



OLD-Artesia

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 26, 2005

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**

RECEIVED

MAY 02 2005

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Administrative Order NSL-5199

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pSEM0-509533050*) filed with the New Mexico Oil Conservation Division ("Division") in Santa Fe on April 4, 2005; (ii) supplemental information submitted by Ms. Melanie J. Parker on April 18, 2005; (iii) your visit with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, in his office Monday morning, April 25, 2005; and (iv) the Division's records in Santa Fe and Artesia: all concerning Marbob Energy Corporation's ("Marbob") request for an unorthodox Bone Spring oil well location for its existing Rio Siete Federal Well No. 1 (API No. 30-015-33662), recently drilled (spud date – December 12, 2004) to test the Morrow formation underlying a standard 320-acre lay-down deep gas spacing unit comprising the S/2 of Irregular Section 1, Township 21 South, Range 24 East, NMPM, Undesignated Southeast Cemetery-Morrow Gas Pool (97031), Eddy County, New Mexico. Pursuant to Division Rule 104.C (2) (a), revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999, the well's location, being 1050 feet from the South line and 1320 feet from the East line (Unit X) of Irregular Section 1, is considered to be "standard" for this deep Morrow spacing unit.

This application has been duly filed under the provisions of Division Rule 104.F, as revised.

It is the Division's understanding after reviewing your application and our records that this well was permitted by Pecos Production Company of Midland, Texas in mid-2004 as a deep Morrow gas test to a proposed depth of 10,500 feet. Effective November 1, 2004 Marbob was designated the "New Operator" of the proposed well. On December 12, 2004 Marbob spudded the above-described Rio Siete Federal Well No. 1 and on January 11, 2005 a total depth of 10,420 feet was reached. It is further understood that Marbob unsuccessfully tested the Morrow, Atoka, and Wolfcamp formations; however, the Bone Spring interval appears to contain commercial oil production.

The SE/4 SE/4 (Unit X) of Irregular Section 1 is to be dedicated to this well in order to form a standard 40-acre oil spacing and proration unit for wildcat Bone Spring oil production. The location of this well however is considered to be unorthodox pursuant Division Rule 104.B (1), as revised.

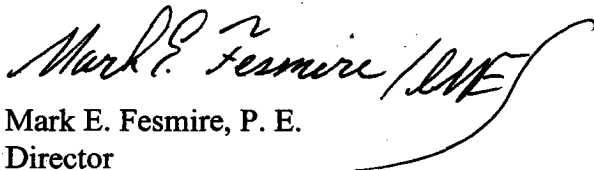
Furthermore, the Division understands that the S/2 of Irregular Section 1 is a single Federal lease issued by the U. S. Bureau of Land Management (*U. S. Government lease No. NM-10156*) with common mineral interest in which Marbob is the leasehold operator.

By the authority granted me under the provision of Division Rule 104.F (2), as revised, the above-described unorthodox Bone Spring oil well location for Marbob's above-described Rio Siete Federal Well No. 1 is hereby approved.

AS AN OBSERVATION, the Division suggests that all operators take additional steps to stake wells at a location considered to be standard for all possible zones to be encountered and should be more cognizant of well location requirements for different producing horizons within its immediate area of operations.

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

Sincerely,



Mark E. Fesmire, P. E.
Director

MEF/ms

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