

Entered November 2, 1965
24

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 3343
Order No. R-3013

APPLICATION OF SUNRAY DX OIL COMPANY
FOR A WATERFLOOD PROJECT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 23, 1965, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 3rd day of December, 1965, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Sunray DX Oil Company, seeks permission to institute a waterflood project in the Grayburg-Jackson and Square Lake Pools by the injection of water into the Metex zone of the Grayburg formation through four injection wells in Sections 14 and 15, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

(3) That the wells in the project area are in an advanced state of depletion and should properly be classified as "stripper" wells.

(4) That the proposed waterflood project should result in the recovery of otherwise unrecoverable oil, thereby preventing waste.

(5) That the subject application should be approved and the project should be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

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CASE No. 3343

Order No. R-3013

IT IS THEREFORE ORDERED:

(1) That the applicant, Sunray DX Oil Company, is hereby authorized to institute a waterflood project in the Grayburg-Jackson and Square Lake Pools by the injection of water into the Metex zone of the Grayburg formation through the following-described wells in Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico:

Square Lake Pool

Sunray DX Dodd B Well No. 9, Unit H of Section 15

Grayburg-Jackson Pool

Sunray DX Dodd A Well No. 19, Unit J of Section 15

Sunray DX Dodd A Well No. 13, Unit P of Section 15

Sunray DX Dodd A Well No. 20, Unit L of Section 14

(2) That the subject waterflood project is hereby designated the SDX Metex Waterflood Project and shall be governed by the provisions of Rules 701, 702, and 703 of the Commission Rules and Regulations.

(3) That monthly progress reports of the waterflood project herein authorized shall be submitted to the Commission in accordance with Rules 704 and 1120 of the Commission Rules and Regulations.

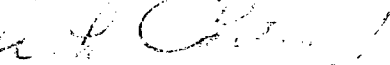
(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


GUYTON B. HAYS, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

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**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13350
ORDER NO. R-12228**

**APPLICATION OF MARBOB ENERGY CORPORATION FOR STATUTORY
UNITIZATION OF THE DODD FEDERAL UNIT AREA, EDDY COUNTY, NEW
MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on October 7, 2004, at Santa Fe, New Mexico before Examiner David R. Catanach.

NOW, on this 1st day of November, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 13349 and 13350 were consolidated at the hearing for the purpose of testimony.
- (3) The applicant, Marbob Energy Corporation ("Marbob"), seeks: (i) the statutory unitization, pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA 1978, of 2,400 acres, more or less, of all mineral interests in the Seven Rivers, Queen, Grayburg and San Andres formations, Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool, and the Glorieta and Yeso/Paddock formations, East Empire-Yeso Pool, Eddy County, New Mexico, and to be known as the Dodd Federal Unit, hereinafter sometimes referred to as the "Unit Area"; and (ii) approval of the Unit Agreement and the Unit Operating Agreement, which were submitted in evidence as applicant's Exhibits No. 4 and 5, respectively, in this case.

(4) The proposed Dodd Federal Unit consists of four Federal oil and gas leases located in Eddy County, New Mexico, and comprises 2,400 acres, more or less, described as follows:

TOWNSHIP 17 SOUTH. RANGE 29 EAST. NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, S/2 NE/4, NE/4 NE/4

(5) Portions of the proposed Unit Area have previously been approved by the Division for secondary recovery operations within the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool. The initial order authorizing waterflood operations was Division Order No. R-3013 issued in Case No. 3343 on December 3, 1965. Subsequent to that time, expanded waterflood operations have been authorized by Division Orders No. WFX-254 dated February 2, 1967, WFX-258 dated March 25, 1967, WFX-268 dated August 14, 1967, WFX-288 dated April 25, 1968, WFX-298 dated October 2, 1968 and WFX-307 dated March 7, 1969.

(6) Division records show that Marbob currently operates twelve (12) active water injection wells within the proposed Unit Area.

(7) Marbob plans to continue implementing secondary recovery operations within the Dodd Federal Unit and also plans to expand these operations by converting additional wells to injection and expanding the injection interval.

(8) The proposed Unitized Formation is that interval underlying the Unit Area, the vertical limits of which extend from the top of the Seven Rivers formation to the base of the Yeso/Paddock formation or 5,000 feet beneath the surface, whichever is less, as reflected on the Spectral Density Dual Spaced Neutron Log for the Marbob Energy Corporation's Mary Dodd "B" Deep Federal Well No. 2 (API No. 30-015-31041) located 1980 feet from the North line and 1295 feet from the East line (Unit H) of Section 14, Township 17 South, Range 29 East, NMPM.

(9) The Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool encompasses the entire Unit Area with the exception of the NE/4 of Section 11.

(10) The East Empire-Yeso Pool currently encompasses only that portion of the Unit Area comprising the SE/4 and SE/4 SW/4 of Section 22.

(11) The Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool underlying the Unit Area has been reasonably defined by development and has been subject to secondary recovery operations for more than thirty (30) years. According to applicant's testimony, the East Empire-Yeso Pool is potentially productive throughout the entire Unit Area.

(12) The proposed Unit Area contains five separate tracts of land owned by thirty-four (34) different working interest owners and approximately thirty-six (36) different overriding royalty interest owners. Royalty interest within the Unit Area is owned entirely by the United States government.

(13) As of the hearing date, 96.6655% of the working interest and 77.0653% of the overriding royalty interest have ratified the unit.

(14) The United States Bureau of Land Management ("BLM") has approved Marbob's plan for unit operations.

(15) The applicant has made a good faith effort to secure the voluntary participation of all interest owners in the Unit Area.

(16) Notice of this application was provided to all affected interest owners in the Unit Area. No interest owner appeared at the hearing in opposition to the application.

(17) Marbob plans to drill an additional 30-35 wells within the next five years to further develop the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool and the East Empire-Yeso Pool.

(18) The continued implementation and expansion of secondary recovery operations within the Unit Area under a unitization plan will enable Marbob to efficiently and effectively recover additional oil and gas reserves from the Unit Area.

(19) The applicant projects that the unitized management, operation and further development of the Unitized Formation within the Unit Area will result in the recovery of an additional 13.7 million barrels of secondary reserves which would otherwise not be recovered, thereby preventing waste.

(20) The applicant further projects that the cost to implement operations within the Unit Area over the life of the project are anticipated to be approximately \$86.5 million dollars.

(21) The statutory unitization of the Unitized Formation within the Unit Area in accordance with the plan embodied in the Unit Agreement and Unit Operating Agreement will prevent waste and protect correlative rights and is upon terms and conditions that are fair, reasonable, equitable and in accordance with the Statutory Unitization Act, including all of the elements necessary for the entry of an order.

(22) The proposed unitized method of secondary recovery operations within the Unit Area is feasible and will result with reasonable probability in the recovery of substantially more oil and gas from the unitized portion of the pool than would otherwise be recovered.

(23) The estimated additional costs of such operations will not exceed the estimated value of the additional oil recovered plus a reasonable profit.

(24) Statutory unitization and adoption of applicant's proposed unitized method of operation will benefit the working interest and royalty interest owners within the proposed secondary recovery project area.

(25) The Unit Agreement and Unit Operating Agreement, applicant's Exhibits No. 4 and 5 in this case, should be incorporated by reference into this order.

(26) The Dodd Federal Unit Agreement and the Dodd Federal Unit Operating Agreement provide for unitization and unit operation upon terms and conditions that are fair, reasonable and equitable, and include:

- (a) an allocation to the separately owned tracts in the Unit Area of all oil and gas that is produced from the Unit Area and that is saved, being the production that is not used in the conduct of unit operations or not unavoidably lost;

- (b) a provision for the credits and charges to be made in the adjustment among the owners in the Unit Area for their respective investments in wells, tanks, pumps, machinery, materials and equipment contributed to the unit operations;
- (c) a provision governing how the costs of unit operations including capital investments shall be determined and charged to the separately owned tracts and how such costs shall be paid, including a provision specifying when, how and by whom such costs shall be charged to the owners, or the interests of such owners, and how their interests may be sold and the proceeds applied to the payment of their costs;
- (d) a provision for carrying any working interest owner on a limited, carried or net-profits basis, payable out of production, upon terms and conditions that are just and reasonable and that allow an appropriate charge for interest for such service payable out of production, upon such terms and conditions determined by the Division to be just and reasonable;
- (e) a provision designating a Unit Operator and providing for supervision and conduct of unit operations, including the selection, removal and substitution of an operator from among the working interest owners to conduct unit operations;
- (f) a voting procedure for matters to be decided by the working interest owners under which each working interest owner shall have a voting interest equal to its participation; and
- (g) a provision specifying the time when the unit operation shall commence and the manner in which, and the circumstances under which, the operations shall terminate and provision for the settlement of accounts upon such termination.

(27) The statutory unitization of the Dodd Federal Unit Area is in conformity with the above findings, and will prevent waste and protect correlative rights of all interest owners within the proposed Unit Area, and should be approved.

(28) In order to facilitate the orderly development of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) and East Empire-Yeso Pools within the Unit Area, the applicant should be required to file additional applications to:

- (a) expand the pool boundary for the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM;
- (b) expand the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool within the Unit Area to include the Glorieta and Yeso formations; and
- (c) authorize expanded waterflood operations to be conducted within the Seven Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso formations within the Unit Area.

IT IS THEREFORE ORDERED:

(1) The application of Marbob Energy Corporation for the statutory unitization of 2,400 acres, more or less, being a portion of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) and East Empire-Yeso Pools, Eddy County, New Mexico, to be known as the Dodd Federal Unit, is hereby approved pursuant to the Statutory Unitization Act, Sections 70-7-1 through 70-7-21, NMSA 1978.

(2) The Dodd Federal Unit shall comprise the following-described 2,400 acres, more or less, of Federal lands in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, S/2 NE/4, NE/4 NE/4

(3) The "Unitized Formation" shall comprise that interval underlying the Unit Area the vertical limits of which extend from the top of the Seven Rivers formation to the base of the Yeso/Paddock formation or 5,000 feet beneath the surface, whichever is less, as reflected on the Spectral Density Dual Spaced Neutron Log for the Marbob Energy Corporation's Mary Dodd "B" Deep Federal Well No. 2 (API No. 30-015-31041) located 1980 feet from the North line and 1295 feet from the East line (Unit H) of Section 14, Township 17 South, Range 29 East, NMPM.

(4) The Dodd Federal Unit Agreement and Dodd Federal Unit Operating Agreement, which were submitted to the Division at the time of the hearing as Exhibits No. 4 and 5, respectively, are hereby incorporated by reference into this order.

(5) The applicant shall continue with its current waterflood activities and expand such operations for the secondary recovery of oil and associated gas, condensate, and all associated liquefiable hydrocarbons within and produced from the Unit Area.

(6) In order to facilitate the orderly development of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) and East Empire-Yeso Pools within the Unit Area, the applicant shall file additional applications to:

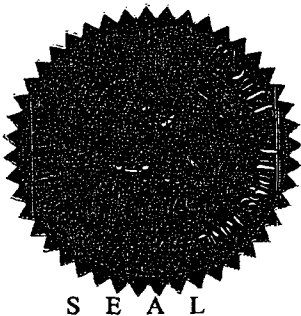
- (a) expand the pool boundary for the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM;
- (b) expand the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool within the Unit Area to include the Glorieta and Yeso formations; and
- (c) authorize expanded waterflood operations to be conducted within the Seven Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso formations within the Unit Area.

(7) Since the persons owning the required statutory minimum percentage of interest in the Unit Area have approved or ratified the Unit Agreement and the Unit Operating Agreement, the interests of all persons within the Unit Area are hereby unitized whether or not such persons have approved the Unit Agreement or the Unit Operating Agreement.

(8) The applicant shall notify the Division Director in writing of any removal or substitution of the applicant as unit operator by any other working interest owner within the Unit Area.

(9) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE in Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIRE, P.E.
Director

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13385
ORDER NO. R-12255**

**APPLICATION OF MARBOB ENERGY CORPORATION FOR
AUTHORIZATION TO CONDUCT WATERFLOOD OPERATIONS IN THE
DODD FEDERAL UNIT AREA THROUGH EXISTING AND FUTURE
INJECTION WELLS, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 3rd day of January, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) Division Cases No. 13385 and 13386 were consolidated at the hearing for the purpose of testimony.

(3) The applicant, Marbob Energy Corporation ("Marbob") seeks authority to conduct secondary recovery operations in the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool ("Grayburg-Jackson Pool") and the East Empire-Yeso Pool within its Dodd Federal Unit Area, described as follows, located in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH. RANGE 29 EAST. NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All

Section 15: E/2
Section 22: SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

(4) The Seven Rivers, Queen, Grayburg and San Andres formations within the Dodd Federal Unit Area are contained within the Grayburg-Jackson Pool. The Yeso/Paddock interval within the Dodd Federal Unit Area is contained within the East Empire-Yeso Pool. In companion Case No. 13386, Marbob seeks an order that would combine the Grayburg-Jackson and East Empire-Yeso Pools within the Dodd Federal Unit Area for the purpose of conducting secondary recovery operations in these zones.

(5) By Order No. R-12228 issued in Case No. 13350 on November 1, 2004, the Division approved Marbob's application to statutorily unitize 2,400 acres, more or less, of Federal lands, this area to be known as the Dodd Federal Unit Area ("Unit Area"). The Unit Area was unitized for the purpose of conducting secondary recovery operations within the Grayburg-Jackson and East Empire-Yeso Pools.

(6) Waterflood operations in the Grayburg-Jackson Pool within a portion of the Unit Area have previously been authorized by Division Order No. R-3013 dated December 3, 1965. Subsequent to that time, waterflood operations in the Grayburg-Jackson Pool have been expanded within the Unit Area by Division Orders No. WFX-254, WFX-258, WFX-268, WFX-268-A, WFX-288 and WFX-298.

(7) Waterflood operations in the Yeso/Paddock interval have not previously been authorized by the Division within the Unit Area.

(8) The evidence presented by Marbob demonstrates that:

- (a) the Grayburg-Jackson Pool is productive throughout the Unit Area and has been reasonably defined by development;
- (b) there are currently fourteen injection wells in the Grayburg-Jackson Pool within the Unit Area. Expansion of waterflood operations in the Grayburg-Jackson Pool within the Unit Area will result in the recovery of additional secondary oil reserves that may otherwise not be recovered;

- (c) development of the **Yeso/Paddock** interval within the Unit Area is currently limited to a small area in Section 22; however, the **Yeso/Paddock** interval is potentially productive within a large portion of the Unit Area;
- (d) within the next several years, Marbob plans to drill an additional 80-120 wells to fully develop the Grayburg-Jackson Pool. Within those areas where the **Yeso/Paddock** interval is potentially productive, Marbob plans to drill its wells to a depth sufficient to test this interval; and
- (e) the feasibility of conducting secondary recovery operations within the **Yeso/Paddock** interval will be evaluated, tested and implemented on an ongoing basis as development occurs in this interval within the Unit Area.

(9) Approval of the subject application will provide Marbob the opportunity to recover additional secondary oil reserves from the Grayburg-Jackson Pool within the Unit Area, will provide Marbob the opportunity to economically recover additional primary and secondary oil reserves from the **Yeso/Paddock** interval within the Unit Area, thereby preventing waste, and will not violate correlative rights.

(10) The applicant should be required to file a Division Form C-108 (Application for Authorization to Inject) in the event the injection interval in the existing injection wells within the Unit Area is to be expanded to include the **Yeso/Paddock** interval.

IT IS THEREFORE ORDERED THAT;

(1) The applicant, Marbob Energy Corporation, is hereby authorized to conduct secondary recovery operations in the Seven Rivers, Queen, Grayburg, San Andres and **Yeso/Paddock** intervals within its Dodd Federal Unit Area, described as follows, in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

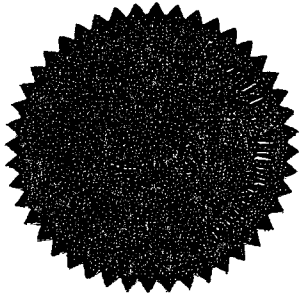
(2) The waterflood project is hereby designated the Dodd Federal Unit Waterflood Project, and the applicant shall conduct injection operations in accordance with Division Rules No. 701 through 708, and shall submit monthly progress reports in accordance with Division Rules No. 706 and 1115.

(3) All provisions of Division Order No. R-3013, and Division Administrative Orders No. WFX-254, WFX-258, WFX-268, WFX-268-A, WFX-288 and WFX-298 shall remain in full force and effect.

(4) The applicant shall file a Division Form C-108 (Application for Authorization to Inject) in the event the injection interval in the existing injection wells within the Unit Area is to be expanded to include the Yeso/Paddock interval.


(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE, PE
Director

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13386 (NOMENCLATURE)
ORDER NO. R-12256**

**APPLICATION OF MARBOB ENERGY CORPORATION FOR
CONTRACTION OF THE EAST EMPIRE-YESO POOL AND EXTENSION OF
THE HORIZONTAL BOUNDARIES AND THE VERTICAL LIMITS OF A
PORTION OF THE GRAYBURG-JACKSON (SEVEN RIVERS-QUEEN-
GRAYBURG-SAN ANDRES) POOL, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18 and December 16, 2004, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 3rd day of January, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 13385 and 13386 were consolidated at the hearing for the purpose of testimony.
- (3) The applicant, Marbob Energy Corporation ("Marbob"), seeks an order: i) contracting the boundaries of the East Empire-Yeso Pool to exclude the SE/4 and SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM; ii) extending the boundaries of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool ("Grayburg-Jackson Pool") to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM; and iii) extending the vertical limits of the Grayburg-Jackson Pool to

include the Glorieta and Yeso/Paddock intervals within the Dodd Federal Unit Area comprised of the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

(4) This case was originally heard on November 18, 2004 and was taken under advisement at that time. Subsequent to the hearing, it was determined that the advertisement for this case did not correctly describe the acreage to be deleted from the East Empire-Yeso Pool, and the acreage to be extended and included in the Grayburg-Jackson Pool. The case was reopened and heard on December 16, 2004 to correct the deficiencies in the advertisement for this case.

(5) By Order No. R-12228 issued in Case No. 13350 on November 1, 2004, the Division approved Marbob's application to statutorily unitize 2,400 acres, more or less of Federal lands, this area to be known as the Dodd Federal Unit Area ("Unit Area"). The Unit Area was statutorily unitized for the purpose of conducting secondary recovery operations within the Grayburg-Jackson and East Empire-Yeso Pools.

(6) In companion Case No. 13385, Marbob seeks an order authorizing waterflood operations within the Unit Area in the Seven Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso/Paddock intervals.

(7) Waterflood operations in the Grayburg-Jackson Pool within a portion of the Unit Area have been ongoing since approximately 1965. Division Order No. R-3013 dated December 3, 1965 authorized Sunray DX Oil Company to initiate waterflood operations in the Grayburg formation through injection wells in Sections 14 and 15, Township 17 South, Range 29 East, NMPM.

(8) The unitized interval within the Unit Area comprises that interval from the top of the Seven Rivers formation to the base of the Yeso/Paddock formation or 5,000 feet beneath the surface, whichever is less, as reflected on the Spectral Density Dual Spaced Neutron Log for the Marbob Energy Corporation Mary Dodd "B" Deep Federal Well No. 2 (API No. 30-015-31041) located 1980 feet from the North line and 1295 feet from the East line (Unit H) of Section 14, Township 17 South, Range 29 East, NMPM.

(9) The Grayburg-Jackson Pool is productive throughout the Unit Area and has been reasonably defined by development.

(10) Marbob testified that the **Yeso/Paddock** interval will likely be productive in portions of the Unit Area. Development of the **Yeso/Paddock** interval within the Unit Area has been limited thus far to a small area in Section 22, Township 17 South, Range 29 East, NMPM.

(11) Marbob testified that in the next several years, approximately 80-120 wells will be drilled within the Unit Area to fully develop the **Grayburg-Jackson** Pool and the **Yeso/Paddock** intervals.

(12) Within the Unit Area where it believes the **Yeso/Paddock** interval will be productive, Marbob will drill its **Grayburg-Jackson** Pool producing wells deep enough to test this interval. Additionally, Marbob will gather reservoir data to determine the feasibility of conducting future secondary recovery operations within the **Yeso/Paddock** interval.

(13) Development of the **Grayburg-Jackson** Pool and the **Yeso/Paddock** interval as a single common source of supply within the Unit Area will not adversely affect either of these reservoirs.

(14) Marbob provided notice of its application to all offset operators outside the Unit Area. No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(15) Approval of the subject application will provide Marbob the opportunity to economically recover primary and secondary oil and gas reserves from the **Yeso/Paddock** interval that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marbob Energy Corporation for contraction of the East **Empire-Yeso** Pool and extension of the horizontal boundaries and vertical limits of the **Grayburg-Jackson** Pool in Eddy County, New Mexico, is hereby approved.

(2) The East **Empire-Yeso** Pool is hereby contracted by the deletion of the SE/4 and the SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM.

(3) The **Grayburg-Jackson** Pool is hereby extended to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM.

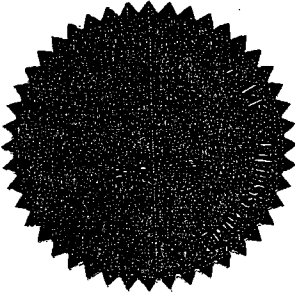
(4) Within the Dodd Federal Unit Area, described as follows, the vertical limits of the Grayburg-Jackson Pool are hereby extended to include the Glorieta and Yeso/Paddock intervals. Within the Dodd Federal Unit Area, the Grayburg-Jackson Pool shall be renamed as the Grayburg-Jackson-Yeso Pool:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P. E.
Director



NSL0450.77

NEW MEXICO ENERGY, MINERALS and
NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 22, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Marbob Energy Corporation
P. O Box 227
Artesia, New Mexico 88211-0227

Attention: Raye Miller
marbob@marbob.com

Administrative Order NSL-5339

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-603039941*) dated January 16, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on January 19, 2006; and (ii) and the Division's records in Hobbs and Santa Fe, including the files in Division Cases No. 3343, 13350, 13385, and 13386: all concerning Marbob Energy Corporation's ("MEC") request for a non-standard infill oil well location within its Dodd Federal Unit Waterflood Project Area, established by Division Order No. R-12255, issued in Case No. 13385 and dated January 3, 2005, for your proposed Dodd Federal Unit Well No. 501 to be drilled 2410 feet from the South line and 280 feet from the East line (Unit I) of Section 22, Township 17 South, Range 29 East, NMPM, Grayburg-Jackson Pool (28509), Dodd Federal Unit (see Division Order No. R-12228, issued in Case No. 13350 on November 1, 2004), Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

The NE/4 SE/4 of Section 22, being a standard 40-acre oil spacing and proration unit within this pool, is currently dedicated to MEC's: (i) Dodd Federal Unit Well No. 82 (API No. 30-015-29757), located at a standard oil well location 1750 feet from the South line and 990 feet from the East line of Section 22; (ii) Dodd Federal Unit Well No. 83 (API No. 30-015-03029), located at a standard oil well location 1980 feet from the South line and 660 feet from the East line of Section 22; (iii) Dodd Federal Unit Well No. 84 (API No. 30-015-24353), located at a standard oil well location 2310 feet from the South line and 330 feet from the East line of Section 22; and (iv) Dodd Federal Unit Well No. 85 (API No. 30-015-03046), located at a standard oil well location 1650 feet from the South line and 330 feet from the East line of Section 22.

Marbob Energy Corporation

February 22, 2006

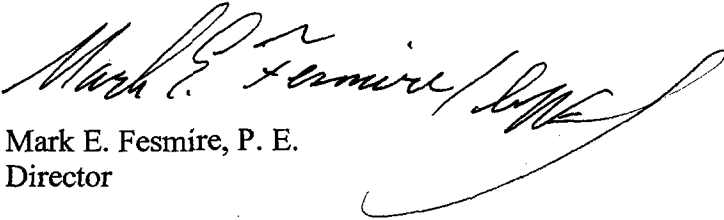
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By the authority granted me under the provisions of Division Rule 104.F (2), the above-described unorthodox oil well location for MEC's proposed Dodd Federal Unit Well No. 501 is hereby approved.

Pursuant to Division Rule 104.B (1), Grayburg-Jackson production from all five of the aforementioned Dodd Federal Wells No. 82, 83, 84, 85, and 105 are to be simultaneously dedicated to this 40-acre unit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark E. Fesmire".

Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad