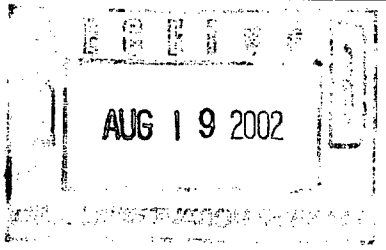
223246692 DHC NA

marbob
energy corporation



August 15, 2002

New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505-4000

Attn: Mr. Will Jones

Re: C-107A Downhole Commingling Application
Airport Grace #1
K-36-22S-26E
Eddy County, NM

Dear Mr. Jones:

Attached for your review is a downhole commingling application for the Airport Grace #1. We made a mistake and sent the application to the Artesia District Office and forgot to mail the application to you. The State Land Office has already approved the application.

Please call me at 505-748-3303 if you have any questions.

Sincerely,

Brian Collins
Petroleum Engineer

BC/dlw
enclosures

P.O. Box 227 • Artesia, New Mexico 88211-0227 • (505) 748-3303 • Fax (505) 746-2523

marbob
energy corporation

September 9, 2002

New Mexico Oil Conservation Division
1220 S. St. Francis Dr.
Santa Fe, NM 87505

Attention: Mr. Will Jones

RE: Administrative Order DHC-3041
Airport Grace Well No. 1
Unit K, Section 36, T22S-R26E, Eddy County

Dear Mr. Jones:

When I received the approved Order DHC-3041 for the captioned well, I noticed that the 5% oil and gas allocation was listed under the Undesignated Happy Valley Delaware Pool. Our intent was to have the 5% oil and gas allocation listed under the Undesignated Canyon (or under an existing Canyon) pool. The Canyon is Pennsylvanian aged and is located stratigraphically between the Wolfcamp and Strawn formations.

Marbob Energy respectfully asks that DHC-3041 be reissued to reflect the Canyon pool instead of the Delaware pool. Please call me at 505-748-3303 if you have questions.

Sincerely,

Brian Collins
Petroleum Engineer

BC/dlw
attachment

P.O. Box 227 • Artesia, New Mexico 88211-0227 • (505) 748-3303 • Fax (505) 746-2523

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980
DISTRICT II
811 South First St., Artesia, NM 88210-2835
DISTRICT III
1000 Rio Brazos Rd, Aztec, NM 87410-1693

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

2040 S. Pacheco
Santa Fe, New Mexico 87505-6429

Form C-107-A
Revised May 15, 2000

APPLICATION TYPE:
X Single Well
___Establish Pre-Approved Pools

EXISTING WELLBORE
X YES ___ NO

APPLICATION FOR DOWNHOLE COMMINGLING

MARBOB ENERGY CORPORATION		P O BOX 227	ARTESIA, NM 88211
Operator		Address	
Airport Grace	#1	K-36-22S-26E	Eddy
Lease	Well No.	Unit Ltr. - Sec - Twp - Rge	County

Spacing Unit Lease Types: (check 1 or more)

OGRID NO. 14049 Property Code 2665 API NO. 30-015-20829 Federal ___, State X, (and/or) Fee ___

The following facts are submitted in support of downhole commingling:	Upper Zone	Intermediate Zone	Lower Zone
Pool Name	Undesignated Wolfcamp	Undesignated Canyon (UNDES, Happy Valley Rel; S. Cooksbat Canyon)	Carlsbad Strawn South
Pool Code			74120
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	9514 – 9874-' Perforated	10201-10204' Perforated	10435-10571' Perforated
Method of production (Flowing or Artifical Lift)	Flowing	Flowing	Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone.)	N/A Expect pressure equivalent to Strawn Zone	N/A Expect pressure equivalent to Strawn Zone	SITP = 2800 psi Est. BHP = 2800 psi + (0.1 pis/ft) x (10,503') = 3450 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	N/A	N/A	N/A
Producing or Shut-In?	New Zone	New Zone	Producing (March production attached)
Date and Oil/Gas/Water Rates of Last Production (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates: N/A	Date: N/A Rates: N/A	Date: 30 Jan 02 Rates: 200 psig 6/64" ck = 44 mcfd
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required?)	Oil 47.5% Gas 47.5%	Oil 5% Gas 5%	Oil 47.5% Gas 47.5%

Are all working, royalty and overriding royalty interests identical in all commingled zones? X Yes ___No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? ___Yes ___No

Are all produced fluids from all commingled zones compatible with each other? X Yes ___No

Will commingling decrease the value of production? ___Yes X No

If this well is on, or communitized with, state or federal lands, has either the Commission or Public Lands of the United States Bureau of Land Management been notified in writing of this application? X Yes ___No

NMOCD Reference Case No. applicable to this well:_____

Attachments:

* C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
* Production curve for each zone for at least one year. (If not available, attach explanation.)
* For zones with no production history, estimated production rates and supporting data.
* Data to support allocation method or formula.
* Notification list of all offset operators.
* Notification list of working, overriding, and royalty interests for uncommon interest cases.
* Any additional statements, data, or documents required to support commingling.

PRE-APPROVED POOLS

List of other orders approving downhole commingling within the proposed Pre-Approved Pools
List of all operators within the proposed Pre-Approved Pools
Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
Bottomhold pressure data

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

SIGNATURE _____ TITLE Petroleum Engineer DATE _____

Engineering Summary

1. Marbob Energy Corporation has just completed a workover to recomplete to the Strawn Lime from 10,435' to 10,571'. After two acid treatments (5000 gal. 15% HCL, 15,000 gal. 15% HCL + 15,000 gal. CO2) the Strawn Lime tested 200 psig on 6/64" choke, which is a 44 mcfd. This is obviously a marginal production rate.

2. We plan to test the Canyon Lime from 10,201' to 10,204' and expect it to be very marginal. After testing the Canyon, we plan to test the Wolfcamp Lime from 9514' to 9874'. We expect the Wolfcamp production to be marginal and similar to the Strawn.

3. We are requesting downhole commingling approval due to the marginal nature of all three zones. By commingling, we will maximize production from the well and ensure that the State of New Mexico gets the maximum financial benefit too.

4. The best engineering estimate of the allocation between the zones is that the Canyon will contribute 5% and the Strawn and Wolfcamp will contribute 47.5% each. If the actual well tests deviate significantly from this allocation, a revised allocation will be submitted.

March Production

Terry K

- Strawn Zone -

	Airport Grace						GRAD		
	TP	LP	CP	mcf	OIL	WTR	TP	CP	M
1	210	192	210	46	0	1	200	360	
2	200	164		27	0	0	170		
3	1100	242		19	0	0	280		
4	250	221	250	48	0	3	240	250	
5	270	260	280	36	0	4	240	200	
6	1130	406	1130	0	0	0	410	410	
7	440	427	250	17	1	0	400	445	
8	240	191	250	33	0	0	185	260	
9	180	151	235	34	0	0	175	240	
10	190	161	200	31	0	0	170	220	
11	165	164	165	29	0	0	170	170	
12	200	178	200	28	0	5	180	180	
13	170	168	170	31	2	3	170	225	
14	175	175	175	22	1	3	175	225	
15	165	160	165	17	0	5	165	165	
16	170	162	170	18	0	3	165	165	
17	170	167	170	29	0	1	170	170	
18	175	172	175	7	0	0	175	175	
19	175	168	175	17	3	17	175	175	
20	165	163	165	53	0	1	170	0	
21	180	169	200	15	0	0	175	100	
22	170	160	200	15	0	5	165	0	
23	180	166	200	1	0	7	180	0	
24	125	140	125	0	0	14	180	0	
25	170	167	170	0	0	1	168	0	
26	170	165	170	16	0	3	440	240	
27	250	190	250	0	0	0	220	320	
28	185	177	185	9	2	13	185	185	
29	175	171	175	52	0	11	175	175	
30	170	165	170	31	0	2	170	170	
31	170	167	170	27	0	1	171	171	