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United States Department of the Interior

BUREAU OF RECLAMATION

Albuquerque Area Office
555 Broadway Blvd., NE Suite 100
Albuquerque, New Mexico 87102-2352
OCT 14 2005

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OCT 17 2005

OOD-ARTESIA

Mr. Ross Duncan
Marbob Energy Corporation
PO Box 227
Artesia, NM 88211-0227

30-015-34355

Subject: Proposed Wells Preparation H Fee #1 and Preparation H Fee #2 - Section 1 Township
19 South Range 26 East, New Mexico Principal Meridian, Eddy County, New Mexico -
Carlsbad Project

Dear Mr. Duncan:

The Bureau of Reclamation appreciates Marbob Energy Corporation's (Marbob) information regarding the permitting of the subject wells through the New Mexico Oil and Conservation Division. We have reviewed those locations and are taking this opportunity to comment on the locations. Enclosed is a map showing the approximate location of the proposed wells based on the information you have provided.

Reclamation has two primary concerns with the proposed well locations. First involves access to the locations as there are no existing public roads to the site and we have not received an application from Marbob requesting access. Second, the location of Preparation H Fee # 1 is located below contour elevation 3271 and is subject to a no surface occupancy stipulation. Article 27 of your lease from the Carlsbad Irrigation District, recorded with Eddy County in Book 474 pages 381 through 387, subjects the use to the terms of the Quitclaim Deed and Public Law 106-220 as defined in Article 1 of the same lease.

The well identified as Preparation H Fee #2 is subject to a "no storage facilities" stipulation as established in your lease and by the conditions of the Quitclaim Deed and Public Law 106-220. If you choose to continue with the application to drill at this location, you will not be able to develop any storage facilities. Prior to any development of this site, you must obtain a right-of-use to cross Reclamation managed lands. Enclosed is an application that must be submitted to Reclamation to initiate the process.

Also enclosed with this letter is a copy of the stipulations Reclamation has developed for the lands under our jurisdiction. The stipulations are also in effect for those lands transferred to the Carlsbad Irrigation District via the Quitclaim Deed dated July 18, 2001. A copy of this letter and its enclosures is being sent to the New Mexico Oil Conservation Division in Artesia for their information.

If you have any questions relative to Reclamation's jurisdiction over Carlsbad Project lands, the application process or other comments, please contact Mr. Rik Arndt, of my staff, at 505-462-3604.

Sincerely,



for Connie L. Rupp
Area Manager

Enclosure - 3

cc: Tom Davis
Carlsbad Irrigation District
201 South Canal Street
Carlsbad, NM 88220

Bryan Aren
New Mexico Oil Conservation Division
1301 West Grand Avenue
Artesia, NM 80210