Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

SUBMIT IN TRIPLICATE (Other instruction. Reverse Side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
DRILL [X] DEEPEN [ ]

b. TYPE OF WELL
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

2. NAME OF OPERATOR
Marathon Oil Company 14021

3. ADDRESS AND TELEPHONE NO.
P.O. Box 552 Midland, TX 79702 915/687-8357

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
At surface
1800' FSL & 660' FWL
At proposed prod. zone
Same as above Unit L

RECEIVED
OCD ARTESIA

5. LEASE DESIGNATION AND SERIAL NO.
NM 07260

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
N/A

7. UNIT AGREEMENT NAME
Indian Hills Unit

8. FARM OR LEASE NAME, WELL NO.
Indian Hills Unit # 43
6409

9. API WELL NO.
30-015-32246

10. FIELD AND POOL, OR WILDCAT
Indian Basin Upper Penn Assoc
Indian Basin Morrow Pool

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
Sec. 33, T-21-S, R-24-E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
15 miles NW of Carlsbad

12. COUNTY OR PARISH: Eddy
13. STATE: N.M.

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
660'	640	320
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	**19. PROPOSED DEPTH**	**20. ROTARY OR CABLE TOOLS**
*1196'	9600'	Rotary

21. ELEVATIONS (Show whether DF,RT, GR, etc.)
4109' G.L.

22. APPROX. DATE WORK WILL START*
ASAP

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12.25"	9-5/8" K-55	36#	1800'	640 sks.
8.750"	7" K-55	23#/26#	9600'	1280 sks.

Carlsbad Controlled Water Basin

Marathon Oil Company is proposing to drill a straight hole to the Indian Basin Upper Penn / Indian Basin Morrow producing zones. Both zones of interest are Standard locations.

Please find attached C-102 showing producing and project areas.

* The Indian Hills unit # 8 is 1196' S/E of the proposed Indian Hills Unit # 43 SHL.

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 preventer program, if any.

24.
SIGNED Jerry Fletcher TITLE Engineer Tech. DATE 2/14/02

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application 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 /s/ LESLIE A. THEISS TITLE FIELD MANAGER DATE APR 03 2002

*See Instructions On Reverse Side

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

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
	78960	Indian Basin Morrow Gas Pool

Property Code	Property Name	Well Number
	INDIAN HILLS UNIT	43 ALT.

OGRID No.	Operator Name	Elevation
14021	MARATHON OIL COMPANY	4109'

Surface Location

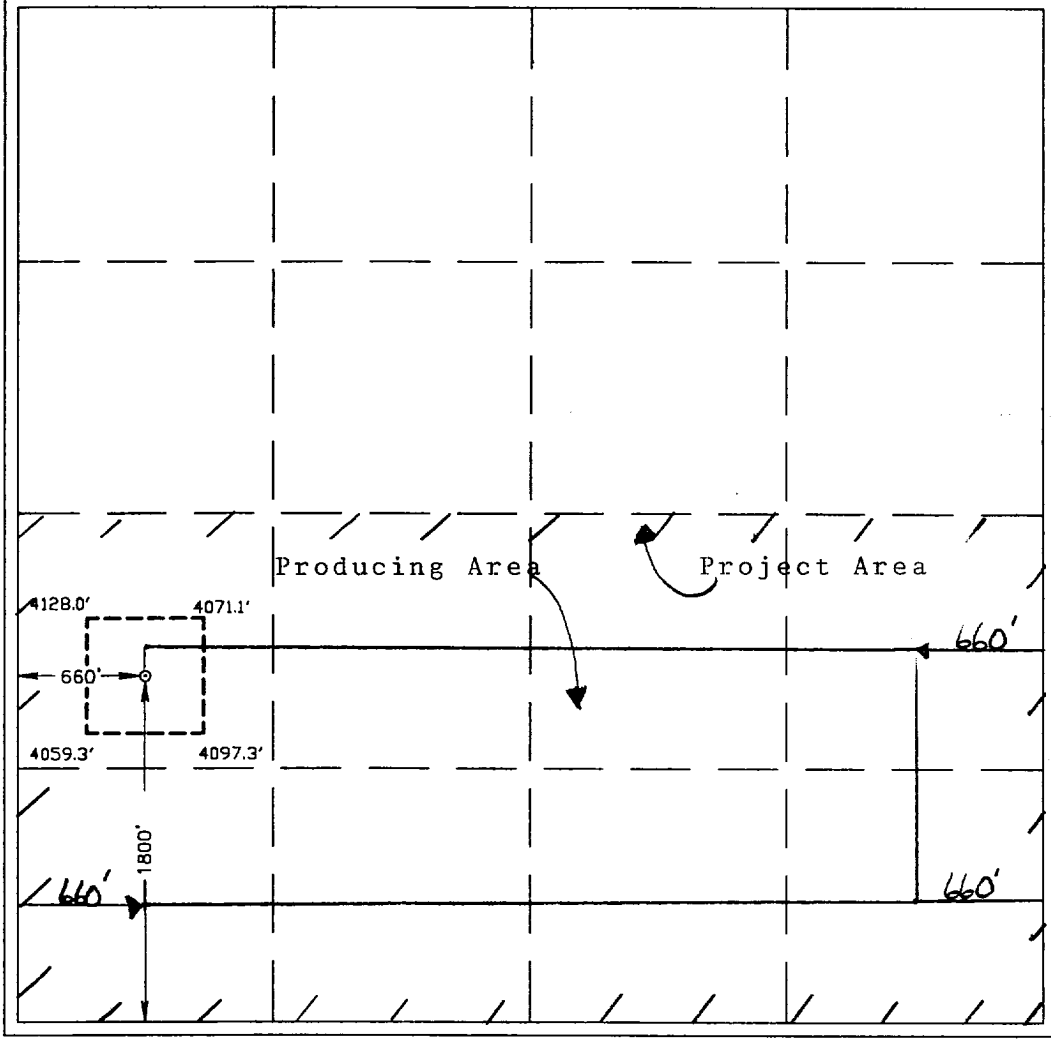
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	33	21-S	24-E		1800	SOUTH	660	WEST	EDDY

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.
320 S/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

2/08/02
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 supervison, and that the same is true and correct to the best of my belief.

JANUARY 30, 2002
Date Surveyed AWB

Signature & Seal of Professional Surveyor

Ronald J. Eidson 01/31/02

02.11.0084

Certificate No. RONALD J. EIDSON 3239
GARY L. EIDSON 12641

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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	43 ALT.

OGRID No.	Operator Name	Elevation
14021	MARATHON OIL COMPANY	4109'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	33	21-S	24-E		1800	SOUTH	660	WEST	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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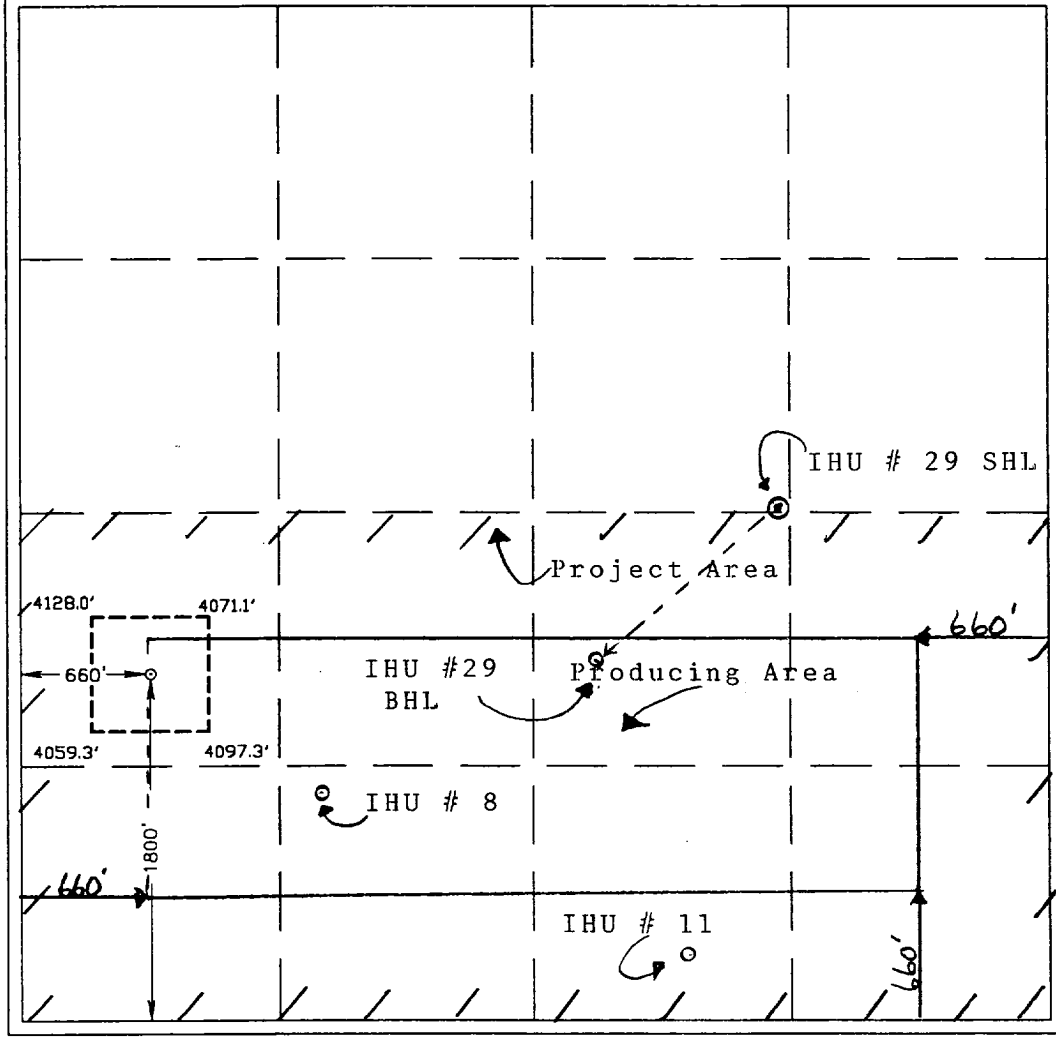


OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Jerry Fletcher

Jerry Fletcher
Printed Name

Engineer Tech.
Title

2/08/02
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 supervison, and that the same is true and correct to the best of my belief.

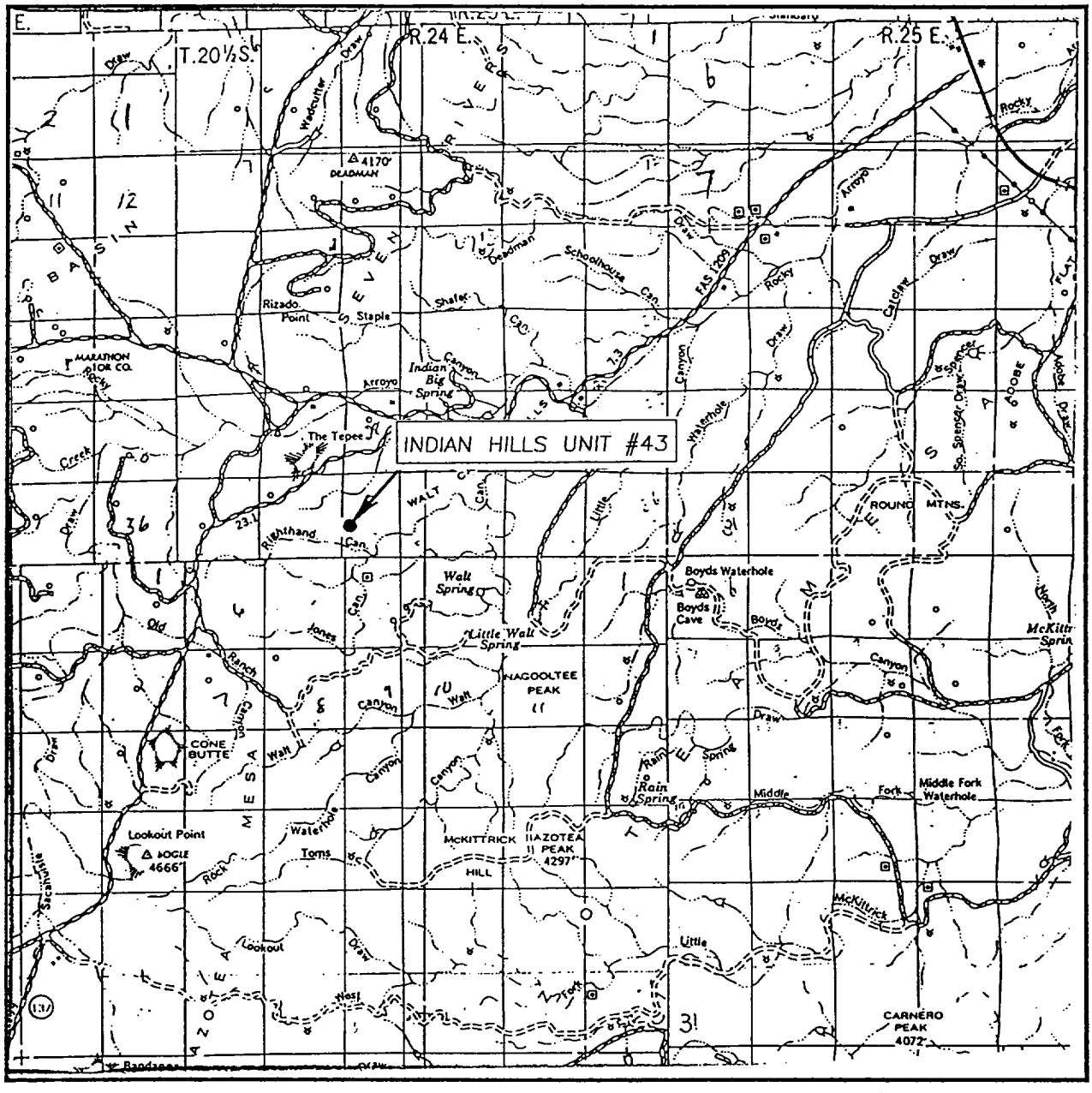
JANUARY 30, 2002
Date Surveyed AWB

Signature & Seal of Professional Surveyor

Ronald J. Eidson 01/31/02
02.11.0084

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 33 TWP. 21-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1800' FSL 660' FWL

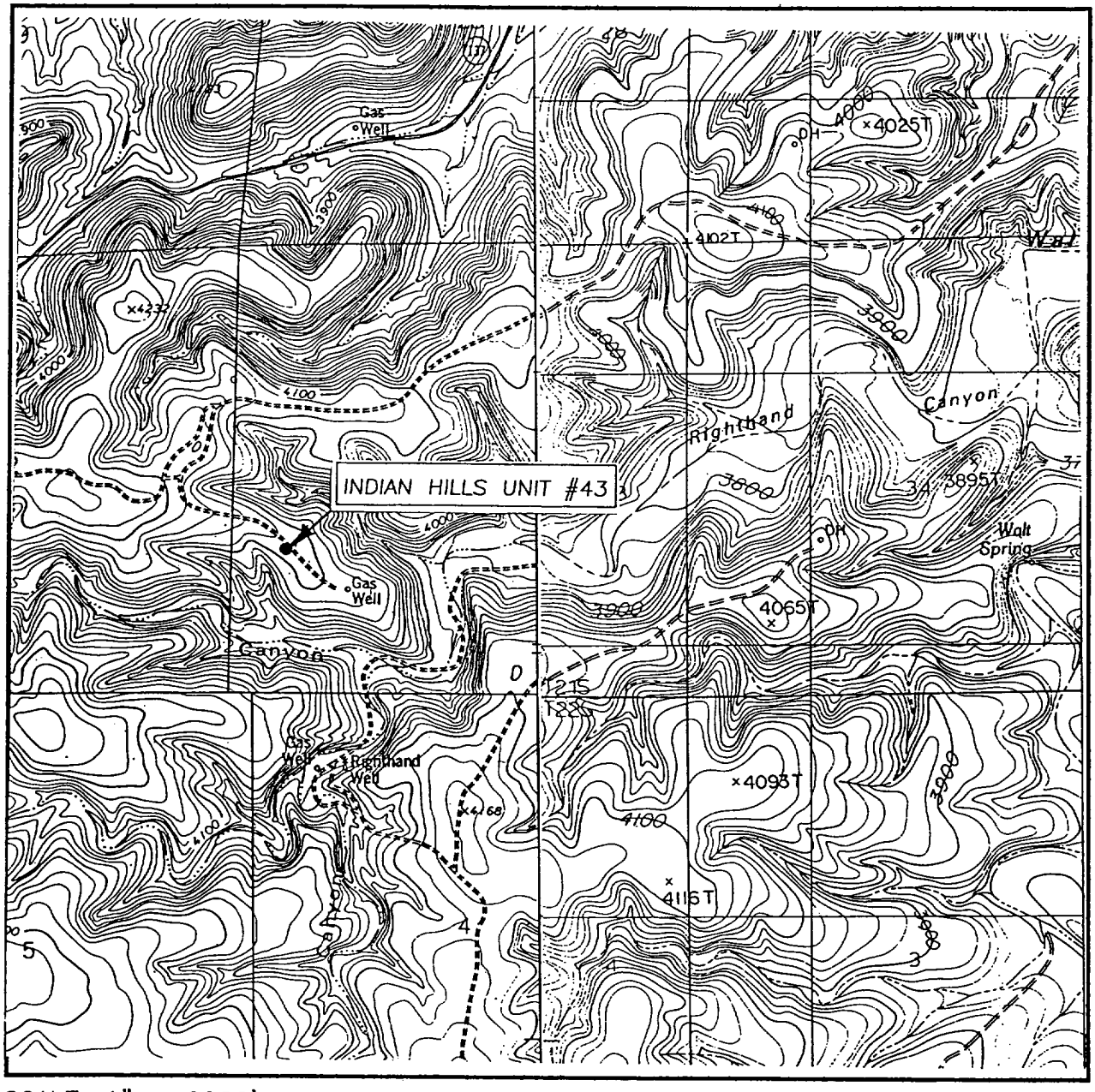
ELEVATION 4109'

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN HILLS UNIT

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

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 20'
MARTHA CREEK, N.M.
AZOTEA PEAK, N.M.

SEC. 33 TWP. 21-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1800' FSL 660' FWL

ELEVATION 4109'

OPERATOR MARATHON OIL COMPANY

LEASE INDIAN HILLS UNIT

U.S.G.S. TOPOGRAPHIC MAP
MARTHA CREEK, AZOTEA PEAK, N.M.

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

Thirteen Point Surface Use Plan
MARATHON OIL COMPANY

INDIAN HILLS UNIT #43
Sec. 33, T-21-S, R-24-E
Eddy County, New Mexico

1. Existing Roads: Refer to Vicinity Lease Map.

   a. The proposed well site is staked and the surveyor's plat is attached.

   b. To reach the location from Carlsbad, New Mexico: Follow Hwy. 285 North of Carlsbad 11 miles. Turn left on (N.M. 137), travel 6- miles West, take left @ "Y" intersection of Marathon Road and Hwy. 137, travel 4.7 miles, turn left on lease road, follow 1.5 miles, turn left, travel .3 mile, turn left @ "Y", follow 4.0 miles to existing lease road on the right. Turn right, travel .2 mile to location in the center of existing lease road.

   c. Existing roads within a one-mile radius (refer to Vicinity Lease Map).

   d. The existing road will be maintained as necessary to provide access during the drilling operation.

2. Planned Access Road: Refer to Vicinity Lease Map.

   Construction plans will require blading and rolling the road and pad. The access road enters the drilling pad on the Northwest corner. The drilling location will have a V-door facing Southeast.

3. Location of Existing Wells: See Vicinity Lease Map.

4. Location of Existing and Proposed Production Facilities within a one-mile radius:

   a. Existing: There are eight oil and gas wells operated by Marathon, Yates, and Devon with in a one-mile radius of the proposed location. These locations have production facilities including separators, condensate, oil, water storage tanks. Marathon, Yates and Devon operate a variety of dehydrators, meter runs, and several gathering lines in the one-mile radius.

   b. New Facilities: No new facilities are proposed at this time.

   c. Rehabilitation of disturbed areas no longer needed for operations will be accomplished by grading, leveling and seeding as recommended.

5. Location and Type of Water Supply:

   a. Source: Indian Basin Gas Plant, NE/4 Sec. 23, T-21-S, R-23-E.

   b. The water will be transported by a trucking contractor. No new construction will be required on/along the water route. If a poly line is used to transport water, it will be run along an existing pipeline corridor.

   c. No water well will be drilled on this location.

6. Source of Construction Materials:

   a. Construction materials may be obtained from the construction site.

   b. If production is obtained, native materials will be used on the location and for installation of production facilities.

   c. On-site inspection may dictate any changes in location construction.

7. Methods of Handling Waste Material Disposal:

   a. Cuttings - will be deposited in the reserve pit.

   b. Drilling fluids - contained in reserve pit and allowed to evaporate. Free water will be removed and transported to an approved disposal site to accelerate pit drying.

   c. Produced fluids - none anticipated.

   d. A portable chemical toilet will be provided.

   e. Garbage and other waste material - garbage and trash will be stored in a receptacle on location and periodically hauled to an approved sanitary landfill.

   f. After the rig moves out, all materials not necessary for operations will be removed. Pits will be backfilled and leveled. The location will be cleaned of all trash and debris.

8. Ancillary Facilities: Camp facilities will not be required. Portable trailers will be on location to house a company drilling foreman and contract tool pusher.

9. Well site Layout:

   a. The well pad layout shows the drill site layout as staked. Topsoil will be stockpiled per specifications.

   b. The reserve pit will be fenced on three sides before drilling begins. The fourth side will be fenced when the drilling rig leaves location.

   c. The reserve pit will be lined (8 mil material).

10. Plans for Restoration of the Surface:

   a. Backfilling, leveling, and contouring are planned as soon as all pits have dried. Waste disposal and spoiled materials will be hauled away immediately after drilling is completed. If production is obtained, the unused area will be restored as soon as possible.

b. The soil banked material will be spread over the area. Re-vegetation will be accomplished by planting mixed grasses as per formula provided by the BLM. Re-vegetation is recommended for road area, as well as around the drill pad.

c. The reserve pit will be fenced during drilling operations. Fencing will be maintained until leveling and cleanup are accomplished.

d. If any oil is in the pits and is not immediately removed after operations cease, the pit containing the oil or other adverse substances will be flagged overhead or covered with mesh.

e. The rehabilitation operations will begin after the completion rig is removed. Removal of oil or other adverse substances will begin immediately or area will be flagged and fenced. Other cleanup will be done as needed. Planting and re-vegetation will be done between July 15 and September 15.

f. All efforts will be made to minimize surface disturbances and protect the visual resources.

11. Other Information:

a. There are no significant archaeological or cultural sites visible in the area of disturbance. A cultural resource survey was performed by Archaeological Consultants Inc. of Roswell.

b. General topography: Shown on Vicinity Lease Map. The terrain at the well site is gently rolling hills. Vegetation is primarily sage brush and natural grasses.

c. Animal life: Prairie dogs, domestic livestock, rabbits and native rodents and predators.

d. Dwellings (nearest): Approximately 2 miles.

e. General location: Approximately 15 miles Northwest of Carlsbad, New Mexico.

f. Drainage: Internal.

g. Due to proximity of the location and nearby drainage, Marathon will make every effort to minimize surface disturbance. Please see the location pad and reserve pit dimensions..

12. Operator Representatives:

R. J. Longmire
Drilling, Completion, & Workover Superintendent
P. O. Box 552
Midland, TX 79702
800/351-1417
915/682-1626
Direct line- 915/687-8344

13. Certification:

I hereby certify that I, or someone under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions that presently exist; that the statements made in this plan are, to the best of my knowledge and belief, true and correct; and that the work associated with the operations proposed herein will be performed by MARATHON OIL COMPANY and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Feb. 15, '02

Date

R. J. Longmire

DRILLING PROGRAM
MARATHON OIL COMPANY
INDIAN HILLS UNIT #43

1. Estimated KB Elevation: **4125' KB** **Ground Elevation 4109'**

FORMATION	TOP MEASURED	TOP SUBSEA	BASE MEASURED	BASE SUBSEA	FLUID CONTENT
Queen	Surface	+4125'	650'	+3475'	water
San Andres	650'	+3475'	2250'	+1875'	water
Glorietta	2250'	+1875'	2355'	+1770'	
Delaware	3300'	+875'	4300'	- 175'	
Bone Spring	4300'	-175'	5950'	-1825'	oil gas
Wolfcamp	5950'	-1825'	7520'	-3395'	oil gas
B/Permian Shale	7520'.	-3395'	7530'	-3405'	
U. Penn	7550'	-3405'	8665'	-4540'	gas, oil, water
Atoka	8665'	-4540'	8947'	-4822'	gas, oil, water
Morrow	8947'	-4822'	9600'	-5475'	oil ,gas
T.D.	9600'	-5475'	9600'	-5475'	

FORMATION	EST SBHP PSIG	EST SBHP PPG EMW	EST DEG f	SBHT PPM	H2S	SIGNIFICANCE (obj, marker, etc.)
Bone Springs	1210	8.5		500		marker
Wolfcamp	1680	9.0				marker
B/Permian Shale	1810	9.0				marker
U. Penn	2050	9.0		5000		objective pay
Morrow	3460	9.2		0		objective pay

2. See (1) above.
If any unexpected water or mineral bearing zones are encountered, they will be reported, evaluated, and protected as circumstances and regulations require.

3. **Pressure Control Equipment**:

9-5/8" Surface: 11 3M annular tested to 300# PSI / 3000#PSI PSI, 11" 3M Dual rams, choke manifold and mud cross, tested to 300# PSI/3000# PSI.

Auxiliary Equipment:

Surface Hole: Annular or rotating head w/air rig.

Intermediate Hole: N/A

Production Hole: Flow indicator, PVT, H_2S Sensors, air packs, stroke counter, rotating head.

BOP systems will be consistent with API RP 53. Blowout preventers will be installed and tested prior to drilling the surface casing plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. Preventers and casing will be pressure tested before drilling casing cement plugs.

Upper and lower kelly cocks with valve wrench and safety valve and subs to fit all drill string connections in use will be available on rig floor.

A. P. D. (cont.)
Thirteen Point Surface Use Plan
Indian Hills Unit # 43

+ Test Frequency

1. When installed.
2. Anytime a pressure seal is broken (test confined only to affected equipment).
3. At least every 20 days.
4. Blind and pipe rams shall be activated each trip but not more than once/day.

4. Casing and Cement Program:

---DEPTH--- FROM	TO	SECTION LENGTH	HOLE SIZE	CSG SIZE	WT. PPF	GRADE	THREADS COUPLINGS	NEW USED
0	1800'	1800'	12.25"	9-5/8"	36.00#	K-55	8rd, STC	New
0	4800'	4800'	8.750"	7.00"	23.00#	K-55	8rd, LT&C	New
4800'	9600'	4800 '	8.750"	7.00"	26.00#	K-55	8rd, LT&C	New

Casing String	DV Depth	Stg.	Lead Tail	Amt SXS	Type Cement	Yield CF/SX	Wt. PPG.	TOC	Additives
9.625"	none	1	L	500	Foam cmt.	1.78	11.2	100'.	
9.625"	none		T	140	"C Neat	1.35	14.8	900'	3% Cacl

NOTE: Pump 55 sks. Class "C" dn. Annulus W/ 3% CACL2, Yield: 1.35cf/sk, Density 14.8 ppg coverage, Surface To 100'.

This surface casing program has been approved by the OCD in Artesia by Mr. Tim Gum and Mr. Van Barton as of 11/29/01.

7.0"	6300'	1	L	340	Prem.	1.44	13.0	5600'	Foamers, N2
7.0"		2	L	840	Interfill "C"	2.47	11.9	Surface	1/4pps Cello,3pps Gilsonite,0.2% Halad 322
7.0		2	T	100	"C" Neat	1.32	14.8	6000'	N/A

A. P. D. (cont.)
Thirteen Point Surface Use Plan
Indian Hills Unit # 43

Each stage will be preceded by an appropriate mud flush. Actual production hole volumes will be based on the caliper volume plus 25% excess.

5. Mud Program

---DEPTH---			WEIGHT		WL		VISUAL
FROM	TO	MUD TYPE	(PPG)	VIS	CC	ADDITIVES	MONTR.
0	1200'	fresh water	8.3	28	N/A	Gel, Lime	Reserve
1200'	5000'	fresh	8.5	28-32	N/C	Gel, caustic, H_2S Scavenger	Reserve
5000'	7000'	fresh	8.9	32-36	N/C	Gel, caustic, H_2S Scavenger	Reserve
7000'	8800'	cut brine	9.0	32-36	<20	Gel, caustic, H_2S Scavenger	Steel Pits
8800'	9600'	cut brine	9.0	32-36	<20	Gel ,caustic,	Steel Pits

Sufficient quantities of additives will be on location to maintain above mud properties for any anticipated well conditions.

6. Logging, Testing & Coring Programs:

LOG/TEST/CORE/MUDLOG/OTHER	--INTERVAL- FROM	TO	REMARKS
DLL/MSFL/GR/CNL/LDT/CAL	TD	5000'	
LDT/CNL/GR/CAL	TD	surf casing	
MUD LOGGER	6000'	TD	ROP, Lithology, Gas Analysis, Chromatograph
NO CORES OR DST'S			

7. Abnormal Pressures, Temperatures or Potential Hazards:

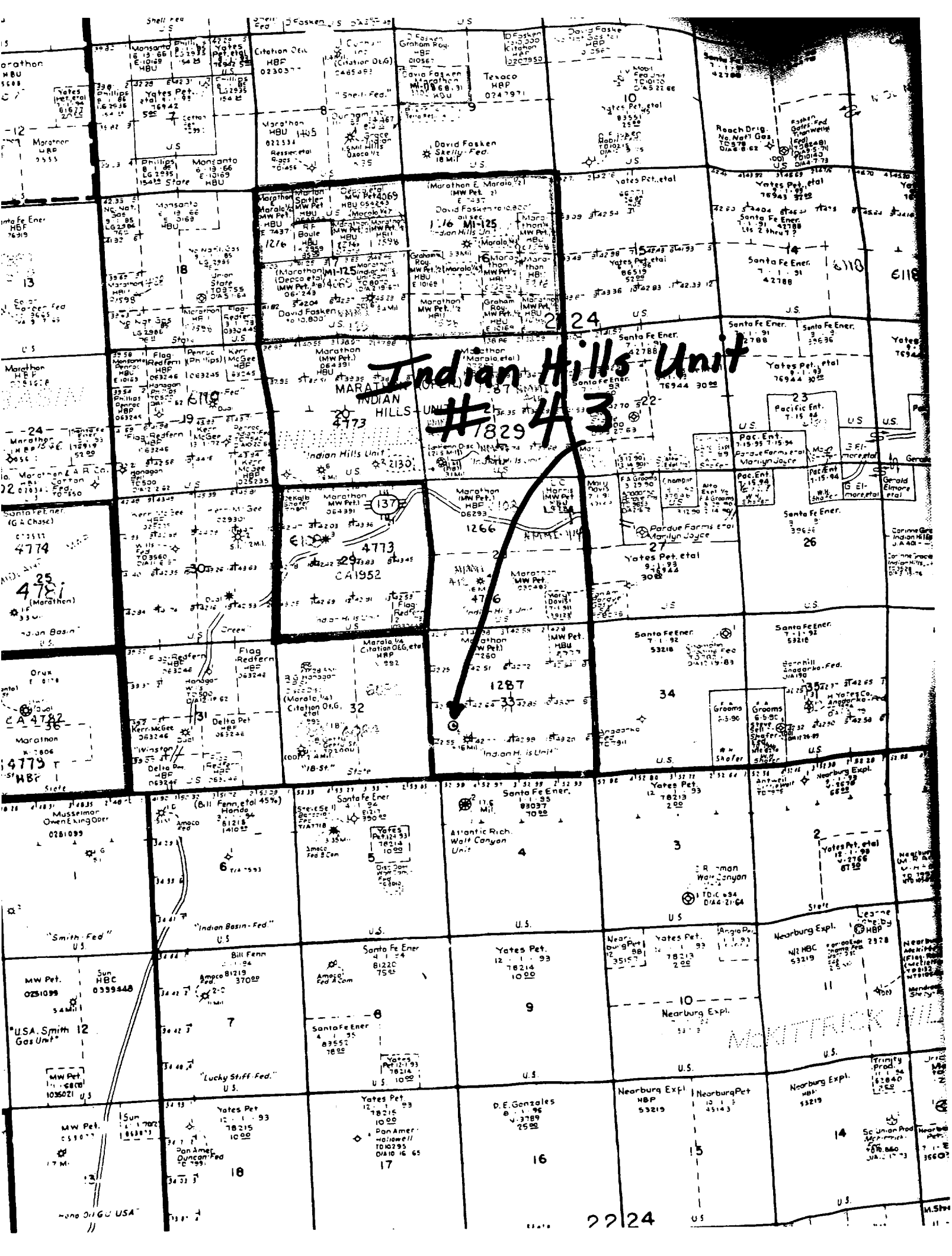
None anticipated. Possible H_2S in Cisco & Upper Penn. See H_2S Drilling Operations Plan.

8. Other Information:

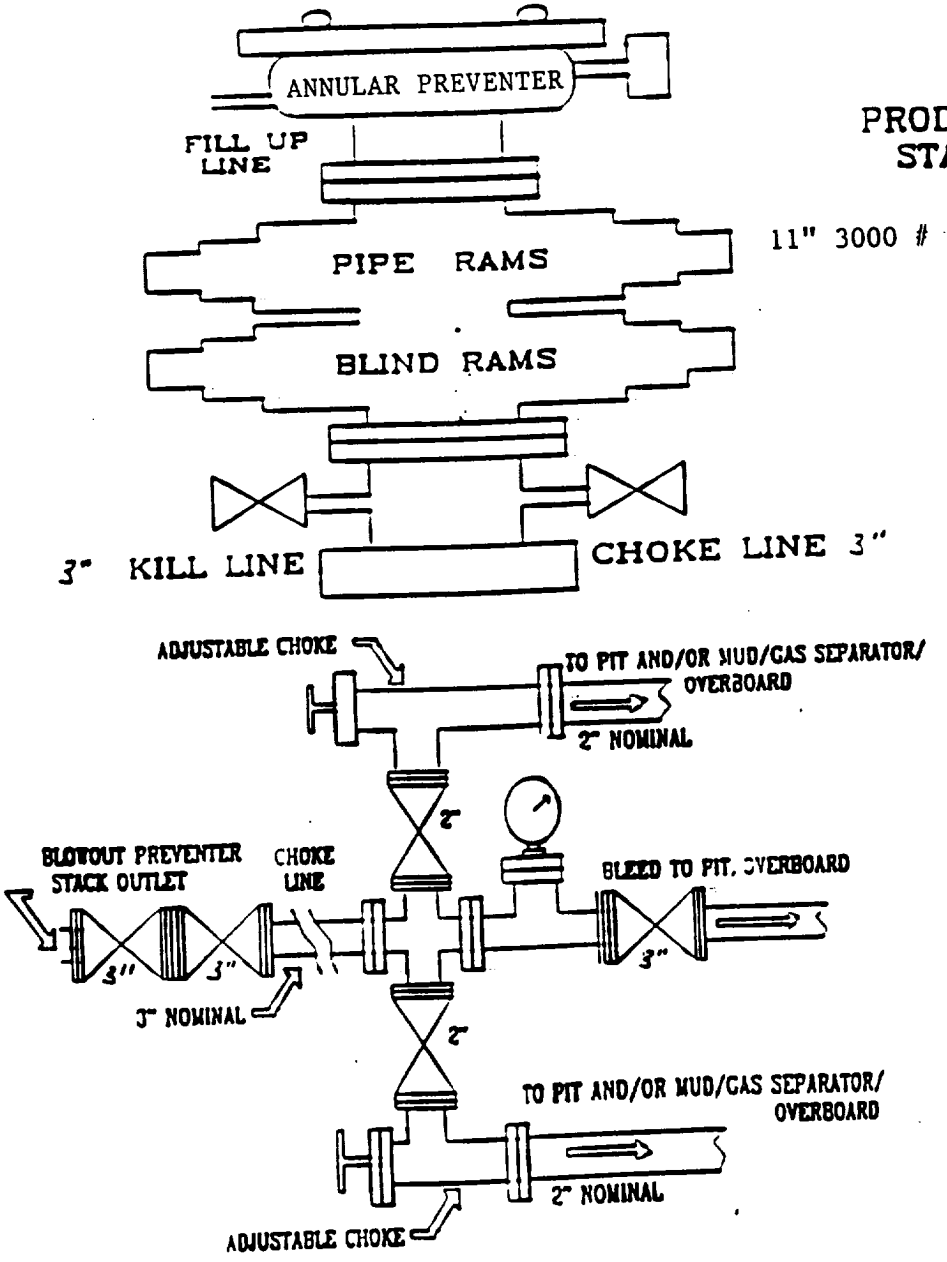
Anticipated Starting Date: As soon as possible.

Duration of Well: drilling - 25 days, completion - 10 days.

Indian Hills Unit # 43-ALT.


Indian Hills Unit
#78243

PRODUCTION STACK



MARATHON OIL COMPANY

H2S DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

All contractors and subcontractors employed by Marathon Oil Company will receive or have received training from a qualified instructor within the last twelve months in the following areas prior to commencing drilling operations on this well.

1. The hazards and characteristics of hydrogen sulfide (H2S)
2. Safety precautions
3. Operations of safety equipment and life support systems

In addition, contractor supervisory personnel will be trained or prepared in the following areas:

1. The effect of H2S on metal components in the system. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
2. Corrective action and shut-down procedures when drilling or reworking a well, blowout prevention and well control procedures, if the nature of work performed involves these items.
3. The contents and requirements of the contingency plan when such plan is required.

All personnel will be required to carry documentation of the above training on their person.

II. H2S EQUIPMENT AND SYSTEMS

1. Safety Equipment

The following safety equipment will be on location.

A. Wind direction indicators as seen in attached diagram.

B. Automatic H2S detection alarm equipment (both audio and visual).

C. Clearly visible warning signs as seen on the attached diagram. Signs will use the words "POISON GAS' and "CAUTION" with a strong color contrast.

D. Protective breathing equipment will be located in the dog house and at briefing areas as seen in the attached diagram.

2. WELL CONTROL SYSTEMS

A. Blowout Prevention Equipment

Equipment includes but is not limited to:

a. pipe rams to accomodate all pipe sizes
b. blind rams
c. choke manifold
d. closing unit

Auxillary equipment added as appropriate includes:

a. annular preventor ✓
b. rotating head ✓
c. mud- gas separator ✓
d. flare line and means of ignition ✓
e. remote operated choke ✓

B. Communication

The rig contractor will be required to have two-way communication capability. Marathon Oil Company will have either land-line or mobile telephone capabilities.

C. Mud Program

The mud program has been designed to minimize the volume of H2S circulated to surface. Proper mud weight, safe drilling practices, and the use of H2S scavengers when appropriate will minimize hazards when penetrating H2S bearing zones.

D. Drill Stem Test intervals are as follows:

DST No. 1 _____ft. to _____ ft.
DST No. 2 _____ft. to _____ ft.
DST No. 3 _____ft. to _____ ft.

Drill Stem Testing Safety Rules are attached.

III. WELL SITE DIAGRAM

A complete well site diagram including the following information is attached.

1. Rig orientation
2. Terrain
3. Briefing areas
4. Ingress and egress
5. Pits and flare lines
6. Caution and danger signs
7. Wind indicators and prevailing wind direction