



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

February 17, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

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

Attention: Raye Miller
marbob@marbob.com

Administrative Order NSL-5337 (BHL)

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-603039158*) dated January 16, 2006 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on January 19, 2006; (ii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the Division in Santa Fe, on Thursday afternoon, February 16, 2006; (iii) the supplemental support data telefaxed on February 16, 2006; and (iv) the Division's records in Hobbs and Santa Fe: all concerning Marbob Energy Corporation's ("MEC") request for an unorthodox subsurface oil well location in the Bone Spring formation for its LPC "31" Federal Well No. 1 (**API No. 30-025-37440**), recently drilled and completed from a surface location 1980 feet from the North line and 2280 feet from the East line (Unit G) of Section 31, Township 18 South, Range 32 East, NMPM, Lea County, New Mexico. The SW/4 NE/4 of Section 31, being a standard 40-acre oil spacing and proration unit in the North Lusk-Bone Spring Pool (41450), is to be dedicated to this well.

The Division Director Finds That:

(1) This well was intended as a conventional straight hole to a depth of 10,000 feet to test the North Lusk-Bone Spring Pool. During drilling, Marbob encountered downhole problems that caused the wellbore to deviate from vertical.

(2) Your application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

(3) From the information available, the "producing interval" within this wellbore, as defined by Division Rule 111.A (8), is from approximately 6,900 feet, which is the reported estimated top of the Bone Spring formation, to total depth, being 9,990 feet (MD).

(4) The directional survey of this wellbore with respect to the 40-acre oil spacing and proration unit indicate that:

(a) the wellbore penetrated the producing interval at a subsurface location approximately 255 feet from the west line of the 40-acre unit;

(b) the maximum deviation within the wellbore to the west occurred at a measured depth of approximately 8,900 feet, at which point the subsurface location encroached to within approximately 201 feet to the west line of this 40-acre unit;

(c) at total depth the subsurface location of the wellbore is approximately 1890 feet from the North line and 2432 feet from the East line of Section 31, or 208 feet from the west line of this 40-acre unit; and

(d) at no point does the deviated wellbore exceed the northern, eastern, or southern limits (330 feet) of the prescribed drilling window/producing area.

(5) It is further understood that the S/2 N/2 equivalent and the SE/4 of Section 31 comprises a single federal lease (*U. S. Government lease No. NM-23006*) with common mineral interests in which MEC is the leasehold operator; therefore, there are no adversely affected interests to the proposed 40-acre oil spacing and proration unit within the Bone Spring interval.

(6) It appears that the applicant has satisfied all of the appropriate requirements prescribed in Division Rules 111.C (2) and 104.F (2), the application should therefore be approved.

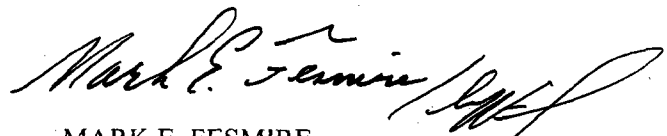
It Is Therefore Ordered That:

(1) The unorthodox subsurface Bone Spring oil well location of Marbob Energy Corporation's LPC "31" Federal Well No. 1 (**API No. 30-025-37440**), as further described in Finding Paragraph No. (4) above, within the SW/4 NE/4 (Unit G) of Section 31, Township 18 South, Range 32 East, NMPM, North Lusk-Bone Spring Pool (**41450**), Lea County, New Mexico, is hereby approved.

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

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


MARK E. FESMIRE
Director

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