

June 7, 2006

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

Attention: Raye Miller  
Land Department  
marbob@marbob.com

30-015-34558

Administrative Order NSL-5392

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-609357505*) initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on April 3, 2006; (ii) Ms. Nancy Bratcher's telefax of May 16, 2006 with information to supplement your filing; (iii) Ms. Bratcher's e-mail to Mr. Stogner on Monday morning, May 22, 2006 checking on the status of this application; (iv) your telephone conversation with Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Wednesday morning, May 31, 2006; (v) your meeting with Mr. Stogner in Santa Fe Wednesday morning, June 7, 2006; and (vi) the Division's records in Artesia and Santa Fe, which included an independent search by Mr. Stogner of records in the public domain (i.e. topographic maps, aerial photos, and Google Earth®): all concerning Marbob Energy Corporation's ("Marbob") request to drill its S. S. Snakebite Fee Well No. 2 as an initial well within a standard 40-acre oil spacing and proration unit in the Esperanza-Delaware Pool (22640) comprising the NW/4 NE/4 (Unit B) of Section 9, Township 22 South, Range 27 East, NMPM, Eddy County, New Mexico, at an unorthodox oil well location 330 feet from the North line and 1550 feet from the East line of Section 9.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

It is the Division's understanding that Marbob's potential ultimate plan of development for the Delaware formation in this general area is with two wells per 40-acre unit staggered in the northeast and southwest quarters of each unit so as to minimize possible drainage or interference between wells. The proposed infill development will also enable Marbob to further develop and deplete the Delaware reserves within this lease that might not otherwise be recovered. Furthermore, topographic conditions further restrict placement of a drilling pad in the northern portion of the NW/4 NE/4 of Section 9.

**Marbob Energy Corporation**

**June 7, 2006**

**Page 2**

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**Division Administrative Order NSL-5392**

By the authority granted me under the provision of Division Rule 104.F (2), the above-described unorthodox oil well location for Marbob's proposed S. S. Snakebite Fee Well No. 2 within the Esperanza-Delaware Pool is hereby approved.

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

Sincerely,

Mark E. Fesmire, P. E.  
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia

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