



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

February 14, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
c/o **W. Thomas Kellahin**
P. O. Box 2265
Santa Fe, New Mexico 87504-2265



Telefax No. (505) 982-2047

Re: Administrative application for Marathon Oil Company's proposed Indian Hills Unit Well No. 42 to be directionally drilled to an unorthodox subsurface location within the S/2 equivalent of Section 17, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

Dear Mr. Kellahin:

This letter acknowledges the receipt of your application filed on behalf of the operator, Marathon Oil Company (NMOCD application reference No. pKRV0-201555225) that was submitted on January 14, 2002.

I have reviewed your application with respect to notice and find the following variables that lead me to rule this application incomplete:

The subsurface location of this wellbore will be as close as 142 feet to Section 16, which section is 100 % State of New Mexico royalty.

Marathon's Indian Hills Unit Well No. 32 (API No. 30-015-31591), located at a previously approved unorthodox location 1293 feet from the South line and 660 feet from the West line (Unit M) of Section 16, is currently producing from the Indian Basin-Upper Pennsylvanian Associated Pool and is dedicated to a standard 320-acre stand-up spacing and proration unit comprising the W/2 of Section 16. This unit has not yet been placed in the Unit's participating area.

16-21-24

Your map indicates that Marathon's proposed upper-Pennsylvanian participating area will comprise the S/2 of Section 16.

Participating areas are never guaranteed and with this well being as close as 142 feet to Section 16, drainage could occur without adequate compensation to the royalty interest.

Marathon Oil Company
c/o W. Thomas Kellahin
February 14, 2002
Page 2

Also, there is currently no Wolfcamp or Strawn participating area with the Indian Hills Unit. If production were encountered within either zone, more then likely only the S/2 of Section 17 would be placed in a participating area, if at all.

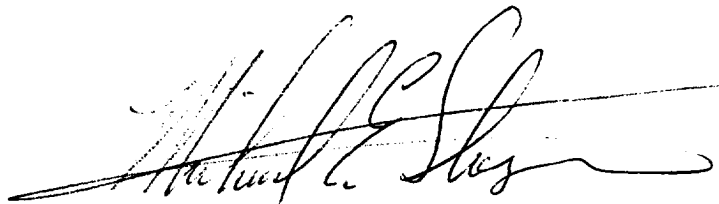
In order to assure that correlative rights of all affected interest owners is adequately protected under Section 70-2-11 NMSA 1878, please identify on a plat and show percentages of all interests (royalty, overriding royalty, and working) in the S/2 of Section 17, and all of Sections 16, 20, and 21 and provide notice to all parties listed.

Further, so that I may draft an order in this matter additional information is needed. What is the corresponding depth of the top of Wolfcamp to the expected 54.63' FSL & 764.45' FEL location shown on the Baker-Hughes proposed wellbore schematic? Also on this schematic you show the base of the Upper-Pennsylvanian to be 8,682 feet at a corresponding subsurface location 202.55' FSL & 343.42' FEL and an unidentified Strawn entry at 228.07' FSL & 270.77' FEL. Assuming the base of the upper-Pennsylvanian is also the top of the Strawn, what is this Strawn entry depicting?

Since the submitted application is insufficient, the application remains incomplete as of February 14, 2002. Please submit the above stated information and proof of notice by Thursday, February 28, 2002.

The Division cannot proceed with your application until the required information is submitted. Upon receipt, the Division will continue to process your application. The additional information can be faxed to (505) 476-3471, or mailed to the Division in Santa Fe. If the necessary information is not submitted, your application will be returned to you.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", with a long horizontal flourish extending to the right.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: **New Mexico Oil Conservation Division – Artesia**
New Mexico State Land Office – Santa Fe
U. S. Bureau of Land Management - Carlsbad