



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 5, 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-5444 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-622356421*) submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 11, 2006; (ii) your telefax of August 22, 2006 with supplemental data pertaining to your application; (iii) Mr. Michael E. Stogner's, Staff Engineer with the Division in Santa Fe, e-mail request on August 22, 2006 for additional information; (iv) your initial electronic reply Thursday morning, August 24, 2006, and follow-up hard copy sent on August 28, 2006, with the necessary information to complete your application; and (v) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Orders NSL-5273 (BHL), dated September 6, 2005 and NSL-5391 (BHL), dated June 7, 2006: all concerning Marbob Energy Corporation's ("Marbob") proposed development of the Delaware formation within the 80.64-acre area comprising the N/2 NE/4 equivalent of Section 4, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole techniques.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) By Order No. R-11120, issued in Case No. 12116 on January 21, 1999 and made effective on February 1, 1999, the Division created and defined the Southwest Willow Lake-Delaware Pool (96855) 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 25 SOUTH, RANGE 28 EAST, NMPM

Section 3:	All
Section 4:	SE/4
Section 9:	NE/4
Section 10:	All
Section 15:	NE/4;

- (3) Currently, the Southwest Willow Lake-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 Scared Hawk State Com. Well No. 1 (**API No. 30-015-35102**), from a surface location 330 feet from the North line and 25 feet from the East line (Lot 1/Unit A) of Section 4, vertically to the top of the Bone Spring/base of the Delaware formation at an approximate depth of 6,500 feet; run logs and plug-back above the intended kick-off depth of 4,322 feet; the wellbore will then be directionally drilled to the west until a 90 degree deviation off of vertical is achieved at an approximate measured depth ("MD") of 5,073 feet, or 4,800 feet TVD, and continue to drill horizontally for an approximate distance of 1809 feet to a bottomhole location, or end-point, within the Delaware formation at a depth of 6,882 feet MD (4,800 feet TVD) at a corresponding subsurface location approximately 430 feet from the North line and 2310 feet from the East line (Lot 2/Unit B) of Section 4;
 - (5) The top of the Delaware formation should be intercepted at an approximate depth of 2,550 feet;
 - (6) The proposed 80.64-acre "Project Area", pursuant to Division Rules 111.A (9) and C (3), will be established by combining two standard 40-acre, more or less, oil spacing and proration units in the Undesignated Southwest Willow Lake-Delaware Pool comprising: (i) Lot 1 (NE/4 NE/4 equivalent-Unit "A") of Section 4, which is included within a portion of New Mexico State Lease No. V-5284-0004; and (ii) Lot 2 (NW/4 NE/4 equivalent-Unit "B") of Section 4, which is included within a portion of New Mexico State Lease No. VA-2533-0001;
 - (7) The entire vertical wellbore 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 80.64-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; and
 - (10) The subject 80.64-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.
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It Is Therefore Ordered That:

(1) Marbob Energy Corporation ("Marbob") is hereby authorized to directionally drill its Scared Hawk State Com. Well No. 1 (API No. 30-015-35102), from a surface location 330 feet from the North line and 25 feet from the East line (Lot 1/Unit A) of Section 4, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth (MD) of 6,500 feet; kick-off to the west at a depth of 4,322 feet and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,073 feet MD, or 4,800 feet TVD; and continue to drill horizontally for an approximate distance of 1809 feet to a bottomhole location, or end-point, within the Undesignated Southwest Willow Lake-Delaware Pool (96855) at a corresponding subsurface location approximately 430 feet from the North line and 2310 feet from the East line (Lot 2/Unit B) of Section 4.

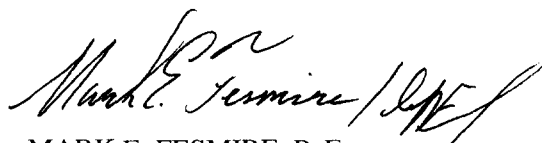
(2) An 80.64-acre Project Area shall will be established by combining Lots 1 and 2 (N/2 NE/4 equivalent) of Section 4.

(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
New Mexico State Land Office – Santa Fe
File: NSL-5273 (BHL)
NSL-5391 (BHL)
