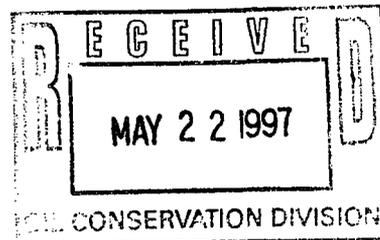
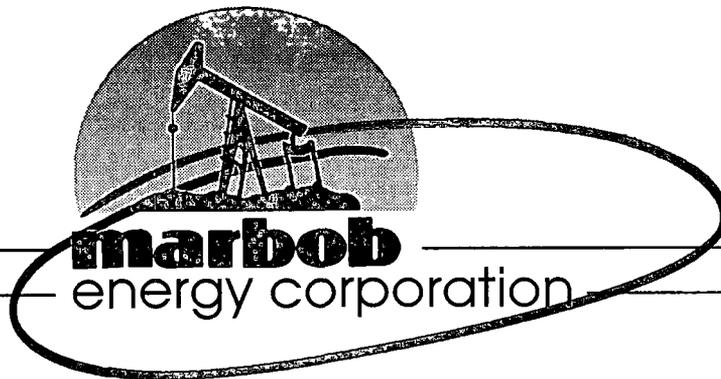


NSL 6/11/97



May 15, 1997

New Mexico Department of Energy, Minerals and Natural Resources  
Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Attention: Mr. Mike Stogner

RE: APPLICATION FOR ADMINISTRATIVE APPROVAL  
OF UNORTHODOX LOCATION

Marbob Energy Corporation  
The Duke-State #1  
2603' FNL & 1088' FWL  
Section 16 - T11S - R28E  
Chaves County, New Mexico

} No API# - Permit w.o. NSL

Dear Mr. Stogner:

Marbob Energy Corporation (Marbob) hereby makes application pursuant to Oil Conservation Division Rule 104.F(2) for administrative approval to drill the above referenced The Duke-State #1 well to the Siluro-Devonian formation at an unorthodox location based on geologic considerations.

Marbob proposes to drill its The Duke-State #1 well to a unorthodox bottomhole location of 2603 feet from the North line and 1088 feet from the East line of Section 16, Township 11 South, Range 28 East, N.M.P.M., Chaves County, New Mexico with the intent of testing the Siluro-Devonian formation.

Marbob proposes to dedicate to The Duke-State #1 well a standard spacing/proration unit comprised of SW/4NW/4 of said Section 16.

The State of New Mexico is the mineral owner of all of section 16, which includes the proposed spacing unit and all of the affected adjoining and diagonal spacing units. Plains Radio Petroleum Company is the lessee of record of State of New Mexico oil and gas

## **Application For Unorthodox Location**

lease serial number K-2114 which covers all of the above referenced section 16 including the drillsite tract and proposed proration unit. Marbob has entered into an agreement with Plains which allows Marbob the right to develop this lease as to the rights below a depth of 2,500'.

As there is common ownership, both from the working interest ownership and royalty interest ownership standpoints, across all lands affected by the proposed unorthodox location of the Duke-State #1, there would be no encroachment on correlative rights.

Exhibit "A" is a plat showing the proposed unorthodox well location, the spacing unit for the Duke-State #1 well, the affected diagonal and adjoining spacing units, and lease ownership in the affected area. The spacing unit for the proposed well is outlined in blue.

Exhibit "B" is a structural contour map on the top of the Siluro-Devonian formation derived from 3D seismic information (Siluro-Devonian Depth Map). This map indicates the presence of a structural closure having approximately 80 foot of structural relief with an area under closure of around 120 acres. The crestal position on this structure is shown in the red colored area. The proposed unorthodox location for the Duke-State #1 is located within the red shaded area. The estimated productive area for this feature should be approximately 40 to 60 acres (red & green areas) having an oil column thickness of 25'-35'. Recoverable reserves from one well drilled in an optimum location on this feature are estimated to be between 150,000 barrels of oil and 300,000 barrels of oil with very little to no associated gas.

At the nearest orthodox location of 2310 feet from the north line and 990' from the west line of section 16 there is an increased risk of encountering the Siluro-Devonian formation at a position 60 to 80' structurally lower than at the proposed unorthodox location which would most likely result in a dry hole.

Structural position is the single-most important aspect of productive Siluro-Devonian reservoirs found in this area. Oil columns are usually only 20' to 30' thick although some productive features have had up to 50' oil columns. Additional recoverable reserves from gaining just 10' of structural relief over an area of only 20 acres should be around 40,000 to 50,000 barrels of additional oil.

The proposed unorthodox location for The Duke-State #1 well should provide the opportunity for additional recoverable oil reserves.

In addition, it is Marbobs opinion that by drilling only one well at an optimum location on this feature we will effectively and efficiently drain this reservoir, will optimize recoverable reserves and will prevent waste that would be incurred by drilling unnecessary development wells. There would be no encroachment of correlative rights due to the proposed unorthodox location as there is common ownership across all affected lands.

## Application For Unorthodox Location

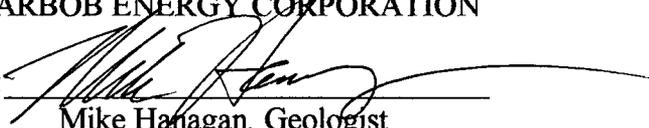
Oil Conservation Division Rule 104.F(4) requires that the applicant submit a statement attesting that the applicant has sent notification to the affected parties as defined in Oil Conservation Division Rule 104.F(3b). Plains Radio Petroleum Corporation is the only party potentially affected by this proposed action. Plains Radio has been notified of Marbob's intentions and has verbally approved our proposal. In addition, Marbob has provided Plains with written notice of this application and, upon our receipt of their waiver, Marbob will forward Plains approval to you .

Based on the information contained herein, Marbob requests that the Division Director grant exception to Oil Conservation Division Rules 104.B(1b) and 104.C(1) ,without notice and hearing, so that Marbob may drill The Duke-State #1 well at the proposed unorthodox location.

Thank you for your time and for your consideration of this application. Should you have any questions, please feel free to give me a call at 623-5053 or 622-6182.

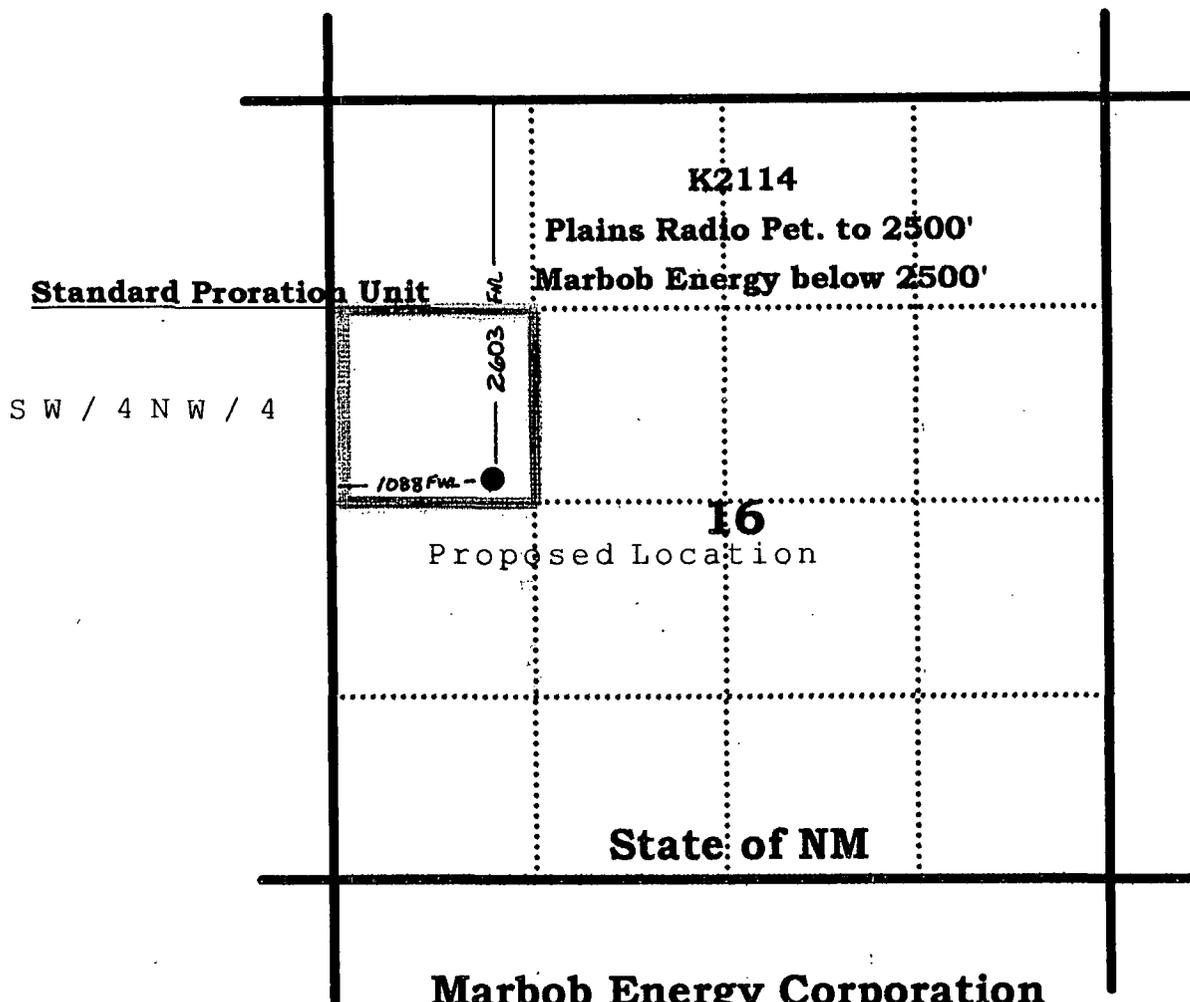
Respectfully Submitted,

MARBOB ENERGY CORPORATION

By: 

Mike Hanagan, Geologist

CC: Mr. Tim Gumm, OCD District II, Artesia



Marbob Energy Corporation

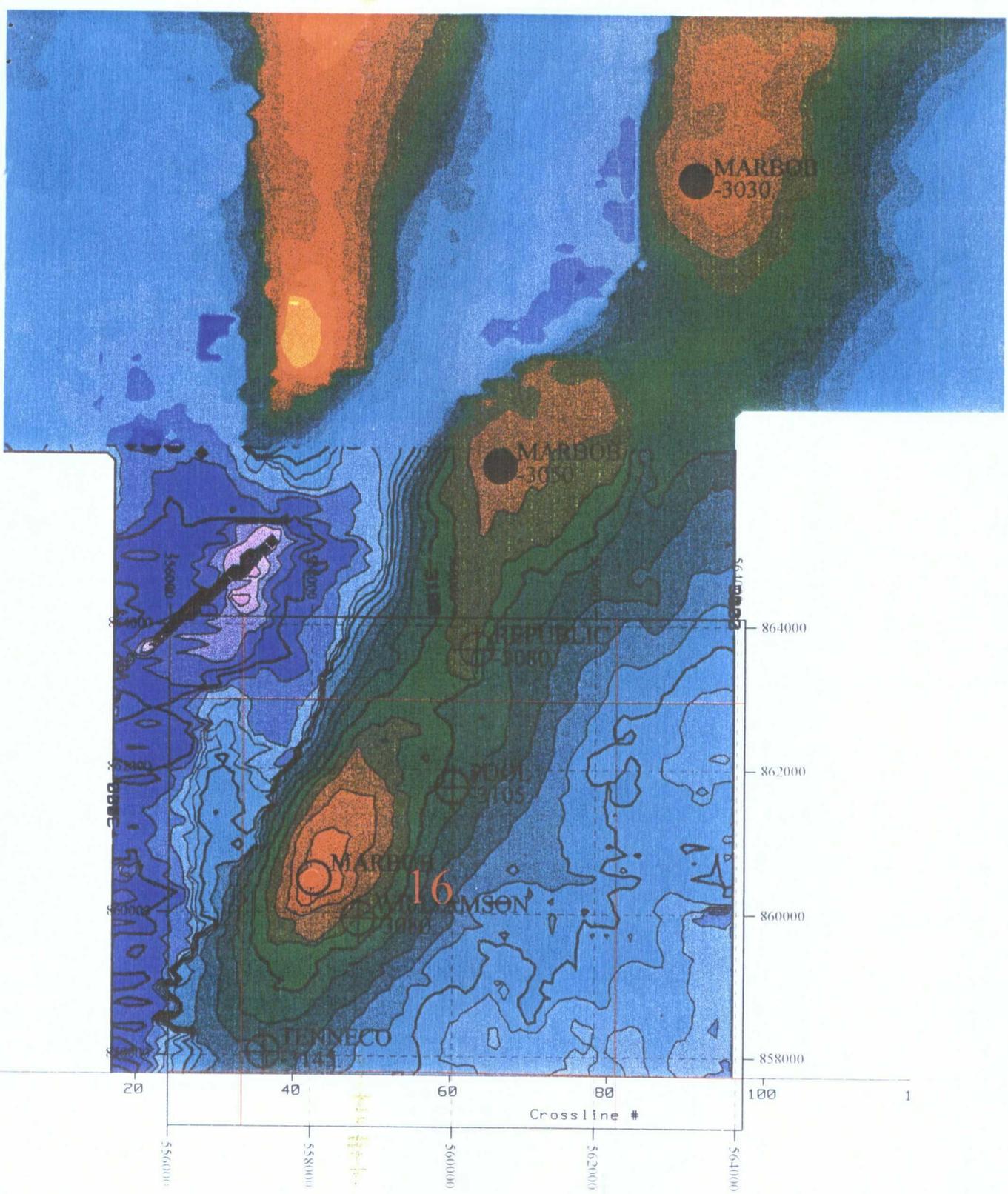
**EXHIBIT "A"**

**Application for  
Unorthodox Location  
The Duke-State #1**

**Section 16 - T11S - R28E**

**Leasehold Map**

M.Hanagan



Marbob Energy Corporation  
**The Duke-State #1**  
 Section 16-F11S-R28E  
 Siluro-Devonian  
 Depth Map  
 Contour Interval = 20'  
 Scale: 1" = 2000'  
 e.i. 20 Feet May 21, 1997



May 15, 1997

Plains Radio Petroleum Company  
P.O. Box 1300  
Amarillo, NM 79105

Attention: Mr. Jim Walker

RE: REQUEST FOR APPROVAL OF UNORTHODOX LOCATION  
Marbob Energy #1 The Duke-State  
Section 16-T11S-R28E  
Chaves County, New Mexico

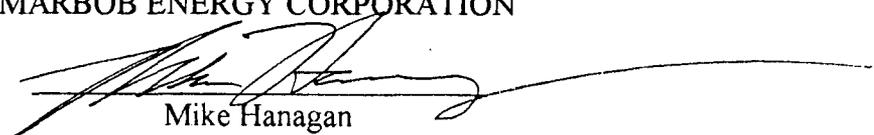
Dear Mr. Walker:

As per our conversation, please find enclosed an application for approval by the New Mexico Oil Conservation Division of an unorthodox location for the above referenced The Duke-State #1 well which we propose to drill at a location 2603' FNL and 1088' FWL of section 16-T11S-R28E, Chaves County, New Mexico. Please give me a call with any questions at 505-623-5053.

If you have no objection to the proposed unorthodox location of the above referenced well, please sign in the space provided for below and return one copy of this letter to Marbob Energy Corp., PO Box 1737, Roswell, NM 88202.

Thank you for your continued cooperation regarding this matter.

Sincerely,  
MARBOB ENERGY CORPORATION



Mike Hanagan

PLAINS RADIO PETROLEUM COMPANY has no objections  
to the proposed unorthodox location of the #1 The Duke-State:

By: \_\_\_\_\_  
Jim W. Walker, President



May 15, 1997

MAY 27 1997  
NSL-3815

Plains Radio Petroleum Company  
P.O. Box 1300  
Amarillo, NM 79105

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Marbob Energy #1 The Duke-State  
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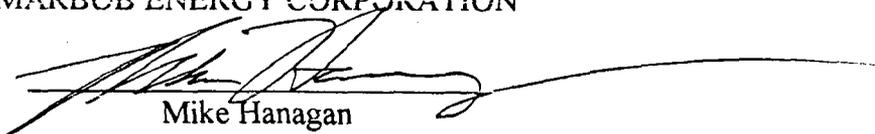
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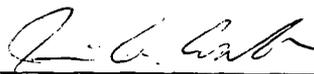
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Sincerely,  
MARBOB ENERGY CORPORATION



Mike Hanagan

PLAINS RADIO PETROLEUM COMPANY has no objections to the proposed unorthodox location of the #1 The Duke-State:

By: 

Jim W. Walker, President May 23, 1997 include

Depths reserved to Plains Radio Petroleum Co./rights to 2500' below the surface and the correlative producing interval in Plains State 16-1 well.

