



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON
Governor
Betty Rivera
Cabinet Secretary

November 7, 2002

Lori Wrotenbery
Director
Oil Conservation Division

Marathon Oil Company
P. O. Box 552
Midland, Texas 79702-0552
Attention: S. F. Millican

Administrative Order NSL-4807 (SD)

Dear Mr. Millican:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on November 4, 2002 (*Division application reference No. pKRV0-230945995*); and (ii) the Division's records in Santa Fe: 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 No. R-9922, as amended, 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. 50 to be drilled as a vertical infill well to an unorthodox location within an existing standard 320-acre spacing and proration unit - Units C, D, E, F, K, L, M, and N (W/2 equivalent) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

This unit is currently dedicated to Marathon's:

(i) Indian Hills Unit Well No. 32 (API No. 30-015-31591), located 1293 feet from the South line and 660 feet from the West line (Unit M) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico, and completed within the Indian Basin-Upper Pennsylvanian Associated Pool (33685) at a non-standard location (NSL-4554).

It is our understanding the proposed Indian Hills Unit Well No. 50, because of US Bureau of Land Management (BLM) regulations about surface topography, will be spud at a location 1821 feet from the South line and 2092 feet from the West line (NE/4 SW/4) of Section 16, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico. The proposed well will be unorthodox in that it will be closer than the standard setback distance of 660 from the Eastern outer boundary of the 320 acre "stand-up" spacing unit - W/2 equivalent of Section 16. It is also our understanding that the working interest ownership is identical in the W/2 and the E/2 of Section 16.

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.

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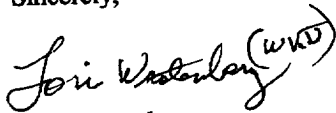
By the authority granted me under the provisions of Division Rule 104.F (2) and the applicable provisions of the special rules governing the Indian Basin-Upper Pennsylvanian Associated Pool, the above-described unorthodox location for the Indian Hills Unit Well No. 50 within the W/2 equivalent of Section 20 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 Indian Hills Unit Well No. 32 and from this proposed Well No. 50. Furthermore, Marathon is permitted to produce the allowable assigned the subject 320-acre spacing and proration unit from both wells in any proportion.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/wvj/kv

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