



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

January 27, 1997

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0217
Attention: Mike Hanagan

Administrative Order DD-163(H)(SD)
High Angle/Horizontal

Dear Mr. Hanagan:

Reference is made to Marbob Energy Corporation's ("Marbob") application dated January 6, 1997 for authorization to initiate a high angle/horizontal directionally drilling project within the Chisum-Devonian Pool underlying the 80 acres comprising the E/2 NW/4 of Section 12, Township 11 South, Range 27 East, NMPM, Chaves County, New Mexico.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Rule 111.D and E of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10388, issued by the Oil Conservation Commission in Case 11,274 on June 13, 1995;
- (2) The Chisum-Devonian currently comprises the W/2 of Section 12 and all of Section 13, Township 11 South, Range 27 East, NMPM, and the W/2 equivalent of Section 18, Township 11 South, Range 28 East, NMPM, all in Chaves County, New Mexico;
- (3) Said pool is subject to the statewide rules and regulations, as promulgated by Rule 104.C(1)(a), 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) The "project area" proposed by Marbob would consist of an over-sized spacing unit comprising 80 acres (two standard 40-acre tracts) underlying the E/2 NW/4 of said Section 12;
- (5) Marbob is currently developing the Chisum-Devonian Pool within the subject 80-