



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

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

July 16, 1998

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227
Attention: Raye Miller

Administrative Order NSL-4034-A

Dear Mr. Miller:

Reference is made to: (i) Marbob Energy Corporation's ("Marbob") initial application by Dean Chumbley dated July 7, 1998 for an unorthodox Paddock oil well location in Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico; (ii) the records of the Division in Santa Fe including the file on Division Administrative Order NSL-4034; (iii) your telephone conversation with Mr. Michael E. Stogner, Engineer with the New Mexico Oil Conservation Division ("Division") in Santa Fe; (iv) your letter dated July 16, 1998; and, (v) a letter from ARCO Permian dated July 15, 1998.

The Division Director Finds That:

- (1) Marbob and ARCO Permian are partners under a joint development agreement in which Marbob will be the operator of the Cedar Lake Federal Lease (Federal Lease No. LC-029395-A) that comprises the following described 609.43 acres, more or less, in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

Section 18: Lots 3 and 4, E/2 SW/4, and SE/ (S/2 equivalent)

Section 19: Lots 1 and 2, NE/4, and E/2 NW/4 (N/2 equivalent);

- (2) By Division Administrative Order NSL-4034, dated May 18, 1998, Marbob was granted authorization to drill its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) to the Morrow formation at an unorthodox gas well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18 within a standard 304.51-acre gas spacing and proration unit comprising Lots 3 and 4, the E/2 SW/4, and the SE/4 (S/2 equivalent) of Section 18 for either the Undesignated Cedar Lake-Morrow Gas Pool or Undesignated North Cedar Lake-Morrow Gas Pool;
- (3) It is our understanding that the Morrow tested dry and Marbob now intends to recomplete this well up-hole into the Paddock formation;
- (4) The Paddock formation underlying this area is subject to the statewide rules and regulations for oil wells, as promulgated by Division General Rule 104.C(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 such a unit;