

**STATE OF NEW MEXICO
ENERGY, MINERALS, AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13386 (NOMENCLATURE)
ORDER NO. R-12256**

**APPLICATION OF MARBOB ENERGY CORPORATION FOR
CONTRACTION OF THE EAST EMPIRE-YESO POOL AND EXTENSION OF
THE HORIZONTAL BOUNDARIES AND THE VERTICAL LIMITS OF A
PORTION OF THE GRAYBURG-JACKSON (SEVEN RIVERS-QUEEN-
GRAYBURG-SAN ANDRES) POOL, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on November 18 and December 16, 2004, at Santa Fe, New Mexico, before Examiners David R. Catanach and William V. Jones, respectively.

NOW, on this 3rd day of January, 2005, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

- (1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.
- (2) Division Cases No. 13385 and 13386 were consolidated at the hearing for the purpose of testimony.
- (3) The applicant, Marbob Energy Corporation ("Marbob"), seeks an order: i) contracting the boundaries of the East Empire-Yeso Pool to exclude the SE/4 and SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM; ii) extending the boundaries of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool ("Grayburg-Jackson Pool") to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM; and iii) extending the vertical limits of the Grayburg-Jackson Pool to

include the Glorieta and Yeso/Paddock intervals within the Dodd Federal Unit Area comprised of the following-described acreage in Eddy County, New Mexico:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

(4) This case was originally heard on November 18, 2004 and was taken under advisement at that time. Subsequent to the hearing, it was determined that the advertisement for this case did not correctly describe the acreage to be deleted from the East Empire-Yeso Pool, and the acreage to be extended and included in the Grayburg-Jackson Pool. The case was reopened and heard on December 16, 2004 to correct the deficiencies in the advertisement for this case.

(5) By Order No. R-12228 issued in Case No. 13350 on November 1, 2004, the Division approved Marbob's application to statutorily unitize 2,400 acres, more or less of Federal lands, this area to be known as the Dodd Federal Unit Area ("Unit Area"). The Unit Area was statutorily unitized for the purpose of conducting secondary recovery operations within the Grayburg-Jackson and East Empire-Yeso Pools.

(6) In companion Case No. 13385, Marbob seeks an order authorizing waterflood operations within the Unit Area in the Seven Rivers, Queen, Grayburg, San Andres, Glorieta and Yeso/Paddock intervals.

(7) Waterflood operations in the Grayburg-Jackson Pool within a portion of the Unit Area have been ongoing since approximately 1965. Division Order No. R-3013 dated December 3, 1965 authorized Sunray DX Oil Company to initiate waterflood operations in the Grayburg formation through injection wells in Sections 14 and 15, Township 17 South, Range 29 East, NMPM.

(8) The unitized interval within the Unit Area comprises that interval from the top of the Seven Rivers formation to the base of the Yeso/Paddock formation or 5,000 feet beneath the surface, whichever is less, as reflected on the Spectral Density Dual Spaced Neutron Log for the Marbob Energy Corporation Mary Dodd "B" Deep Federal Well No. 2 (API No. 30-015-31041) located 1980 feet from the North line and 1295 feet from the East line (Unit H) of Section 14, Township 17 South, Range 29 East, NMPM.

(9) The Grayburg-Jackson Pool is productive throughout the Unit Area and has been reasonably defined by development.

(10) Marbob testified that the Yeso/Paddock interval will likely be productive in portions of the Unit Area. Development of the Yeso/Paddock interval within the Unit Area has been limited thus far to a small area in Section 22, Township 17 South, Range 29 East, NMPM.

(11) Marbob testified that in the next several years, approximately 80-120 wells will be drilled within the Unit Area to fully develop the Grayburg-Jackson Pool and the Yeso/Paddock intervals.

(12) Within the Unit Area where it believes the Yeso/Paddock interval will be productive, Marbob will drill its Grayburg-Jackson Pool producing wells deep enough to test this interval. Additionally, Marbob will gather reservoir data to determine the feasibility of conducting future secondary recovery operations within the Yeso/Paddock interval.

(13) Development of the Grayburg-Jackson Pool and the Yeso/Paddock interval as a single common source of supply within the Unit Area will not adversely affect either of these reservoirs.

(14) Marbob provided notice of its application to all offset operators outside the Unit Area. No offset operator and/or interest owner appeared at the hearing in opposition to the application.

(15) Approval of the subject application will provide Marbob the opportunity to economically recover primary and secondary oil and gas reserves from the Yeso/Paddock interval that may otherwise not be recovered, thereby preventing waste, and will not violate correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Marbob Energy Corporation for contraction of the East Empire-Yeso Pool and extension of the horizontal boundaries and vertical limits of the Grayburg-Jackson Pool in Eddy County, New Mexico, is hereby approved.

(2) The East Empire-Yeso Pool is hereby contracted by the deletion of the SE/4 and the SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM.

(3) The Grayburg-Jackson Pool is hereby extended to include the NE/4 of Section 11, Township 17 South, Range 29 East, NMPM.

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(4) Within the Dodd Federal Unit Area, described as follows, the vertical limits of the Grayburg-Jackson Pool are hereby extended to include the Glorieta and Yeso/Paddock intervals. Within the Dodd Federal Unit Area, the Grayburg-Jackson Pool shall be renamed as the Grayburg-Jackson-Yeso Pool:

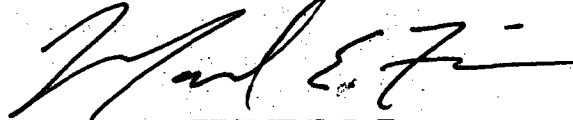
TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

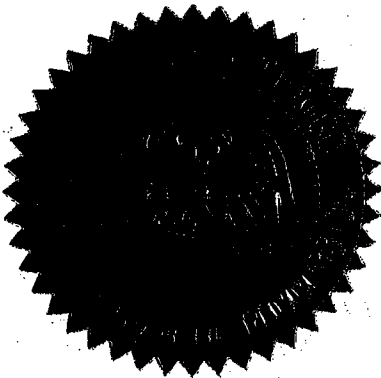
(5) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

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



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