



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 1, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Marathon Oil Company
P. O. Box 3487
Houston, Texas 77253-3487

Attention: Mark Mick
Operations Engineer
msmick@marathonoil.com



Administrative Order NSL-4638-B (BHL) (SD)

Dear Mr. Mick:

Reference is made to the following: (i) your application filed with the New Mexico Oil Conservation Division ("Division") on May 25, 2004 (*administrative application reference No. pMES0-414947371*); and (ii) the Division's records in Santa Fe, including the file on Division Administrative Orders NSL-4638 (SD) and NSL-4638-A (SD); 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 Nos. R-9922, R-9922-A, R-9922-B, R-9922-C, R-9922-D, and R-9922-E 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 Marathon's existing Indian Hills Unit Well No. 49 (API No. 30-015-32723) to be recompleted with a horizontal drainhole within an existing standard 320-acre lay-down spacing and proration unit for the Indian Basin-Upper Pennsylvanian Associated Pool (33685) comprising the N/2 of Section 28, Township 21 South, Range 24 East, NMPM, Eddy County, New Mexico.

This application has been duly filed under the provisions of: (i) Division Rule 104.F; (ii) Division Rule 1207.A; (iii) Division Rule 111.C (2); and (iv) Rule 2 (c) of the aforementioned associated oil and gas pool rules.

This unit is currently simultaneously dedicated to Marathon's:

- (i) aforementioned Indian Hills Unit Well No. 49 located at a standard location 705 feet from the North line and 855 feet from the East line (Unit A) of Section 28;
- (ii) Indian Hills Unit Well No. 17 (API No. 30-015-30661), located at a standard location 660 feet from the North line and 2220 feet from the East line (Unit B) of Section 28.
- (iii) Indian Hills Unit Well No. 10 (API No. 30-015-30571), located at an unorthodox location [approved by Division Administrative Order NSL-4638 (SD), dated September 4, 2001] 2080 feet from the North line and 660 feet from the West line (Unit E) of Section 28; and