



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

July 28, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Raye Miller
Land Department
marbob@marbob.com

Administrative Order NSL-5087

Dear Mr. Miller:

Reference is made to the following: (i) your application dated June 7, 2004 (*administrative application reference No. pMES0-421037363*); and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe: all concerning Marbob Energy Corporation's ("Marbob") request to drill its Lee Federal Well No. 8 (API No. 30-015-30598) as an initial well within a standard 40-acre oil spacing and proration unit in the Cedar Lake-Yeso Pool (96831) comprising the NE/4 SW/4 (Unit K) of Section 20, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico, at an unorthodox oil well location 2310 feet from the South line and 2510 feet from the West line of Section 20.

This application has been duly filed under the provisions of Division Rule 104.F, revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

It is the Division's understanding that Marbob's plan of development for the Yeso formation in this general area is with two wells per 40-acre unit staggered in the southeast and northwest quarters of each unit so as to minimize possible drainage or interference between wells. The proposed infill development will also enable Marbob to further develop and deplete the Yeso reserves within this lease that might not otherwise be recovered. Furthermore, topographic conditions further restrict placement of a drilling pad in the northern portion of the NE/4 SW/4 of Section 20.

It is further understood all of Section 20 comprises a single federal lease (*U. S. Government lease No. LC-029395-B*) with common mineral interests (working, royalty, and overriding royalty) in which Marbob is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre oil spacing and proration unit within the Yeso interval.

Marbob Energy Corporation
July 28, 2004
Page 2

Division Administrative Order NSL-5087

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox oil well location for Marbob's proposed Lee Federal Well No. 8 within the Cedar Lake-Yeso Pool is hereby approved.

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
Engineering/Hearing Officer

MS/mes

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