



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

November 27, 2006

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

Attention: Mr. Raye Miller

Re: **Sly Hawk State Well No. 5**
API No. 30-015-35103
Surface Location: 150' FNL & 330' FEL, Unit A
Bottomhole Location: 2310' FNL & 430' FEL, Unit H
Section 3, T-25 South, R-28 East, NMPM,
Eddy County, New Mexico

Administrative Order NSL-5510

Dear Mr. Miller:

Reference is made to the following:

- (a) Marbob Energy Corporation's ("Marbob") application for a non-standard well location (*administrative application reference No. pTDS0631050229*) for the Sly Hawk State Well No. 5 that was submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on November 6, 2006; and
- (b) the Division's records pertinent to your request.

Marbob requests approval of an unorthodox well location for its proposed Sly Hawk State Well No. 5 in the **Southwest Willow Lake-Delaware Pool** (Oil – 96855), which is to be drilled as a horizontal producing well from an unorthodox surface location 150 feet from the North line and 330 feet from the East line (Unit A) to a standard bottomhole location 2310 feet from the North line and 430 feet from the West line (Unit H) of Section 3, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico. The well is to be dedicated to an existing 80-acre "Project Area" comprising the E/2 NE/4 of Section 3.

It is our understanding that the Sly Hawk State Well No. 5 will penetrate the pay zone within the Delaware formation at a location approximately 505 feet from the North line and 347 feet from the East line of Section 3, and that the well will then be drilled horizontally a distance of approximately 1,710 feet to a standard bottomhole location.

The Southwest Willow Lake-Delaware Pool is currently governed by Division Rule 19.15.3.104(B).

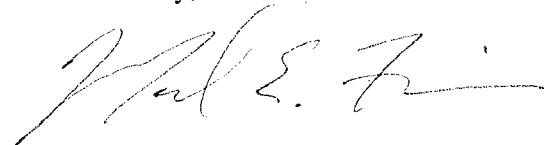
Pursuant to Division Rule 19.15.3.111, Marbob has already formed an 80-acre "Project Area" comprising the E/2 NE/4 of Section 3. This "Project Area" is currently dedicated to Marbob's Sly Hawk State Well No. 1 (API No. 30-015-33664) which has been drilled from a surface location 2590 feet from the North line and 990 feet from the East line (Unit H) to a bottomhole location 353 feet from the North line and 683 feet from the East line (Unit A) of Section 3. This "Project Area" will be simultaneously dedicated to the Sly Hawk State Wells No. 1 and 5.

The proposed unorthodox surface location is necessary in order to maximize the horizontal extent of the wellbore.

Pursuant to Division Rule 19.15.3.104(F), the applicant has provided notice of this application to all affected offset operators and/or interest owners. No objection has been received by the Division within the 20-day waiting period prescribed by Division Rule 19.15.3.104(F)(4).

Pursuant to the authority granted under the provisions of Division Rule 19.15.3.104.F(2), the above-described unorthodox well location in the Southwest Willow Lake-Delaware Pool is hereby approved.

Sincerely,



Mark E. Fesmire, P.E.
Division Director

MEF/drc

cc: New Mexico Oil Conservation Division - Artesia
State Land Office-Oil & Gas Division