



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;

- (5) The NE/4 SW/4 of Section 18 is to be dedicated to said well in order to form a standard 40-acre oil spacing and proration unit for Paddock oil production;
- (6) All mineral interests are common throughout this lease;
- (7) The application has been duly filed under the provisions of Division General Rule 104.F;
- (8) Approval of Marbob's proposed recompletion of its Cedar Lake Federal Well No. 1 is in the best interest of conservation, will serve to prevent waste, protects correlative rights, exhibits sound engineering principles, and will allow Marbob to commence development of the Paddock formation underlying this acreage;
- (9) As development progresses it is anticipated by Marbob that additional unorthodox oil well locations will be necessary within the Cedar Lake Federal Lease in order to avoid existing gas and water supply pipelines and cultural and terrain problems; and,
- (10) A procedure allowing Marbob to drill future Paddock oil wells within its Cedar Lake Federal lease at locations that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a) without further administrative review by the Division Director should be adopted, provided that any such unorthodox location within the above-described Cedar Lake Federal Lease is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary.

It Is Therefore Ordered That:

(1) By the authority granted me under the provisions of Division General Rule 104 F(2), Marbob Energy Corporation ("Marbob") is hereby authorized to recomplete its Cedar Lake Federal Well No. 1 (API No. 30-015-30244) from the deeper Morrow formation to the shallower Paddock formation at an unorthodox oil well location 1385 feet from the South line and 1410 feet from the West line (Unit K) of Section 18, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico. The NE/4 SW/4 of Section 18 is to be dedicated to the well in order to form a standard 40-acre oil spacing and proration unit.

(2) Further, Division Administrative Order NSL-4034, dated May 18, 1998, shall be placed in abeyance until further notice.

It Is Further Ordered That:

(3) Within the following described 609.43 acres, known as the Cedar Lake Federal Lease, Marbob is hereby authorized to locate wells within the Paddock formation that are unorthodox based on the well location requirements of Division General Rule 104.C(1)(a), provided however that any such unorthodox location is no closer than the required minimum orthodox distance (330 feet) to the outer boundary of the Cedar Lake Federal Lease nor closer than 25 feet to any quarter-quarter section line or subdivision inner boundary:

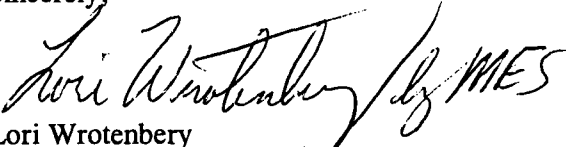
TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM

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);

(4) Any unorthodox Paddock oil well location authorized by Ordering Paragraph No. (3) above shall require the submission of a Division Form C-102, in accordance with Division Rules 1101 and 1102, and the approval of the Supervisor the Division's District Office in Artesia. The Form C-102 for any such well shall include the following additional information: (i) the boundary of the Cedar Lake Federal Lease must be outlined; (ii) the designated 40 acres to be dedicated to the well is to be highlighted or outlined; and, (iii) this administrative order (NSL-4034-A) must be referenced.

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Lori Wrotenbery
Director

LW/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
ARCO Permian - Midland, Texas
File: NSL-4034