualifies as an "infill" well for this pool.

Previous Filing

Marathon's original application was dated February 16, 2001. By letter dated March 16, 2001, you informed Marathon that you could not find Division NSL approvals for the Indian Hills Unit Well No. 10 (Unit E-N/2 dedication) and requested supplemental information. In addition, further review disclosed that the Indian Hills Unit Well No 20 (Unit J-S/2 dedication) did not have NSL approval.

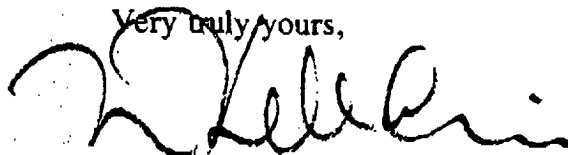
By letter dated August 6, 2001, you returned Marathon's NSL application for the Indian Hills Unit Well No. 34 because more than 30-days had expired without Marathon providing the required supplemental information.

Reasons for Request

(1) Marathon's NSL applications for the Indian Hills Unit Wells No. 10 and 20 have now been issued. See NSL-4638(D) and NSL-4215-A (SD) attached.

(2) The NSL is for topographical reasons and is still geologically suitable. See Marathon Letter dated November 18, 2001. Enclosed.

Very truly yours,



W. Thomas Kellahin

fcx: OCD-Artesia

Attn: Tim Gum

fcx: Marathon Oil Company

Attn: Steven F. Millican

ATTACHMENT # 1

DISTRICT I

P.O. Box 1888, Hobbs, NM 88241-1888

DISTRICT II

P.O. Box 1888, Hobbs, NM 88241-1888

DISTRICT III

1000 E. Main St., Aztec, NM 87410

DISTRICT IV

P.O. Box 1888, Santa Fe, NM 87504-1888

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 Lands - 4 Copies

Fee Lands - 8 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	33685	Indian Basin Upper Penn. Assoc.
Property Code	Property Name	Well Number
	INDIAN HILLS UNIT	34
OGRIID No.	Operator Name	Elevation
14021	MARATHON OIL COMPANY	3704'

Surface Location

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
F	28	21-S	24-E		1416	NORTH	1607	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 1/4	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320 N/2									

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 8/24/01 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. FEBRUARY 5, 2001 Date Surveyed _____ Signature _____ Professional Surveyor NEW MEXICO 3233 E. Edson 8/2/01 11-11-0058 Certificate No. _____ 3233 12041		

04/20/2001 14:11 5052345227

BLM F E

PAGE 01

Send 3162.3
(July 1992)

BLM F E

SUBMIT IN TRIPUP

Other instructions
reverse side)

FORM APPROVED

OMB NO. 109-0136

Expires: February 18, 1995

ESS
Jal

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1. TYPE OF WORK

DRILL ☒DEEPEN ☐

2. TYPE OF WELL

OIL WELL ☐GAS WELL ☒OTHER ☐SINGLE ZONE ☒MULTIPLE ZONE ☐

3. NAME OF OPERATOR

Marathon Oil Company

4. ADDRESS AND TELEPHONE NO.

P.O. Box 552 Midland, TX 79702

915-687-8357

5. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)

At surface

1416' FNL & 1607' FWL

At proposed prod. zone

Same

6. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

15- miles NW of Carlsbad

7. DISTANCE FROM PROPOSED

LOCATION TO NEAREST

PROPERTY OR LEASE LINE, FT.

(Also in bearing and unit line if any) 1416'

8. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

* 1075'

9. ELEVATIONS (Show whether DF, RT, OR, etc.)

3704' G.L.

10.

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17.50"	13-3/8" K-55	54.50#	1200'	1250 sks. to surf.
12.25"	9-5/8" L-80	53.5# 47.00#	8800'	3110

11. LEASE DESIGNATION AND SERIAL NO.

NM 06293

12. IF INDIAN, ALLOTTEE OR TRIBE NAME

N/A

13. UNIT AGREEMENT NAME

Indian Mills Unit

14. FARM OR LEASE NAME WELL NO.

34

15. API WELL NO.

16. FIELD AND POOL OR WILDCAT

Indian Basin Upper Perm. Assoc

17. SEC. T. R. M. OR BLK AND SURVEY OR AREA

Sec. 28, T-21-S, R-24-E

18. COUNTY OR PARISH

Eddy

19. STATE

N.M.

20. NO. OF ACRES IN LEASE

640

21. NO. OF ACRES ASSIGNED TO THIS WELL

320

22. PROPOSED DEPTH

8800'

23. ROTARY OR CABLE TOOLS

Rotary

24. APPROX. DATE WORK WILL START*

AERP

Marathon Oil Company is proposing to drill a straight hole Upper Perm. Assoc. well on a Non Standard location.

* The Indian Mills Unit # 34 is located 1075' from the Indian Mills Unit # 10, located @ 2080' FNL & 660' FWL. Sec. 28, T-21-S, R-24-E.

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout prevention program, if any.

SIGNED

James F. Hutton

TITLE - Engineer Tech.

DATE 2/14/01

(This space for Federal or State office use)

PERMIT NO.

APPROVAL DATE

Approval approval 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.

CONDITIONS OF APPROVAL, IF ANY.

APPROVED BY

James Y. Lara

Acting

FIELD MANAGER

DATE

4/27/2001

Title 18 U.S.C. Section 1001, 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.

APPROVAL FOR 1 YEAR

Oil Conservation Division

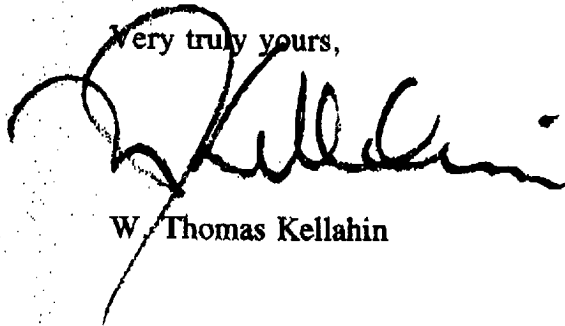
November 21, 2001

-Page 2-

My research shows that the rules for the Associated Pool allow for multiple wells provided that no more than one well per 80-acre tract shall be drilled or produced on a standard proration unit. See Rule 2. The pool rules do not require that the 80-acre tract be oriented in the same manner as the 320-acre GPU. Accordingly, the proposed location for the Indian Hills Unit Well No. 34 qualifies it as an "infill" well for this pool.

If you and I are in disagreement about this, please call me so that we can obtain clarification from Mr. Stogner as to the well location requirements for infill wells in this pool.

Very truly yours,

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', written over the typed name.

W. Thomas Kellahin

fcx: OCD-Santa Fe

Attn: Michael E. Stogner

fxc: Marathon Oil Company

Attn: Steven F. Millican