



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

April 10, 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
marbob@marbob.com

Administrative Order NSL-5359 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Miller:

Reference is made to the following: (i) your initial application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on March 13, 2006 (*administrative application reference No. pTDS0-607251109*); (ii) supplemental information telefaxed by Ms. Nancy Bratcher to the Division on March 22, 2006; (iii) Mr. Michael E. Stogner's, Engineer with the Division in Santa Fe, telefax for additional information on Friday morning, March 31, 2006; (iii) your voice mail message for Mr. Stogner on Friday afternoon, March 31st; (iv) Mr. Mark Joyce's voice mail message for Mr. Stogner on Tuesday, April 4, 2006 and subsequent e-mail containing the necessary information to complete your application; and (v) the Division's records in Artesia and Santa Fe: all concerning Marbob Energy Corporation's ("Marbob") proposed development of the Delaware formation within a portion of the Rocket Federal Lease (*U. S. government lease No. NM-96849*) underlying the E/2 SE/4 of Section 4, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole techniques.

The Division Director Finds That:

- (1) 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].
- (2) By Order No. R-1355, issued in Case No. 1618 on March 20, 1959 and made effective on April 1, 1959, the Division created and defined the Brushy Draw-Delaware Pool (**8080**) for the production of oil from the Delaware formation; the horizontal limits for this pool, as currently designated, comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 26 SOUTH, RANGE 29 EAST, NMPM

Section 5:	SE/4
Section 8:	NE/4
Section 9:	N/2 and SE/4
Section 10:	W/2
Section 12:	W/2 and S/2 SE/4
Section 13:	N/2 and SW/4
Section 14:	S/2
Section 15:	W/2 and SE/4
Section 16:	E/2
Sections 22 and 23:	All
Section 24:	W/2
Sections 25 through 27:	All
Section 28:	W/2
Irregular Section 34:	NE/4 equivalent
Irregular Section 35:	All
Irregular Section 36:	NW/4 equivalent.

- (3) Currently, the Brushy Draw-Delaware Pool and that area within one-mile of the pool boundaries [see Division Rule 104.A (2) (a)] are subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit.
 - (4) It is the Division's understanding that Marbob intends to drill its Rocket Federal Well No. 1 from a surface location 116 feet from the South line and 564 feet from the East line (Unit P) of Section 4, vertically to an approximate measured depth (MD) of 4,573 feet; kick-off to the north and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,323 feet (MD); and continue to drill horizontally for an approximate distance of 1,757 feet to a bottomhole location, or end-point, within the Delaware formation at a subsurface location approximately 2310 feet from the South line and 990 feet from the East line (Unit L) of Section 4.
 - (5) The top of the Delaware formation should be intercepted at an approximate depth of 2,890 feet.
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- (6) The proposed 80-acre stand-up "Project Area", pursuant to Division Rules 111.A (9) and C (3), will be established by combining two standard 40-acre oil spacing and proration units in the Undesignated Brushy Draw-Delaware Pool comprising E/2 SE/4 (the NE/4 SE/4 - Unit "L" and the SE/4 SE/4 - Unit "P") of Section 4.
- (7) From the entry point into the Delaware formation within the vertical wellbore to the kick-off depth and a portion of the curved wellbore will be unorthodox pursuant to Division Rules 104.B (1) and 111.A (13).
- (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole and 80-acre project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111.
- (9) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F; therefore the subject application based on Marbob's proposed directional drilling plan should be approved.
- (10) The subject 80-acre oil spacing and proration unit/project area is to be governed by the provisions contained within this order and all other applicable provisions of Division Rules 111 and 505.

It Is Therefore Ordered That:

(1) Marbob Energy Corporation ("Marbob") is hereby authorized to directionally drill its Rocket Federal Well No. 1 from a surface location 116 feet from the South line and 564 feet from the East line (Unit P) of Section 4, Township 26 South, Range 29 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth (MD) of 4,573 feet; kick-off to the north and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,323 feet (MD); and continue to drill horizontally for an approximate distance of 1,757 feet to a bottomhole location, or end-point, within the Undesignated Brushy Draw-Delaware Pool (8080) at a subsurface location approximately 2310 feet from the South line and 990 feet from the East line (Unit L) of Section 4.

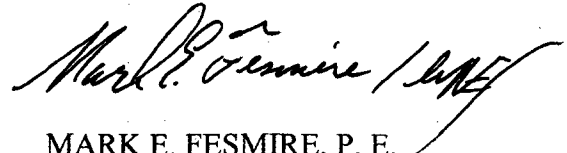
(2) An 80-acre Project Area shall will be established by combining the NE/4 SE/4 (Unit I) and the SE/4 SE/4 (Unit P) Lots 3, the E/2 SE/4, of Section 4.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 505.

(4) 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, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management - Carlsbad
Mr. Martin Joyce (computing@marbob.com) - Marbob Energy Corporation, Artesia