



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

July 14, 1999

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

Telefax No. (505) 746-2523

Attention: Raye Miller

Administrative Order NSL-4328 (BHL)

Dear Mr. Miller:

Reference is made to the following: (i) your application dated and telefaxed to the New Mexico Oil Conservation Division ("Division") in Santa Fe on July 12, 1999; (ii) the records of the Division; (iii) your telephone conversation with Mr. Michael E. Stogner, Division Engineer/Chief Hearing Officer in Santa Fe, on Monday, July 12, 1999; (iv) Mr. Stogner's telefax response to you on Tuesday, July 13, 1999; and (v) the supplemental data supplied the Division by Martin Joyce on Wednesday, July 14, 1999: all concerning Marbob Energy Corporation's ("Marbob") request to directionally drill the existing Primero White "14" Federal Well No. 1 (API No. 30-015-30657) to an unorthodox subsurface Morrow gas well location.

This well's approved "*Application for Permit to Drill*" ("APD"), authorized Marbob to vertically drill the Primero White "14" Federal Well No. 1 at a standard gas well location 1717 feet from the South line and 1745 feet from the West line (Lot 5/Unit K) of Section 14, Township 26 South, Range 24 East, NMPM, Eddy County, New Mexico, in order to test the Morrow formation within a standard 315.44-acre lay-down gas spacing and proration unit for the Undesignated Washington Ranch-Morrow Gas Pool comprising Lots 5 through 8 and the SE/4 (S/2 equivalent) of Section 14.

It is our understanding that Marbob has drilled the Primero White "14" Federal Well No. 1 to its intended total depth and found the Morrow formation to be dry. In order to further explore for gas reserves within the Morrow formation underlying this unit that is commercially viable, Marbob is seeking approval to kickoff of the vertical portion of this wellbore in a west-southwesterly direction in order to directionally drill back into the Morrow formation at a targeted unorthodox bottomhole location 1410 feet from the South line and 700 feet from the West line (Lot 6/Unit L) of Section 14

The subject application has been duly filed under the provisions of Division Rule 104.F and 111.C(2).

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox subsurface gas well location will be at a more favorable geologic position within the Undesignated Washington Ranch-Morrow Gas Pool than a well drilled at a location considered to be standard within the SW/4 equivalent of Section 14.

The applicable drilling window or "producing area" within the Undesignated Washington Ranch-Morrow Gas Pool for this wellbore shall include that area within the subject 315.44-acre gas spacing and proration unit comprising the S/2 equivalent of Section 14 that is:

- (a) no closer than 660 feet to the north boundary of this unit;
- (b) no closer than 1650 feet from the East line of Section 14;
- (c) no closer than 1410 feet to the South line of Section 14; and
- (d) no closer than 700 feet from the West line of Section 14.

By the authority granted me under the provisions of Division Rule 104.F(2), the above-described non-standard subsurface gas producing area/bottomhole gas well location is hereby approved.

Further, Marbob shall comply with all provisions of Division Rule 111 applicable in this matter.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read 'Lori Wrotenbery', is written over the printed name and title.

Lori Wrotenbery
Director

LW/MES/kv

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