



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

January 24, 1989

Marbob Energy Corporation
P.O. Drawer 217
Artesia, NM 88210

Attention: Rhonda Nelson
Assistant Production Supervisor

Administrative Order NFL-178

Dear Ms. Nelson:

Reference is made to your application for an Infill Well Finding and Well-Spacing Waiver made pursuant to Section 271.305(b) of the Federal Energy Regulatory Commission regulations, Natural Gas Policy Act of 1978, and the Oil Conservation Division Order No. R-6013 for the following described well:

Elk State Well No. 1 located 719 feet from the South line and 760 feet from the West line (Unit M) of Section 27, Township 17 South, Range 28 East, NMPM, Red Lake Queen Grayburg-San Andres Pool, Eddy County, New Mexico.

THE DIVISION FINDS THAT:

(1) Section 271.305(b) of the Federal Energy Regulatory Commission Interim Regulations promulgated pursuant to the Natural Gas Policy Act of 1978 provides that, in order for an infill well to qualify as a new onshore production well under Section 103 of said Act, the Division must find, prior to the commencement of drilling that subsequent wells are necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be so drained by any existing well-spacing requirements.

(2) By Division Order No. R-6013, dated June 7, 1979, the Division established an administrative procedure whereby the Division Director and the Division Examiners are empowered to act for the Division and find that an infill well is necessary.

(3) The well for which a finding is sought is to be completed in the Red Lake Queen Grayburg-San Andres Pool, and the standard spacing unit in said pool is 40 acres.

(4) A standard 40-acre oil proration unit comprising the SW/4 SW/4 of said Section 27 is currently dedicated to the applicant's T.J. State Well No. 2 located 660 feet from the South and West lines of said Section 27.

Administrative Order NFL-178
January 24, 1989
Page 2

(5) Said unit is not being effectively and efficiently drained by the existing well on the unit.

(6) The drilling and completion of the well for which a finding is sought should result in the production of an additional 40,278 MCF of gas from the proration unit which would not otherwise be recovered.

(7) All the requirements of Division Order No. R-6013 have been compiled with, and the well for which a finding is sought is necessary to effectively and efficiently drain a portion of the reservoir covered by said proration unit which cannot be so drained by any existing well within the unit.

(8) In order to permit effective and efficient drainage of said proration unit, the subject application should be approved as an exception to the standard well spacing requirements for the pool.

IT IS THEREFORE ORDERED THAT:

(1) The applicant is hereby authorized to drill the Elk State Well No. 1 as described above, as an infill well on the existing 40-acre oil proration unit comprising the SW/4 SW/4 of Section 27, Township 17 South, Range 28 East, NMPM, Red Lake Queen Grayburg-San Andres Pool, Eddy County New Mexico. The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements and is necessary to permit drainage of a portion of the reservoir covered by said proration unit which cannot be effectively and efficiently drained by any existing well thereon.

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

Sincerely,



Michael E. Stogner
Examiner

MES/ag

cc: Oil Conservation Division - Artesia
NM Oil and Gas Engineering Committee - Hobbs
Vic Lyon

Received 4/27/88

Released 1/20/89

Marbob Energy Corporation
P.O. Box 217
Artesia, NM 88210

Attention: Rhonda Nelson
Assistant Production Supervisor

RE: Administrative Order NFL-178

Dear Ms. Nelson:

Reference is made to your application for an Infill Well Finding and Well-Spacing Waiver made pursuant to Section 271.305(b) of the Federal Energy Regulatory Commission regulations, Natural Gas Policy Act of 1978, and the Oil Conservation Division Order No. R-6013 for the following described well:

Elk State Well No. 1 located 719 feet
from the South line and 760 feet from the West line of
(Unit 31)

Section 27, Township 17 South, Range 28 East, NMPM,
County, New Mexico.

THE DIVISION FINDS THAT:

(1) Section 271.305(b) of the Federal Energy Regulatory Commission Interim Regulations promulgated pursuant to the Natural Gas Policy Act of 1978 provides that, in order for an infill well to qualify as a new onshore production well under Section 103 of said Act, the Division must find, prior to the commencement of drilling, that the well is necessary to effectively and efficiently drain a portion of the reservoir covered by the proration unit which cannot be so drained by any existing well within that unit, and must grant a waiver of existing well-spacing requirements.

(2) By Division Order No. R-6013, dated June 7, 1979, the Division established an administrative procedure whereby the Division Director and the Division Examiners are empowered to act for the Division and find that an infill well is necessary.

(3) The well for which a finding is sought is to be completed in the Red Lake Queen Crayburg San Andres Pool, and the standard spacing unit in said pool is 40 acres.

Red Lake
Queen-
Crayburg-
San Andres Pool,

(4) A ~~X~~ standard 40-acre (gas) (oil) proration unit comprising the SW/4 SW/4 ^{said} of Section 27, ~~Township~~
~~Range~~ is currently dedicated to the ~~applicant T. J. State~~ Well No. 2 located in ~~Unit~~ 1 of said Section 27. *560 feet from the South and West lines*

() Said non-standard unit was previously approved by Order No. _____.

(5) Said unit is not being effectively and efficiently drained by the existing (well) (wells) on the unit.

(6) The drilling and completion of the well for which a finding is sought should result in the production of an additional 40,278 MCF of gas from the proration unit which would not otherwise be recovered.

(7) All the requirements of Division Order No. R-6013 have been complied with, and the well for which a finding is sought is necessary to effectively and efficiently drain a portion of the reservoir covered by said proration unit which cannot be so drained by any existing well within the unit.

(8) In order to permit effective and efficient drainage of said proration unit, the subject application should be approved as

an exception to the standard well spacing requirements for the pool.

IT IS THEREFORE ORDERED THAT:

(1) The applicant is hereby authorized to drill the Elk State Well No. 1 as described above, as an infill well on the existing 40-acre (oil) (gas) proration unit comprising the sw/4 sw/4 of Section 27, Township 17 South, Range 28 East, NMPM, Red Lake Queen Crasbury San Antonio Pool, Edley County, New Mexico. The authorization for infill drilling granted by this order is an exception to applicable well spacing requirements and is necessary to permit the drainage of a portion of the reservoir covered by said proration unit which cannot be effectively and efficiently drained by any existing well thereon.

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

Sincerely,

Michael E. Stogner

Examiner

cc: Oil Conservation Division - Portusia

Vic Lyon



STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

APR 15 1988

GARREY CARRUTHERS
GOVERNOR

RECEIVED
APR 27 1988
OIL CONSERVATION DIVISION
SANTA FE

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

March 9, 1988

Marbob Energy Corporation
P.O. Box 217
Artesia, NM 88210
Attn: Rhonda Nelson

RE: Well head price ceiling
determination, NGPA of 1978

Gentlemen:

The New Mexico Oil Conservation Division has received your application for a wellhead price ceiling category determination under the section(s) of the Natural Gas Policy Act of 1978 indicated below. If your application is incomplete, forms are attached hereto, indicating the documents and further information which must be filed before your application can be considered. If your application is complete, it will be acted upon administratively unless written objection is received within 15 days of its filing.

WELL NAME AND LOCATION Elk State No. 1 M-27-17S-28E Eddy

SECTION(S) APPLIED FOR 103

DATE APPLICATION RECEIVED March 9, 1988

APPLICATION INCOMPLETE This well appears to be an Infill Well to your

I.S. State WPA No. 2 located 660' ESEWL, please submit an Infill Well Finding application pursuant to R-6013-A.

4/26/88

Sincerely

Enclosed you will find an Infill Well Finding Application on our Elk St. No. 1. (in duplicate)

DATE: April 11, 1988

NOTE: THIS FORM LETTER MUST ACCOMPANY TWO COPIES OF THE SUPPLEMENTARY INFORMATION.

Marbob Energy Corporation

P. O. ~~BOX 2088~~ Drawer 217
ARTESIA, NEW MEXICO 88210

PHONES
OFFICE: 746-2422

NIGHT
746-3895
746-4877

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

SUBJECT: Natural Gas Policy Act
Statement Under Oath
Paragraph 274.204
New Onshore Production Well

RE: Natural Gas Produced From:

Well Name: Elk State #1

A.P.I. #: 30-015-25845

Location: 719 FSL 760 FWL Sec. 27-T17S-R28E

Formation: San Andres

Gentlemen:

Marbob Energy Corporation (Seller), a New Mexico corporation, herein swears that:

(1) In order to determine that the surface drilling of the referenced well began on a qualified proration unit on or after February 19, 1977, Marbob Energy has searched and reviewed or caused to be searched and reviewed pursuant to its instructions, the following records and sources of information:

(a) Commercial oil and gas lease ownership map and well location map compiled from official county and state records and sold to us by Midland Map Co., Midland, Texas, on file in Seller's offices.

(b) Legal review of land title prior to drilling, on file in Seller's offices.

(c) Electric log records of all wells within the same section as the referenced well and which penetrated the same prospective formations as sought by the referenced well. Log records are on file in Seller's offices, respective state or federal offices, and commercial log companies.

(d) State of New Mexico production records of all wells within the same section as the referenced well and which produced or produces from the same prospective formation as sought by the referenced well. Such records are kept in Seller's offices and in state offices.

(e) Daily drilling reports on file in Seller's files indicating date and time of spudding the referenced well.

(f) State of New Mexico approval of the referenced well location and dedicated acreage to be assigned to the well in the event of production. Such records are on file in both Seller's office and respective state or federal offices. A copy of the acreage dedication plat is included.

(g) Official notices by operator of well drilling activity and completion reports filed with respective state offices. Copies of completion reports are filed with this application.

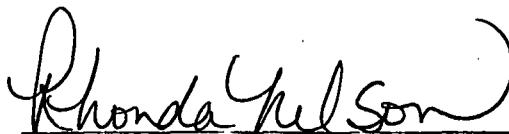
(2) On the basis of Seller's search and examination, Seller has concluded that to the best of his information, knowledge and belief the surface drilling of the referenced well began on or after February 19, 1977.

(3) The New Mexico Oil Conservation Division has altered or granted a waiver of any applicable well spacing requirements on this proration unit.

(4) Based on the results of record searches and reviews listed in paragraph (1) of this letter, Seller has concluded to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new onshore production well.

(5) Seller has no knowledge of any information not described in the application which is inconsistent with his conclusions.

MARBOB ENERGY CORPORATION



Rhonda Nelson
Assistant Production Supervisor

rn

Encl.

REQUEST FOR INFILL FINDING ON

ELK STATE #1

*in accordance with Administrative
Procedures Amended February 8, 1980*

DEC 09 1987

30-215-25845
Form C-101
Revised 1-1-85

RECEIVED
NEW MEXICO OIL CONSERVATION COMMISSION

DEC 03 '87

O. C. D.
ARTESIA, OFFICE

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
ILE		
I.S.G.S.		
LAND OFFICE		
OPERATOR		

4A. In Hole Type of Lease
STATE FEE

5. State Oil & Gas Lease No.
B-8814

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1. Type of Work
DRILL DEEPEN PLUG BACK

2. Type of Well
OIL WELL GAS WELL OTHER

SINGLE ZONE MULTIPLE ZONE

3. Name of Operator
Marbob Energy Corporation

4. Address of Operator
P. O. Drawer 217, Artesia, New Mexico 88210

6. Location of Well:
UNIT LETTER M LOCATED 719 FEET FROM THE South LINE
760 FEET FROM THE West LINE OF SEC. 27 TWP. 17-S RGE. 28-E

7. Unit Agreement Name

8. Farm or Lease Name
Elk State

9. Well No.
1

10. Field and Pool, or Without
Red Lake Q Grbg SA

11. County
Eddy

12. Proposed Depth: 3500'
13A. Formation: San Andres
13B. Rotary or C.T.: Rotary
14. Elevation (Show whether D.F., R.I., etc.): 3678.6
21A. Kind & status Plug, Bond
21B. Drilling Contractor
22. Approx. Date Work will start: 12/12/87

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24#	500'	300	Circulate
7 7/8"	5 1/2"	17#	3500'	600	Attempt to circ.

We propose to drill to 500', run and cement 8 5/8" casing, reduce hole and drill to 3500' to test the San Andres formation, run and cement 5 1/2" casing, put well on production.

PAID FOR 180 DAYS
DATE 12/1/87
STATUS: UNDERWAY

BELOW SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTION. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.
Rhonda Nelson Title: Production Clerk Date: 12/1/87

(This space for State Use)
Original Signed By
Mike Williams
Oil & Gas Inspector

DEC 8 1987

RULE 5

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

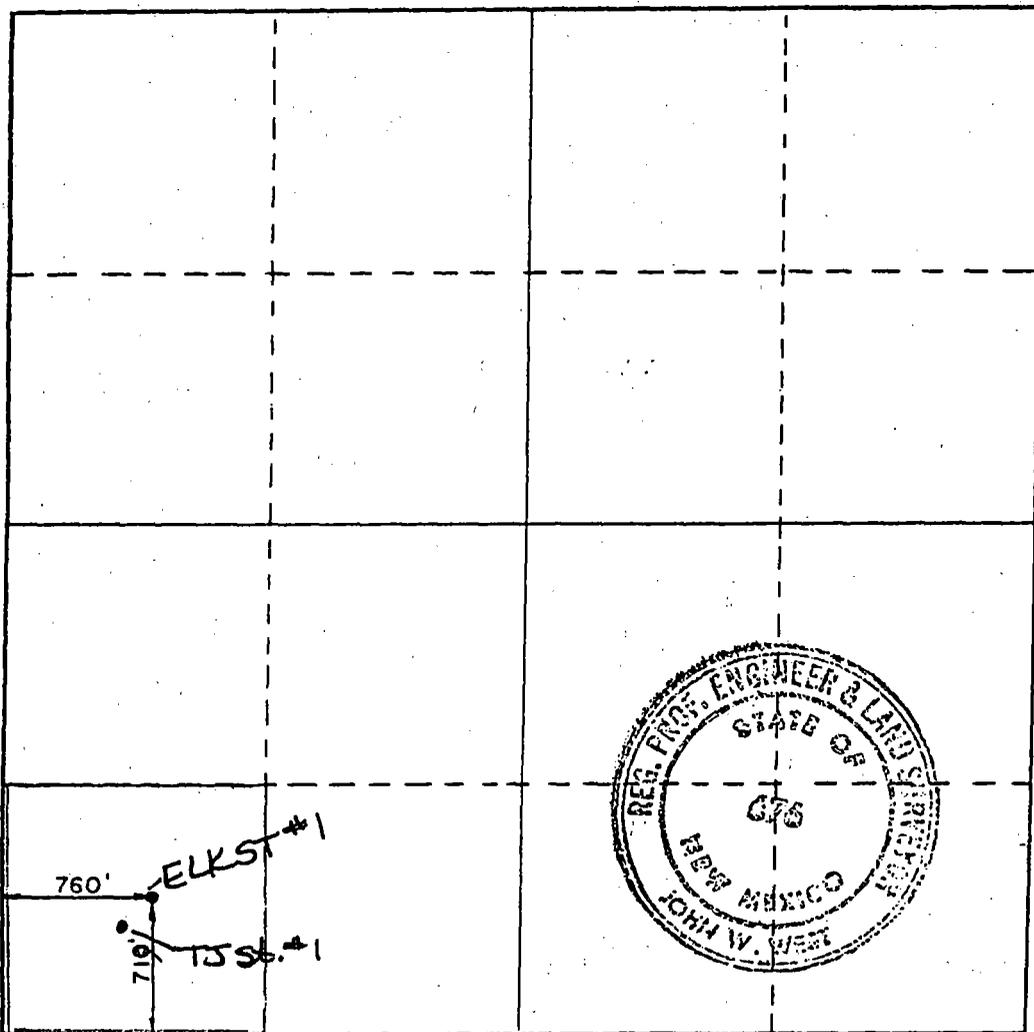
Operator Marbob Energy Corp.		Lease Elk State			Well No. 1
Unit Letter M	Section 27	Township 17-S	Range 28-E	County Eddy	
Actual Footage Location of Well: 719 feet from the South line and 760 feet from the West line					
Ground Level Elev. 3678.6	Producing Formation San Andres	Pool GRIG-JACKSON SR Q Gb SA RED LAKE		Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

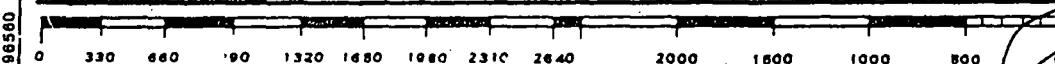
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

David Martin
Name
David Martin
Position
Land Department
Company
Marbob Energy Corporation
Date
12/3/87

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

RULES

Date Surveyed
November 30, 1987
Registered Professional Engineer and/or Land Surveyor
John W. West
Certificate No. JOHN W. WEST, 676
RONALD J. EIDSON, 3239



Rule 6:

Elk State #1

Pool: Red Lake Queen Grayburg San Andres

Standard spacing unit - 40 acres

Rule 7:

NA

Rule 8:

- a. Elk St. #1, 719 FSL 760 FWL Sec. 27-T17S-R28E
T.J. St. #2, 660 FSL 660 FWL Sec. 27-T17S-R28E
- b. #1 - 12/17/87
T.J. St. #2 - 4/8/62
- c. #1 - 1/20/88
T.J. St. #2 - 4/29/62
- d. None
- e. #1 - 40 bbl oil, 110 mcf gas/day
- f. None
- g. Our Elk St. #1 was drilled because of the low permeability and low quality solution gas recovery mechanism require reduced spacing to efficiently drain the reservoir. Since both the Elk St. #1 and the T.J. St. #2 experienced new reservoir type conditions we feel the additional drilling was justified.

Paul G. White Engineering

OIL AND NATURAL GAS

April 26, 1988

Marbob Energy Corporation
P. O. Box 217
Artesia, New Mexico 88210

Re: Pertinent Engineering Data
Elk State No. 1
Red Lake Queen, GR-SA
Eddy County N.M.

Gentlemen:

The subject well, located 719' FSL and 760' FWL, Section 27-17S-28E, Eddy County, New Mexico, was completed January 20, 1988.

I have estimated the oil and gas reserves for the subject well based on a 10 acre density. From the electrical log and analagous well studies, I have estimated that the well will recover 19,180 barrels of oil and 40,278 MCF of gas.

This well exhibits a starting rate which indicates an undisturbed reservoir even when drilled on the 10 acre proration unit. Further, the very low order of permeability requires very large fracture treatments and stimulations for a well to respond and produce any hydrocarbons. None are produced naturally. Thirdly, there has been no evidence of any drainage or communication between the wells when drilled and developed on the 10 acre density.

A study of nearby producing well rates and initial potentials reveals that wells will have to be drilled on a 10 acre spacing to properly and adequately recover the oil and gas reserves in this field.

Therefore, it is my recommendation that in-fill wells be drilled and the well density be increased to at least 10 acre spacing.

From my study the in-fill wells will characteristically exhibit new reservoir conditions.

Signed

Paul G. White

Paul G. White, Petroleum Engineer

Date

4-26-88

gs

File 9-B

Rule 11:

Notice of this infill request has been sent to Yates Petroleum Corporation, 105 S. 4th St., Artesia, NM 88210 and to ARCO, P. O. Box 3644, Dallas, TX 75285.

Marbob Energy Corporation

P. O. ~~BOX 2088~~ Drawer 217
ARTESIA, NEW MEXICO 88210

PHONES
OFFICE: 746-2422

NIGHT
746-3895
746-4877

Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

SUBJECT: Natural Gas Policy Act
Statement Under Oath
Paragraph 274.204
New Onshore Production Well

RE: Natural Gas Produced From:

Well Name: Elk State #1

A.P.I. #: 30-015-25845

Location: 719 FSL 760 FWL Sec. 27-T17S-R28E

Formation: San Andres

Gentlemen:

Marbob Energy Corporation (Seller), a New Mexico corporation, herein swears that:

(1) In order to determine that the surface drilling of the referenced well began on a qualified proration unit on or after February 19, 1977, Marbob Energy has searched and reviewed or caused to be searched and reviewed pursuant to its instructions, the following records and sources of information:

(a) Commercial oil and gas lease ownership map and well location map compiled from official county and state records and sold to us by Midland Map Co., Midland, Texas, on file in Seller's offices.

(b) Legal review of land title prior to drilling, on file in Seller's offices.

(c) Electric log records of all wells within the same section as the referenced well and which penetrated the same prospective formations as sought by the referenced well. Log records are on file in Seller's offices, respective state or federal offices, and commercial log companies.

(d) State of New Mexico production records of all wells within the same section as the referenced well and which produced or produces from the same prospective formation as sought by the referenced well. Such records are kept in Seller's offices and in state offices.

(e) Daily drilling reports on file in Seller's files indicating date and time of spudding the referenced well.

(f) State of New Mexico approval of the referenced well location and dedicated acreage to be assigned to the well in the event of production. Such records are on file in both Seller's office and respective state or federal offices. A copy of the acreage dedication plat is included.

(g) Official notices by operator of well drilling activity and completion reports filed with respective state offices. Copies of completion reports are filed with this application.

(2) On the basis of Seller's search and examination, Seller has concluded that to the best of his information, knowledge and belief the surface drilling of the referenced well began on or after February 19, 1977.

(3) The New Mexico Oil Conservation Division has altered or granted a waiver of any applicable well spacing requirements on this proration unit.

(4) Based on the results of record searches and reviews listed in paragraph (1) of this letter, Seller has concluded to the best of his information, knowledge and belief, the natural gas for which he seeks a determination is produced from a new onshore production well.

(5) Seller has no knowledge of any information not described in the application which is inconsistent with his conclusions.

MARBOB ENERGY CORPORATION



Rhonda Nelson
Assistant Production Supervisor

rn

Encl.

REQUEST FOR INFILL FINDING ON

ELK STATE #1

*in accordance with Administrative
Procedures Amended February 8, 1980*

DEC 09 1987

30-115-25845
Form C-101
Revised 1-1-85

RECEIVED
NEW MEXICO OIL CONSERVATION COMMISSION

DEC 03 '87

O. C. D.
ARTESIA, OFFICE

5A. Inhibit Type of Lease	
STATE <input checked="" type="checkbox"/>	FEE <input type="checkbox"/>
5. State Oil & Gas Lease No.	
B-8814	

NO. OF COPIES RECEIVED		
DISTRIBUTION		
SANTA FE		
FILE		
U.S.G.S.		
LAND OFFICE		
OPERATOR		

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

6. Type of Work

7. Type of Well
 DRILL DEEPEN PLUG BACK
 OIL WELL GAS WELL OTHER
 SINGLE ZONE MULTIPLE ZONE

7. Unit Agreement Name

8. Form or Lease Name
Elk State

9. Name of Operator
Marbob Energy Corporation

10. Address of Operator
P. O. Drawer 217, Artesia, New Mexico 88210

9. Well No.
1

10. Field and Pool, or Wellbore
Red Lake Q Grbg SA

11. Location of Well
 UNIT LETTER M LOCATED 719 FEET FROM THE South LINE
 760 FEET FROM THE West LINE OF SEC. 27 TWP. 17-S RGE. 28-E

11. County
Eddy

12. Proposed Depth 3500'	13A. Formation San Andres	13. History or C.T. Rotary
14. Elevations (Show whether DF, RI, etc.) 3678.6	21A. Kind & status Plug. Bond	21B. Drilling Contractor
		22. Approx. Date Work will start 12/12/87

PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12 1/4"	8 5/8"	24#	500'	300	Circulate
7 7/8"	5 1/2"	17#	3500'	600	Attempt to circ.

We propose to drill to 500', run and cement 8 5/8" casing, reduce hole and drill to 3500' to test the San Andres formation, run and cement 5 1/2" casing, put well on production.

RECEIVED FOR 30 DAYS
6/2/88
PLUGS UNDERWAY

ABOVE SPACE DESCRIBE PROPOSED PROGRAM; IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTION ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.
Rhonda Nelson Title Production Clerk Date 12/1/87

(This space for State Use)
Original Signed By
Mike Williams
Oil & Gas Inspector

DATE DEC 8 1987

RULE 5

**NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-4-65

All distances must be from the outer boundaries of the Section.

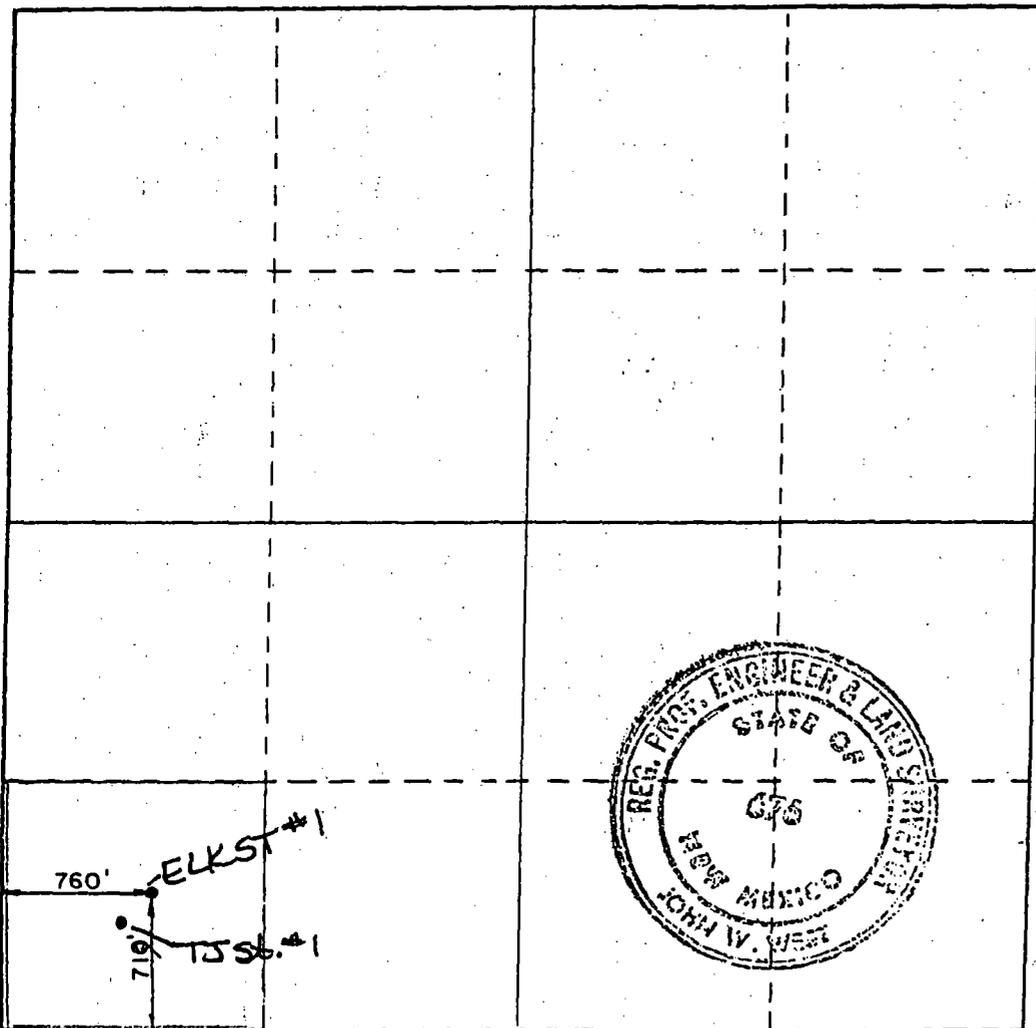
Operator Marbob Energy Corp.		Lease Elk State		Well No. 1
Unit Letter M	Section 27	Township 17-S	Range 28-E	County Eddy
Actual Footage Location of Well: 719 feet from the South line and 760 feet from the West line				
Ground Level Elev. 3678.6	Producing Formation San Andres	Pool RED LAKE Grog-Jackson-SR Q Gb SA	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

David Martin

Name
David Martin

Position
Land Department

Company
Marbob Energy Corporation

Date
12/3/87

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

RULE 5

Date Surveyed
November 30, 1987

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. **JOHN W. WEST, 676**
RONALD J. EIDSON, 3239

98500

Rule 6:

Elk State #1

Pool: Red Lake Queen Grayburg San Andres

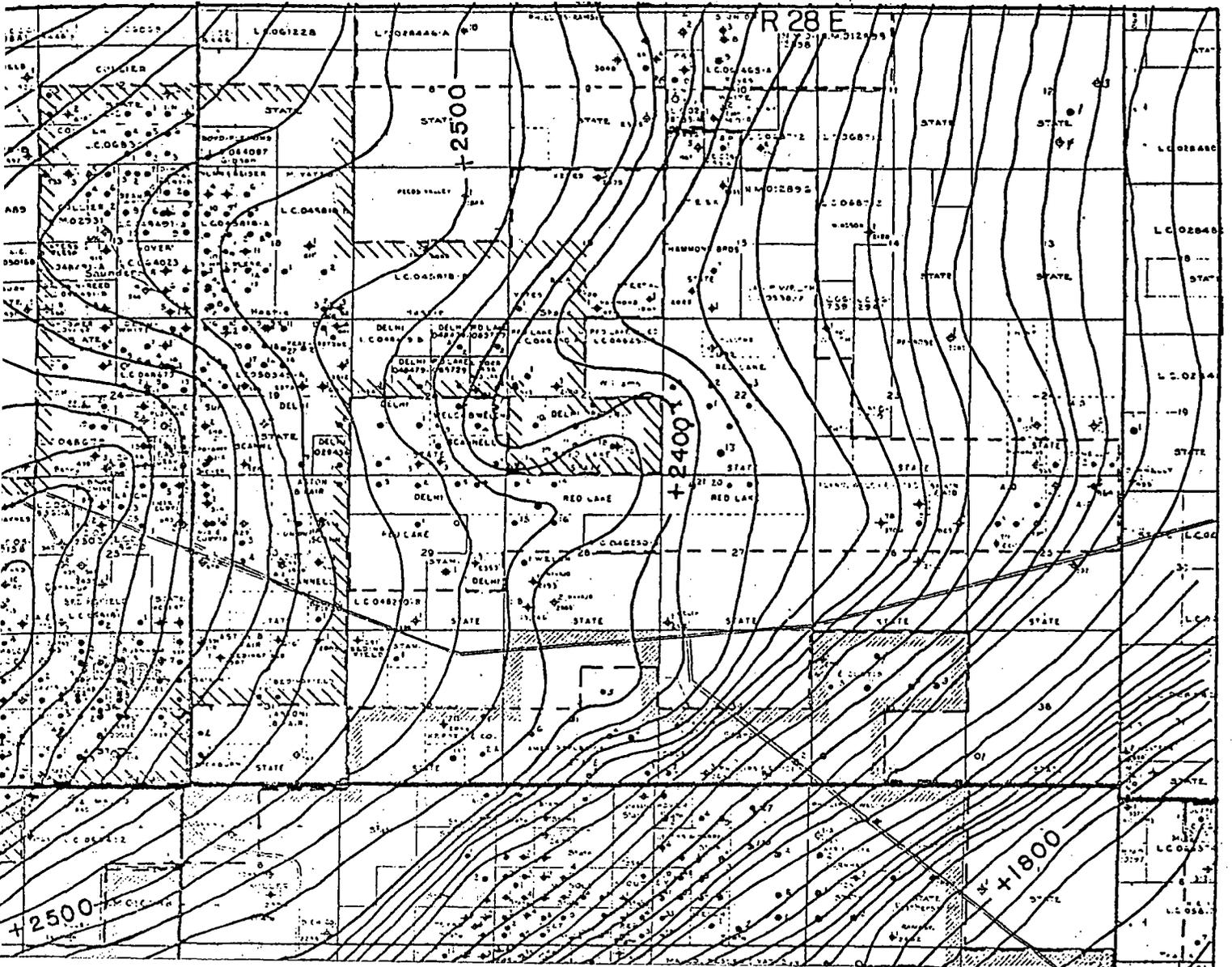
Standard spacing unit - 40 acres

Rule 7:

NA

Rule 8:

- a. Elk St. #1, 719 FSL 760 FWL Sec. 27-T17S-R28E
T.J. St. #2, 660 FSL 660 FWL Sec. 27-T17S-R28E
- b. #1 - 12/17/87
T.J. St. #2 - 4/8/62
- c. #1 - 1/20/88
T.J. St. #2 - 4/29/62
- d. None
- e. #1 - 40 bbl oil, 110 mcf gas/day
- f. None
- g. Our Elk St. #1 was drilled because of the low permeability and low quality solution gas recovery mechanism require reduced spacing to efficiently drain the reservoir. Since both the Elk St. #1 and the T.J. St. #2 experienced new reservoir type conditions we feel the additional drilling was justified.



Paul G. White Engineering

OIL AND NATURAL GAS

April 26, 1988

Marbob Energy Corporation
P. O. Box 217
Artesia, New Mexico 88210

Re: Pertinent Engineering Data
Elk State No. 1
Red Lake Queen, GR-SA
Eddy County N.M.

Gentlemen:

The subject well, located 719' FSL and 760' FWL, Section 27-17S-28E, Eddy County, New Mexico, was completed January 20, 1988.

I have estimated the oil and gas reserves for the subject well based on a 10 acre density. From the electrical log and analagous well studies, I have estimated that the well will recover 19,180 barrels of oil and 40,278 MCF of gas.

This well exhibits a starting rate which indicates an undisturbed reservoir even when drilled on the 10 acre proration unit. Further, the very low order of permeability requires very large fracture treatments and stimulations for a well to respond and produce any hydrocarbons. None are produced naturally. Thirdly, there has been no evidence of any drainage or communication between the wells when drilled and developed on the 10 acre density.

A study of nearby producing well rates and initial potentials reveals that wells will have to be drilled on a 10 acre spacing to properly and adequately recover the oil and gas reserves in this field.

Therefore, it is my recommendation that in-fill wells be drilled and the well density be increased to at least 10 acre spacing.

From my study the in-fill wells will characteristically exhibit new reservoir conditions.

Signed

Paul G. White

Paul G. White, Petroleum Engineer

Date

4-26-88

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File 9-B

Rule 11:

Notice of this infill request has been sent to Yates Petroleum Corporation, 105 S. 4th St., Artesia, NM 88210 and to ARCO, P. O. Box 3644, Dallas, TX 75285.