

**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. 14328
ORDER NO. R-13136**

**APPLICATION OF MARBOB ENERGY CORPORATION
FOR APPROVAL OF A UNIT AGREEMENT,
EDDY COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing on June 11, 2009 at Santa Fe, New Mexico, before Examiners David K. Brooks and Terry Warnell.

NOW, on this 12th day of June 2009, the Division Director, having considered the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Marbob Energy Corporation ("Applicant"), seeks approval of its SRO State Exploratory Unit Agreement for all oil and gas in all formations from the surface to the base of the Bone Spring underlying the following-described 8,320 acres, more or less, of State lands in Eddy County, New Mexico:

Township 25 South, Range 28 East, N.M.P.M.

| | |
|-------------|---------|
| Section 32: | E/2 E/2 |
| Section 33: | All |
| Section 34: | S/2 |

Township 26 South, Range 28 East, N.M.P.M.

| | |
|------------------------|---------|
| Section 2: | W/2 |
| Sections 3 through 5: | All |
| Section 6: | E/2 |
| Section 7: | E/2 |
| Sections 8 through 10: | All |
| Section 15: | All |
| Section 16: | E/2 E/2 |
| Section 17 : | All |
| Section 18: | E/2 |
| Section 20: | All |

(3) Applicant appeared at the hearing through counsel and presented evidence that:

(a) All working interest owners in the Unit area have been afforded an opportunity to commit their interests to the Unit Agreement, and working interest owners representing more than 93% of the working interest ownership in the Unit Area have committed their interests to the Unit Agreement. No working interest owner has declined to commit its interest, and additional interests may be subsequently committed.

(b) The royalty interest in the proposed SRO State Exploratory Unit is owned 100% by State of New Mexico;

(c) There are no overriding royalty interests in the Unit Area;

(d) The Commissioner of Public Lands has given preliminary approval for the proposed Unit;

(e) Sufficient working interest and royalty interest within the Unit area have been voluntarily committed to afford the unit operator effective control of unit operations pursuant to the Unit Plan;

(f) The primary target for the initial test well will be the Bone Spring formation, but all formations will be evaluated down to the base of the Bone Spring formation.

(4) No other party appeared at the hearing or otherwise objected to the proposed unit agreement or to the application in this case.

(5) All of the acreage proposed for inclusion in the unit appears prospective for recovery of oil or gas from the target formation under the concept proposed by Applicant.

These areas should be unitized and should equally share in the benefits from future oil and gas production.

(6) The approval of the proposed unit agreement will serve to prevent waste and protect correlative rights within the lands assigned to the unit area.

IT IS THEREFORE ORDERED THAT:

(1) The SRO State Exploratory Unit Agreement is hereby approved for all oil and gas in all formations from the surface to the base of the Bone Spring formation underlying the following-described 8,320 acres, more or less, of State lands in Eddy County, New Mexico:

Township 25 South, Range 28 East, N.M.P.M.

| | |
|-------------|---------|
| Section 32: | E/2 E/2 |
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| | |
|------------------------|---------|
| Section 2: | W/2 |
| Sections 3 through 5: | All |
| Section 6: | E/2 |
| Section 7: | E/2 |
| Sections 8 through 10: | All |
| Section 15: | All |
| Section 16: | E/2 E/2 |
| Section 17 : | All |
| Section 18: | E/2 |
| Section 20: | All |

(2) The plan contained in the SRO State Exploratory Unit Agreement for the development and operation of the above-described unit area is hereby approved in principle; provided, however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation that is now, or may hereafter be, vested in the Division to supervise and control operation of the unit and production of oil and gas therefrom.

(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days of the effective date thereof; in the event of subsequent joinder by any other party, or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days thereafter, copies of the

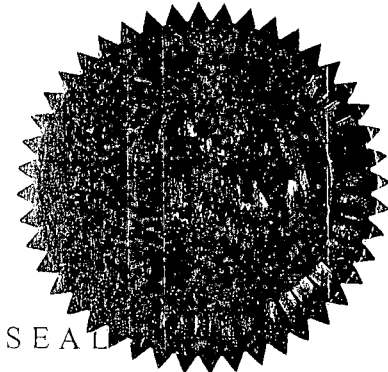
unit agreement and any applicable amendment, reflecting the subscription of those interests having joined or ratified.

(4) All: (i) plans of development and operation; (ii) creations, expansions or contractions of participating areas; and (iii) expansions or contractions of the unit area shall be submitted to the Division Director for approval.

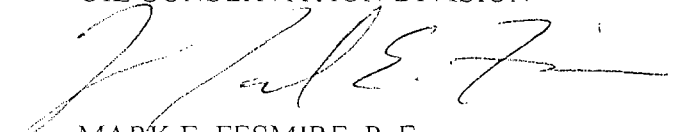
(5) This order shall become effective upon approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case 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. FESMIRE, P. E.
Director