



NSL - 5273 (BHL)

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 7, 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-5391 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-613929999*) initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on May 18, 2006; (ii) your follow-up hard copy received by the Division on May 19, 2006; (iii) your telephone conversation with Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Wednesday morning, May 31, 2006; (iv) your meeting with Mr. Stogner in Santa Fe Wednesday morning, June 7, 2006; and (v) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order 5273 (BHL), dated September 6, 2005: all concerning Marbob Energy Corporation's ("Marbob") proposed development of the Delaware formation within the 80-acre area comprising the SW/4 NW/4 (Unit E) and the NW/4 SW/4 (Unit L) of Section 3, 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 is governed by 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 Western Hawk State Com. Well No. 2 (API No. 30-015-34863), from a surface location 1350 feet from the North line and 990 feet from the West line (Unit E) of Section 3, vertically to an approximate measured depth (MD) of 4,723 feet; kick-off to the south and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,473 feet (MD), or 5,200 (TVD); and continue to drill horizontally for an approximate distance of 1,804 feet to a bottomhole location, or end-point, within the Delaware formation at a subsurface location approximately 1650 feet from the South line and 900 feet from the West line (Unit L) of Section 3;
- (5) The top of the Delaware formation should be intercepted at an approximate depth of 2,600 feet;
- (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 within the Southwest Willow Lake-Delaware Pool comprising the SW/4 NW/4 (Unit E) of Section 3, comprising a portion of New Mexico State Lease No. V-2964-0001, and the NW/4 SW/4 (Unit L) of Section 3, comprising a portion of New Mexico State Lease No. V-05920;
- (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;
- (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) Marbob should operate the aforementioned horizontal drainhole and 80-acre project area under 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 Western Hawk State Com. Well No. 2 (API No. 30-015-34863), from a surface location 1350 feet from the North line and 990 feet from the West line (Unit E) of Section 3, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth (MD) of 4,723 feet; kick-off to the south and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,473 feet (MD), or 5,200 (TVD); and continue to drill horizontally for an approximate distance of 1,804 feet to a bottomhole location, or end-point, within the Southwest Willow Lake-Delaware Pool (96855) at a subsurface location approximately 1650 feet from the South line and 900 feet from the West line (Unit L) of Section 3.

(2) Pursuant to Division Rules 111.A (9) and C (3) an 80-acre Project Area shall will be established by combining two standard 40-acre oil spacing and proration units within the Southwest Willow Lake-Delaware Pool comprising the SW/4 NW/4 (Unit E) of Section 3, comprising a portion of New Mexico State Lease No. V-2964-0001, and the NW/4 SW/4 (Unit L) of Section 3, comprising a portion of New Mexico State Lease No. V-05920.

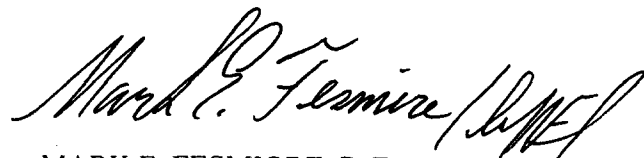
(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 505.

(4) This order shall become null and void should any part of the acreage comprising the subject 80-acre Project Area be combined with or be included with any other Project Area formed pursuant to Division Rules 111.A (9) and C. (3).

(5) 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. FESMIORE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
File: NSL-5273 (BHL)