



**NEW MEXICO ENERGY, MINERALS  
& NATURAL RESOURCES DEPARTMENT**

OIL CONSERVATION DIVISION  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505  
(505) 827-7131

March 9, 2000

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

12370

**Attention: Dean Chumbley**

*Re: Administrative application dated March 6, 2000 for an exception to Division Rule 104.C (2), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, to drill the proposed Primero Federal Well No. 2 (API No. 30-015-30990) at an unorthodox gas well location 2116 feet from the South line and 542 feet from the West line (Unit L) of Section 23, Township 26 South, Range 24 East, NMPM, Undesignated South Washington Ranch-Morrow Gas Pool, Eddy County, New Mexico.*

Dear Mr. Chumbley:

Pursuant to the attached notice dated October 25, 1999 and the intent of the recent changes to Division Rule 104 with respect to deep gas wells in southeast New Mexico, this application will not be considered under the administrative process. In order for the Division to establish suitable grounds and acceptable criteria for issuing such exceptions, this application will be set for hearing pursuant to Rule 104.F(5). The next available docket is for April 6, 2000 examiner's hearing. Thank you for your cooperation, understanding, and continued support in making this very important portion of New Mexico's conservation Rules a meaningful success.

Sincerely,

Michael E. Stogner  
Chief Hearing Officer/Engineer

cc: New Mexico Oil Conservation Division - Artesia  
U. S. Bureau of Land Management - Carlsbad  
Kathy Valdes, NMOCD - Santa Fe  
Mr. William F. Carr, Legal Counsel for Marbob Energy Corporation - Santa Fe  
Ms. Lori Wrotenbery, Director NMOCD - Santa Fe  
Mr. Steve Salzman - U. S. Bureau of Land Management, Santa Fe



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NOTICE

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**TO:** All Oil and Gas Operators, Mineral Interest Owners,  
and Interested Parties,

**FROM:** Lori Wrotenbery, Director *LW*

**SUBJECT:** Implementation of Amended Division Rule 104

**DATE:** October 25, 1999

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Amendments to Division Rule 104 "Well Spacing and Location," adopted by the New Mexico Oil Conservation Commission in Order R-11231 (Case 12119) on August 12, 1999, became effective August 31, 1999. Attached to this notice are copies of Order No. R-11232, with the amended Rule 104 attached, and the recently amended Rule 1207 concerning notice requirements.

**Summary of Changes**

The amendments made five main changes in Rule 104:

- (1) the rule has been shortened and reorganized;
- (2) well location setbacks for all gas development on 160-acre spacing throughout the State are now standardized at 660 feet from the outer boundary of the quarter section line;
- (3) well location setbacks for deep gas development on 320-acre spacing in Southeast New Mexico have been relaxed from 1650 feet from an end boundary to 660 feet;
- (4) one optional infill well is now allowed within 320-acre deep gas units in Southeast New Mexico; and
- (5) interior 330-foot setbacks from quarter-quarter section lines for both 160-acre and 320-acre gas units governed by Rule 104 have been reduced to 10 feet.

**Effect of Changes**

Since the primary objectives of the rule changes were to grant operators increased flexibility in locating wells and decrease the number of applications for unorthodox locations, all future location

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October 25, 1999

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exceptions will require substantial justification, *i.e.*, unusual circumstances. Please also note the recent changes made to the notice requirements for unorthodox locations found in Division Rule 1207.A(2).

Furthermore, the well location requirement for oil wells on 40-acre spacing **has not** changed and remains 330 feet from the quarter-quarter section. Operators need to be wary if a well's main objective is a deeper gas-producing interval but there is the possibility of oil production and the location is closer to an interior quarter-quarter section line than 330 feet. In order to complete the well in a shallower oil-producing horizon, the operator will be required to obtain an exception for the unorthodox oil well location. Location exceptions in this situation will not be granted unless unusual circumstances justify the location, and the closer a well is to a neighboring property, the harder it will be to obtain an exception. For example, if the well is only 10 feet off a neighboring property, it is highly unlikely an exception will be granted.

Regarding the new provision authorizing one infill well in a 320-acre deep gas unit in Southeast New Mexico, application can be made to adopt or amend special pool rules to limit the number of wells per spacing unit in any pool where infill wells are not justified. The notice requirements for special pool rules were also recently amended to accommodate this type of action. See Division Rule 1207.A(4).

Unless otherwise provided by special pool rules or amended Rule 104 (*e.g.*, the infill provision for deep gas pools in Southeast New Mexico), only one well per spacing unit is permitted in non-prorated pools. The Division Director, however, may grant administrative exceptions in appropriate circumstances.

#### **Effect on Existing Orders**

Any existing special pool rule or other order specific to well locations (*e.g.*, a production penalty on an unorthodox well location now standard under amended Rule 104) shall remain in full force and effect until the order is amended. Operators should review these orders to determine whether to file applications to conform the orders to amended Rule 104.

In the near future, a hearing will be held before a Division Hearing Examiner addressing the few deep gas pools in Southeast New Mexico still spaced on 160 acres. At the hearing, the Division will consider whether to issue an order listing these pools and setting forth setback requirements mirroring, if applicable, the setbacks for shallow gas wells in Southeast New Mexico.

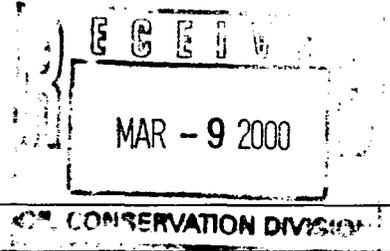
Division Memoranda dated July 27, 1988 and August 3, 1990 concerning the interpretation of old Rule 104 are hereby withdrawn.

Attachments

NSL 3/29/00



**marbob**  
energy corporation



March 6, 2000

12370

Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Attention: Mr. Mike Stogner

**RE: Application for Administrative Approval of Unorthodox Location  
Primero Federal #2 - 2116' FSL and 542' FWL  
Section 23, T-26S, R-24E, Eddy County, New Mexico**

Dear Mike:

Marbob Energy Corporation (Marbob) hereby makes application pursuant to Oil Conservation Division Rule 104.F.(2) for administrative approval to drill the above referenced Primero Federal to the Morrow formation based on geologic/surface considerations.

Marbob proposes to drill the Primero Federal #2 well at an unorthodox location 542 feet from the west line and 2116 feet from the south line in Section 23 of Township 26 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. The proposed proration unit is the south half and this would make the location unorthodox to the west setback by 118 feet and to the north setback by 136 feet.

Marbob is the operator for the well with the rights in the lease being owned by Marbob Energy Corporation and Primero Operating, Inc. The spacing unit which this well will encroach upon is the N/2 of Section 23 of Township 26 South, Range 24 East and the E/2 of Section 22 of Township 26 South, Range 24 East. There are currently no producing deep wells in Section 22. However, Marbob Energy has received approval for the Primero Grooms 22 Federal No. 1 which has an E/2 proration unit. We have identified all adjoining proration units on Exhibit "B" with a list of the owners or operators for each tract.

Exhibit "A" is a plat showing the proposed unorthodox well location and the spacing unit for the Primero Federal #2. The spacing unit is outlined in orange. We initially selected an orthodox location to the south and east. Upon inspection of this location by the BLM, we were advised that this location fell in three special management areas - sensitive soils, cave karst, and visual. After a considerable length of time, we realized that our orthodox location would not be approved. We then met with the BLM's cave specialist who suggested a location at 700' FWL and 2100' FSL. Marbob staked this location and then the BLM's cave specialist determined a field check was needed. During this field check, he further moved the location to 542' FWL and 2116' FSL. Marbob personnel continually through out all these moves attempted to have the location moved to an orthodox footage, but were unsuccessful. Marbob's geologist believes that either location (orthodox or unorthodox) is just as likely as the other to make a producing well. Marbob Energy is the operator of all the adjoining proration units. The working interest ownership and burdens are identical among all the adjoining proration units. Additionally, we have staked two locations in Section 26 of Township 26 South, Range 24 East, making east half and west half proration units in this section.

We affirm that notice has been sent to the offset operators or lease owners. We would request that you consider approval of this unorthodox location. Thank you for your help in this matter. If you have any questions, please contact me.

Sincerely,



Dean Chumbley  
Land Department

RM/mm

cc: Mr. Tim Gumm  
OCD District II  
811 South 1<sup>st</sup> St.  
Artesia, NM 88210



**marbob**  
energy corporation

March 6, 2000

Primero Operating, Inc.  
Post Office Box 1433  
Roswell, New Mexico 88202

**RE: Application for Administrative Approval of Unorthodox Location  
Primero Federal #2 - 2116' FSL and 542' FWL  
Section 23, T-26S, R-24E, Eddy County, New Mexico**

Gentlemen:

Marbob Energy Corporation has submitted an Application to the Oil Conservation Division for the unorthodox location unit for the above described well. A copy of the Application is enclosed for your review.

Please accept this letter as the required notification. If you object, please notify the following:

Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505  
Attention: Mr. Mike Stogner

If you have any questions regarding the Application, please contact me. If you do not object to the location as proposed, please sign the waiver below.

Sincerely,

Dean Chumbley  
Land Department

\_\_\_\_\_ We do not object to location  
as proposed.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**marbob**  
energy corporation

March 6, 2000

Bureau of Land Management  
2909 West Second Street  
Roswell, New Mexico 88201

**RE: Application for Administrative Approval of Unorthodox Location  
Primero Federal #2 - 2116' FSL and 542' FWL  
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Sincerely,

Dean Chumbley  
Land Department

\_\_\_\_\_ We do not object to location  
as proposed.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

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, NM 87504-2088

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
	96913	WASHINGTON RANCH; MORROW, SOUTH
Property Code	Property Name	Well Number
23885	PRIMERO FEDERAL	2
OGRID No.	Operator Name	Elevation
14049	MARBOB ENERGY CORP.	3948

Surface Location

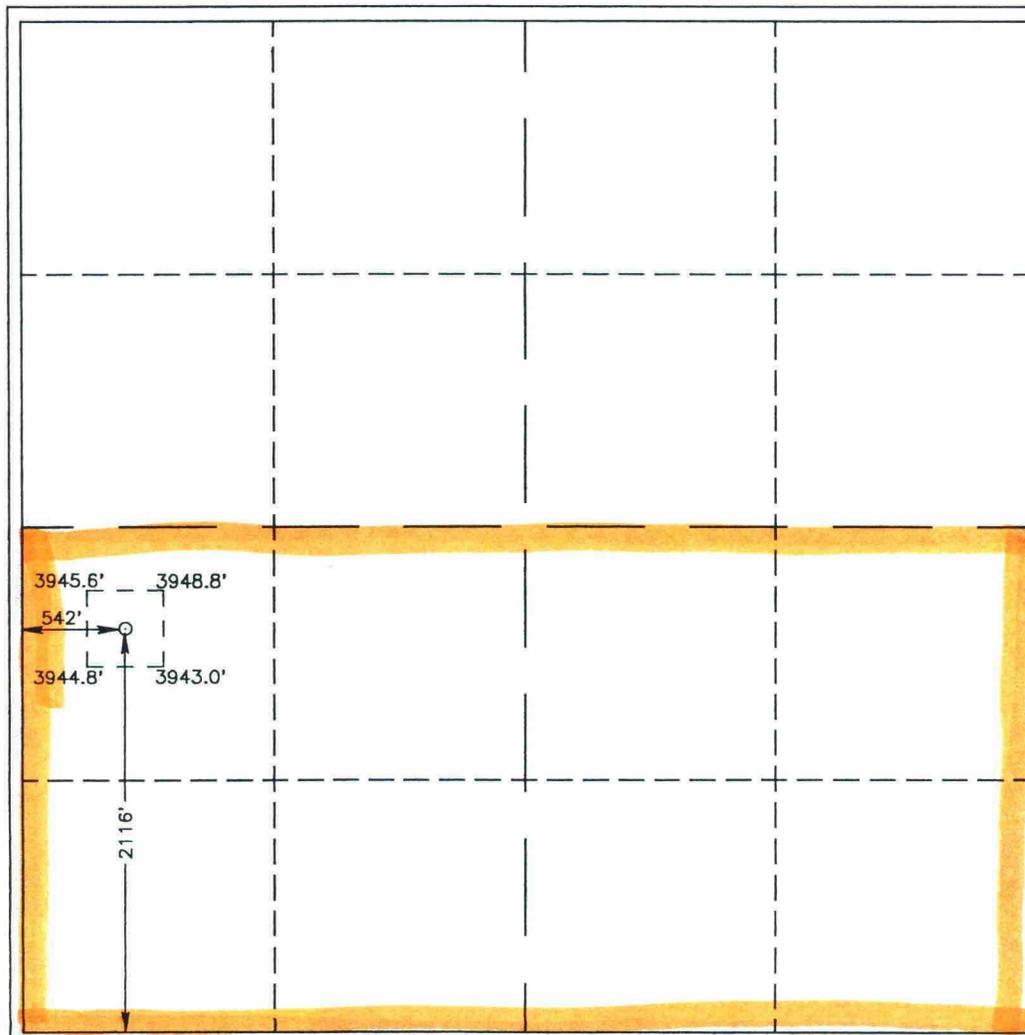
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	23	26 S	24 E		2116	SOUTH	542	WEST	EDDY

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			

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.

*Cairene D. Smith*  
Signature  
CAIRENE D. SMITH  
Printed Name  
PRODUCTION ANALYST  
Title  
02/18/2000  
Date

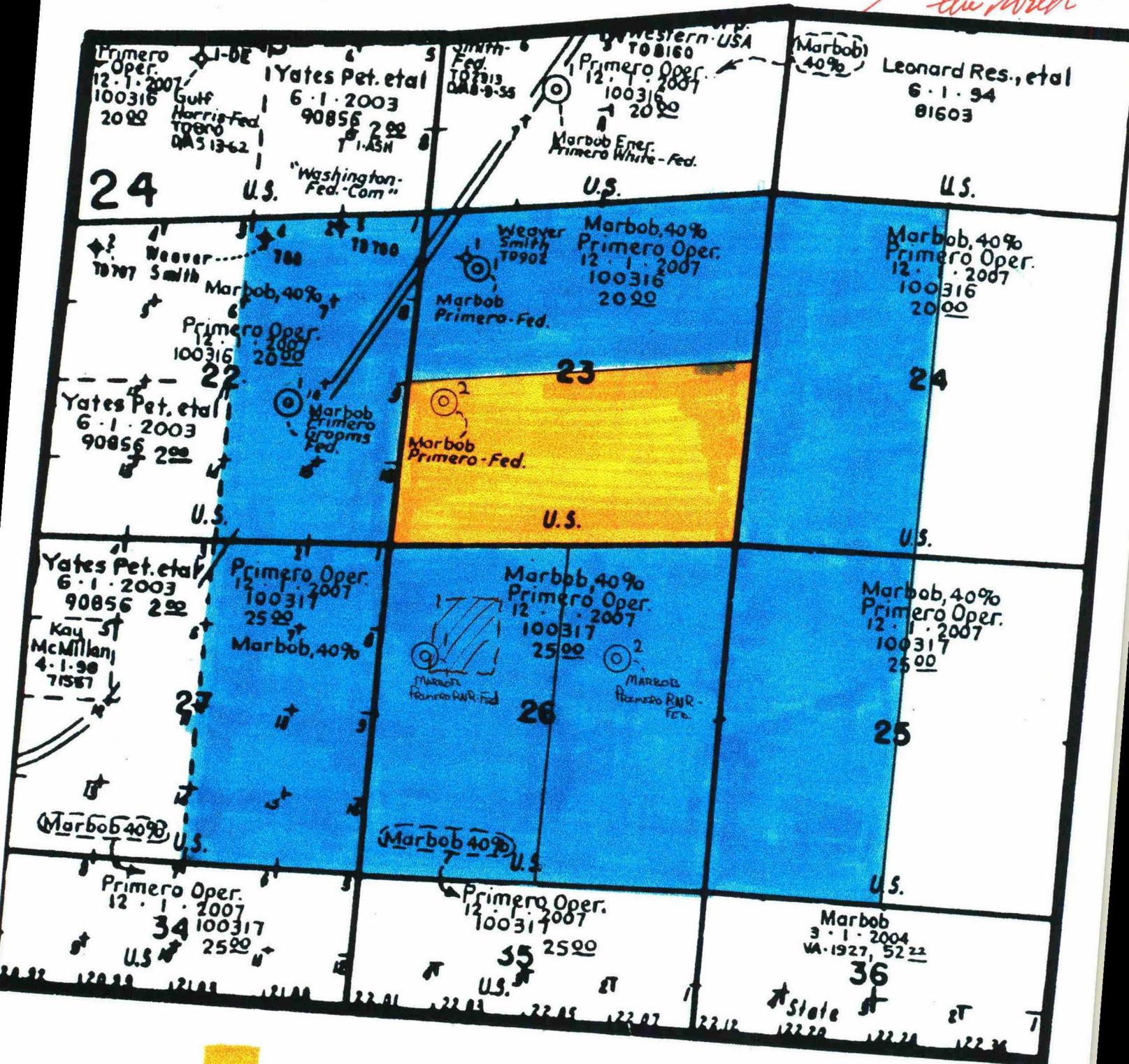
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**SURVEYOR CERTIFICATION**

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 supervision, and that the same is true and correct to the best of my belief.

FEBRUARY 16, 2000  
Date Surveyed JLP  
Signature & Seal of Professional Surveyor  
*Ronald J. Eidson* 2/17/00  
W.O. Num. 00-11-0224  
Certificate No. RONALD J. EIDSON, 3239  
GARY G. EIDSON, 12641  
MAGON McDONALD, 12185

*Washington  
branch area to  
the north*



Acreage dedicated to Primero Federal #2



Marbob Energy Corporation & Primero Operating, Inc.