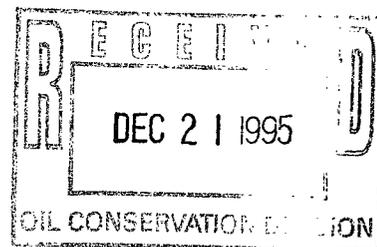


December 18, 1995



New Mexico Energy, Minerals & Natural Resources Department
Oil Conservation Division
P.O. Box 6429
Santa Fe, New Mexico 87505-6429
Attn: Mr. Michael E. Stogner



RE: Administration Application for an Unorthodox Oil Well Location
D. S. "26" Federal #2 (API No. 30-105-28719)
1683' FNL & 1259' FEL, Sec 26, T-20-S, R-26-E
Eddy County, New Mexico

Dear Mr. Stogner,

Please find enclosed several exhibits that we believe will provide you sufficient data to approve our application for an unorthodox oil well location for the captioned well. From the topographic map you can see that the proposed location lies between two steep hills (to the east and west) which preclude us from drilling the proposed well at a legal location in this 40-acre proration unit. The anticipated oil and gas recoveries from the well will not economically support the additional costs necessary to directionally drill the well to a legal bottom-hole location. Therefore, to prevent the waste of the possible oil and gas reserves under this proration unit, approval of our application is necessary. Since the unorthodox location requested only moves the wellbore closer to the edge of the proration unit surrounded by the same federal lease, no correlative rights are in jeopardy. Also be aware that this well will use the same drilling pad used in drilling the D. S. "26" Federal #1.

We have investigated your claim that the approval of the unorthodox location for the D. S. "26" Federal #1 was granted for geologic reasons and have found no evidence substantiating said claim. Our copy of the application submitted to the OCD shows that the unorthodox location was requested solely for topographic reasons (the same reasons that have necessitated the unorthodox location for the D. S. "26" Federal #2). I have also discussed this matter with Mr. John Thoma and Mr. Mark Wheeler, both formerly with Maralo and the geologist and landman responsible for this area at the time of the application, and have been assured that in their conversations with Mr. David Catanach with your office no evidence was submitted or discussed other than topographic conditions.

Therefore, due to the topographic conditions that have necessitated the movement of our proposed well to an unorthodox location, we request your approval of our application to drill our well at said unorthodox location. If you have any further questions regarding this matter, do not hesitate to contact either me or Dorothea Logan at (915) 684-7441.

Very truly yours,

A handwritten signature in black ink, appearing to read "Richard A. Gill". The signature is fluid and cursive, written over a white background.

Richard A. Gill
Division Engineer

RAG/bd
Attachments

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 MARALO INC. 14007 (Bill Hunt)

3. ADDRESS AND TELEPHONE NO.
 P.O. Box 832 Midland, Texas 79702 Phone 915-684-7441

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface UNORTHODOX LOCATION:
 1683' FNL & 1259' FEL SEC. 26 T20S-R26E EDDY CO. NEW MEXICO
 At proposed prod. zone Sams UNIT # 110 Approved By State

11. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 11 miles Northwest of Carlsbad New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 1259'

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 100'

21. ELEVATIONS (Show whether EF, RT, GR, etc.)
 3294' GR. Carlsbad Controlled Water Basin

5. LEASE DESIGNATION AND SERIAL NO.
 NM89038

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO. 16299
 D.S. "26" FEDERAL # 2

9. API WELL NO.
 30-015-28719

10. FIELD AND POOL, OR WILDCAT
 Wildcat Hills - SA, East

11. SEC. T. R. M., OR BLK. AND SURVEY OR AREA J
 Sec. 26 T20S-R26E

12. COUNTY OR PARISH 13. STATE
 Eddy Co. NM

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40

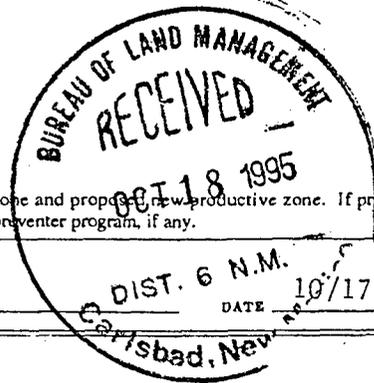
20. ROTARY OR CABLE TOOLS
 Rotary

22. APPROX. DATE WORK WILL START*
 As soon as approved

PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	20"		40'	Redi-mix to surface
12 1/2"	K-55 8 5/8"	24#	400' - 500'	350 Sx. Circulate to surface
7 7/8"	K-55 5 1/2"	15.5 #	2600'	500 Sx. Circulate to surface

1. Drill 26" hole to 40'. Set 40' of .31 wall thickness conductor pipe cement with Redi-mix to surface.
2. Drill 12 1/2" hole to 560'. Run and set 500' of 400' of K-55 8 5/8" 24# ST&C casing. Cement with 350 Sx. of Class "C" + 25 CaCl, circulate cement to surface.
3. Drill 7 7/8" hole to 2600'. Run and set 2600' of K-55 15.5# 8-R ST&C casing. Cement with 300 Sx. of light cement tail in with 200 Sx. Class "C" +2% CaCl, circulate cement to surface.



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Joel T. Janice TITLE Agent

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY: NSL#

APPROVED BY FORIS. JOD. RICHARD L. MANNIS TITLE Area Manager DATE 11-13-95

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Wildcat	Pool Name
Property Code 16299	Property Name D S 26 FEDERAL		Well Number 2
OGRID No. 14007	Operator Name MARALO, INC.		Elevation 3294

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	26	20 S	26 E		1683	NORTH	1259	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent Title</p> <p>10/17/95 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>OCTOBER 3, 1995 Date Surveyed</p> <p><i>Donald J. Edson</i> Signature & Seal of Professional Surveyor</p> <p>NEW MEXICO DONALD J. EDSON 10-06-95 95-1500</p> <p>Certificate No. JOHN W. WEST 676 DONALD J. EDSON 3239 EDSON 12641</p>

OIL CONSERVATION DIVISION

December 13, 1995

Maralo, Inc.
P. O. Box 832
Midland, Texas 79702

Attention: Dorothea Logan
Regulatory Analyst

RE: Administrative Application for an Unorthodox Oil Well Location in order to test the Grayburg formation for oil. D. S. "26" Federal Well No. 2 (API No. 30-105-28719); 1683'FNL-1259'FEL (Unit H) of Section 26, Township 20 South, Range 26 East, NMPM, Eddy County, New Mexico.

Dear Ms. Logan:

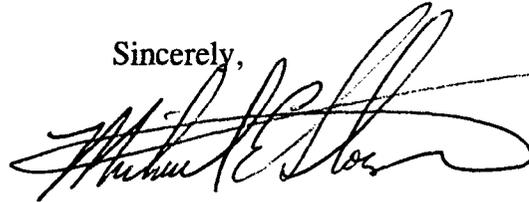
Per our telephone conversations and voice-mail messages today, Tuesday December 12, 1995, the subject application dated November 20, 1995 cannot be approved at this time due to insufficient data. Please take note, there is a significant difference between the subject application and Maralo's previous approval for its D. S. "26" Federal Well No. 1 (API No. 30-015-28257), approved by Division Administrative Order NSL-3444, dated December 16, 1994, for an unorthodox Morrow gas well location spaced on 320 acres (N/2 dedication) and located 1783 feet from the North line and 1259 feet from the East line (Unit H) of said Section 26. Said Well No. is in a pool with 320-acre development, the location is 1259 feet from the end boundary of its dedicated acreage, and this location was primarily for geologic reasons as provided for in Division General Rule 104.F(2). The No. 2 well is for an oil well to be developed on 40-acre spacing and it is only 61 feet from the outer boundary of its dedicated acreage. It is further our understanding that the APD for this well has been authorized by the U. S. Bureau of Land Management, whose primary function at this point in the process is that of a surface management agency, approval by the N.M.O.C.D. for unorthodox locations is to assure prudent oil and gas development, to promote proper drainage, provide for proper spacing between wells, to prevent waste caused by such improper development and drainage, and to protect correlative rights by providing a avenue for mineral interests to seek excepts to said rules and to provide to any other offsetting or affected mineral interests the opportunity to object to same.

Maralo, Inc.
December 13, 1995
Page 2

Please provide *all applicable* information and supporting data pursuant to Division Memorandums 1-90 and 3-89 (see copies attached).

Should you have any questions or comments concerning these rules, requirements and/or procedures after you have reviewed them, please contact me at (505) 827-8185.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael E. Stogner", written over a horizontal line.

Michael E. Stogner
Chief Hearing Officer/Engineer

cc: Oil Conservation Division - Artesia
U. S. Bureau of Land Management - Carlsbad
William J. LeMay, Director - OCD, Santa Fe



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

GARREY CARRUTHERS
GOVERNOR

POST OFFICE BOX 2098
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87504
(505) 827-5800

No. 1-90

MEMORANDUM

TO: All Operators

FROM: William J. LeMay, Director *WJL*

SUBJECT: Administrative Applications for Unorthodox Locations

DATE: March 21, 1990

Division Memorandum No. 3-89, dated March 24, 1989, advised the industry that the OCD would no longer automatically approve unopposed unorthodox location applications. Unorthodox locations can be approved administratively in accordance with the Rules and Regulations or applicable special pool rules if surface conditions truly prevent the use of a legal location and if directional drilling to a legal location is not feasible.

Topographic conditions which will be considered to justify an unorthodox location include such traditional factors as terrain features (steep slopes, arroyos, etc.) which make drilling impractical. In addition, approval may be given to avoid archeological sites which may not be disturbed without substantial mitigation, incompatible surface uses such as buildings, recreation areas, etc. Applications should fully document the reason an unorthodox location is required.

The attached guidelines state the minimum information which should be submitted with applications for administrative approval of unorthodox locations. Failure to provide the necessary information will probably result in processing delays.

If the surface of the proration unit or proposed drill site is controlled by a Federal Surface Management Agency, a copy of the application must be sent to the appropriate agency office.

If there are legal locations within the proration unit which are drillable, but the operator chooses not to drill those locations for geological reasons the application cannot be approved administratively and a hearing will be required.

NEW MEXICO OIL CONSERVATION DIVISION

SUBMITTAL GUIDELINES FOR ADMINISTRATIVE APPROVAL OF NON-STANDARD LOCATION APPLICATIONS

- I. If the well is located on Federal or Indian Lands, the Federal Surface Management Agency must be notified and an on-site inspection conducted prior to filing the application. If an Application for Permit to drill or a Notice of Staking has been prepared, a copy must be submitted.
- II. Completed C-102 showing the well location, proration unit, leases within the unit and other required information.
- III. Land plat showing offset operators and working interest owners and any offsetting wells producing from the same pool or formation.
 - A. This information may be shown on the topo map if it does not impair the readability of the map.
 - B. The operator should certify that the information is current and correct.
- IV. Original or clear copy of topographic map, preferably 7.5 minute quad, showing contours and other mapped features impacting the location, with the following information marked thereon (In order to be able to adequately show all of the necessary surface conditions it may be necessary to enlarge the relevant portion of the topo map to provide room for detail):
 - A. The proposed well location and proration unit;
 - B. An outline of the orthodox drilling windows as provided in the applicable rules for the subject application;
 - C. The location of any wells to any formation within the area of the proration unit and a statement as to whether an existing pad can be used to drill the proposed well;
- V. An enlargement of the topo map showing the subject area with the applicable additional information:
 - A. Terrain features not shown on the map which make an orthodox location unusable;
 - B. Proposed access roads and pipelines if they affect the location selection;
 - C. The location of any surface uses which prevent use of a legal location;

- D. The location of any archeological sites identified in the archeological survey;
 - E. The location and nature of any other surface conditions which prevent the use of an orthodox location.
- VI. If archeological sites are a reason for the unorthodox location request, a copy of the archeological survey, or a summary, identifying sites which cannot be disturbed or which must have any disturbance mitigated. In addition, the location of such areas should be marked on the enlarged topo so they can be clearly identified.
- VII. A narrative report of any on-site inspection of the potential locations. If such on-site has resulted in elimination of legal locations due to surface conditions, such information should also be noted on the enlarged topo.
- VIII. A statement of why directional drilling to reach a legal bottom-hole location is not feasible.
- IX. An affidavit that notice has been sent to all parties entitled thereto, under the Divisions Rules and Regulations with return receipt cards showing date of receipt of notice.

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

No. 3-89

MEMORANDUM

TO: ALL OIL AND GAS OPERATORS
FROM: WILLIAM J. LEMAY, DIRECTOR *WJL*
SUBJECT: UNORTHODOX WELL LOCATIONS
DATE: MARCH 24, 1989

Previously, it has been the practice of the Division to approve applications for unorthodox well locations without penalty if they were not opposed by any off-setting operator. However, due to the increased applications for unorthodox locations based predominantly on "closeology", this Division policy may no longer be appropriate. In the future, applications for unorthodox locations, whether for administrative approval or through the hearing process, will have to be supported by substantial evidence.

The Division will be reviewing future applications in an effort to develop guidelines for approving or denying such applications. Generally, if the application is based upon surface conditions, i.e., topography, archaeological considerations, etc., it will have to be clearly shown what obstructions prevent the drilling of the well at a legal location and the unorthodox location will have to be as close as practicable to the orthodox location. If unorthodox location is being requested for geological reasons, the applicant should be prepared to present evidence showing the geological factors that dictate the necessity for drilling an unorthodox location.

As always, the Division welcomes industry input into the process.

dr/

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING
GOVERNOR

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

December 16, 1994

Maralo Inc.
P.O. Box 832
Midland, Texas 79702

Attention: Ms. Dorothea Logan

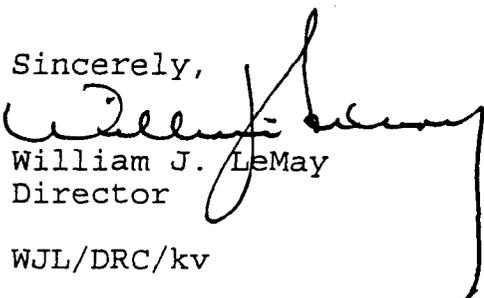
Administrative Order NSL-3444

Dear Ms. Logan:

Reference is made to your application dated December 8, 1994, for a non-standard gas well location for the D. S. "26" Federal Well No. 1 to be drilled 1783 feet from the North line and 1259 feet from the East line (Unit H) of Section 26, Township 20 South, Range 26 East, NMPM, Eddy County, New Mexico, to test the Morrow and Cisco/Canyon formations, Undesignated McMillan-Morrow and Undesignated Springs Upper-Pennsylvanian Gas Pools. The N/2 of Section 26 shall be dedicated to the well forming a standard 320-acre gas spacing and proration unit.

By authority granted me under the provisions of General Rule 104.F(1) and (2), the above-described unorthodox gas well location is hereby approved.

Sincerely,


William J. LeMay
Director

WJL/DRC/kv

cc: Oil Conservation Division-Artesia
US Bureau of Land Management-Carlsbad

12/12/95

1:45 PM

Talked w/ Dorothea Logan
concerning this matter
further:

- 1) is the entire Section 26
on Federal lease;
- 2) did the BLM request
Marab to drill on the
existing land;
- 3) what topographic conditions
exist.

MS

OIL CONSERVATION DIVISION
RECEIVED



'95 NOV 27 AM 8 52

November 20, 1995

Mr. William LeMay, Director
Energy, Minerals and Natural Resources Department
Oil Conservation Division
2040 S. Pacheco
Santa Fe, NM 87504

RE: Application for Administrative Approval of Unorthodox
Location on D. S. "26" Federal Lease, Well #2
UL. H, 1683' FNL & 1259' FEL, Section 26, T20S, R26E
Eddy County, New Mexico

Dear Sir:

Maralo, Inc., hereby requests administrative approval of the
above unorthodox location in accordance with Rule 104(E)III.

This well is a twin to the D. S. "26" Federal, Well #1.
(Administration Order NSL-3444) The necessity for the above
unorthodox location is based upon the same topographical
conditions. Form C-102 Well Location and Acreage Dedication
Plat, Vicinity Map and Location Verification Map are
included.

There are no offset operators to the 40-acre proration unit.

If you have any further questions, please contact John
Thoma, Geologist or Mark Wheeler, District Landman at (915)
684-7441.

Thank you for your prompt assistance.

Sincerely,

A handwritten signature in cursive script that reads "Dorothea Logan".

Dorothea Logan
Regulatory Analyst

attachments (3)
cc: Oil Conservation Division - Artesia
US Bureau of Land Management - Carlsbad

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer 00, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Wildcat	Pool Name
Property Code 16299	Property Name D S 26 FEDERAL		Well Number 2
OGRID No. 14007	Operator Name MARALO, INC.		Elevation 3294

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	26	20 S	26 E		1683	NORTH	1259	EAST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

(Grayburg) Oil well.
as per my telephone conversation w/ Ms. Logan on 12/12/95

SEE DETAIL

1259'

1683'

D.S. "26" Federal Well No. 1

3301.6' 3291.0'

DETAIL

1259'

Fee lease

OPERATOR CERTIFICATION

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

Joe T. Janica
Signature

Joe T. Janica
Printed Name

Agent
Title

10/17/95
Date

SURVEYOR CERTIFICATION

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 belief.

OCTOBER 3, 1995

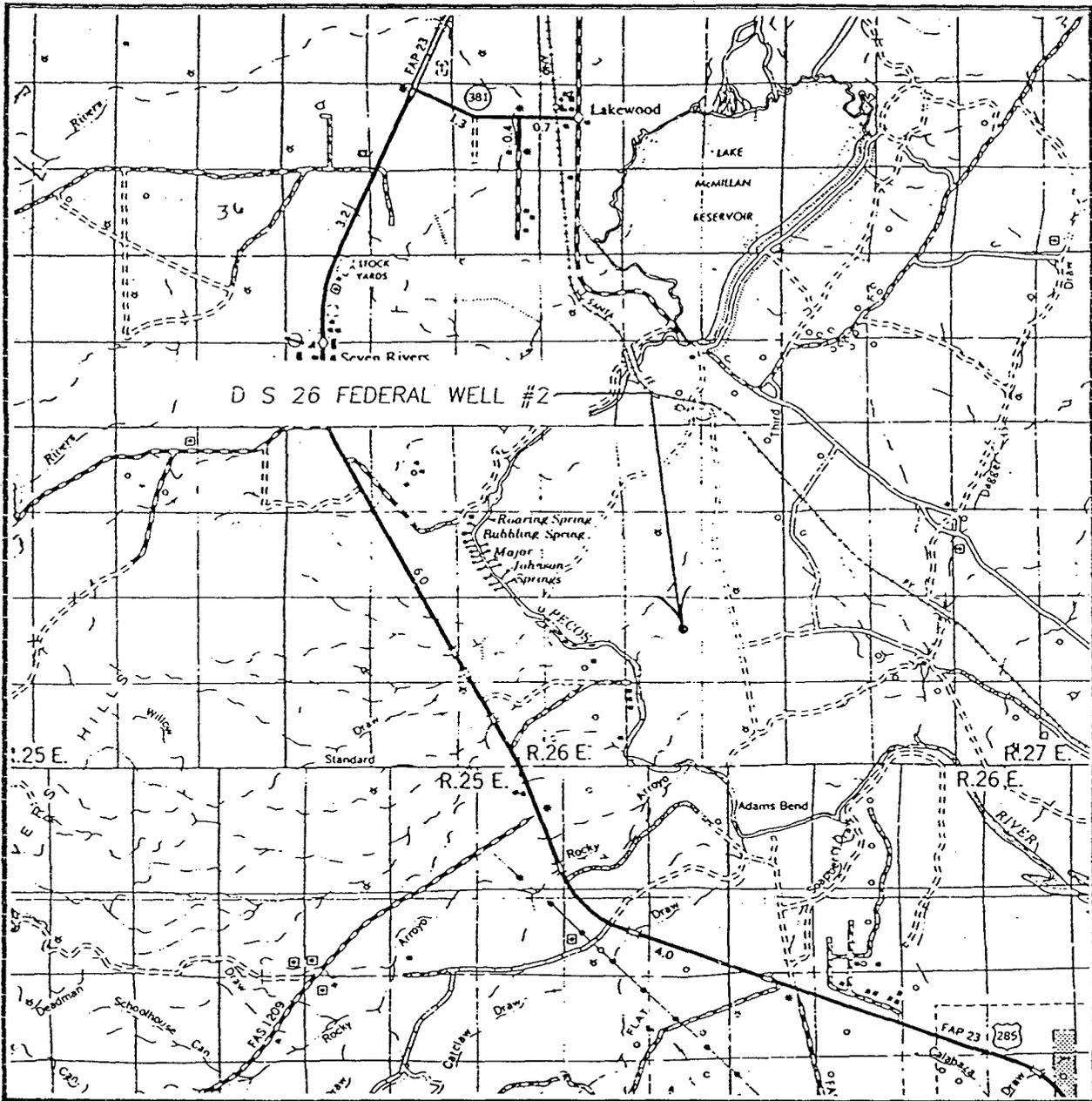
Date Surveyed

Ronald J. Edson
Signature & Seal of Professional Surveyor

NEW MEXICO
PROFESSIONAL SURVEYOR
10-06-95
95-10-1500

Certificate No. JOHN W. WEST 676
RONALD J. EDSON 3239
GARY EDSON 12641

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 26 TWP. 20-S RGE. 26-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1683' FNL & 1259' FEL

ELEVATION 3294

OPERATOR MARALO, INC.

LEASE D S 26 FEDERAL

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

Form 3160-3
(July 1992)

ARTESIAN WATER
SUBMIT IN TRIPPLICATE
(Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 MARALO INC. 14007 (Bill Hunt)

3. ADDRESS AND TELEPHONE NO.
 P.O. Box 832 Midland, Texas 79702 Phone 915-684-7441

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface UNORTHODOX LOCATION:
 1683' FNL & 1259' FEL SEC. 26 T20S-R26E EDDY CO. NEW MEXICO
 At proposed prod. zone Sams Unit H

11. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 11 miles Northwest of Carlsbad New Mexico

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any.)
 1259'

16. NO. OF ACRES IN LEASE
 560

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 100'

19. PROPOSED DEPTH
 2600'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 3294' GR. Controlled Water Bear

22. APPROX. DATE WORK WILL START*
 As soon as approved

5. LEASE DESIGNATION AND SERIAL NO.
 NM89038

6. INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO. 16299
 D.S. "26" FEDERAL # 2

9. API WELL NO.
 30-015-28719

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 Wildcat Hills - SA, East

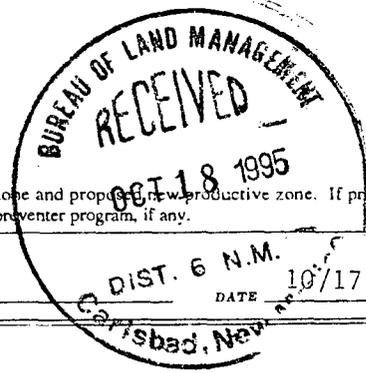
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 Sec. 26 T20S-R26E

12. COUNTY OR PARISH 13. STATE
 Eddy Co. NM

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SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
26"	20"		40'	Redi-mix to surface
12 1/2"	K-55 8 5/8"	24#	400' 500'	350 Sx. Circulate to surface
7 7/8"	K-55 5 1/2"	15.5 #	2600'	500 Sx. Circulate to surface

1. Drill 26" hole to 40'. Set 40' of .31 wall thickness conductor pipe cement with Redi-mix to surface.
2. Drill 12 1/2" hole to 500'. Run and set 400' of K-55 8 5/8" 24# ST&C casing. Cement with 350 Sx. of Class "C" + 25 CaCl, circulate cement to surface.
3. Drill 7 7/8" hole to 2600'. Run and set 2600' of K-55 15.5# 8-R ST&C casing. Cement with 300 Sx. of light cement tail in with 200 Sx. Class "C" +2% CaCl, circulate cement to surface.



IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Geoff T. Jamaica TITLE Agent
 (This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
 CONDITIONS OF APPROVAL, IF ANY: NSL#

APPROVED BY JORIG. SGT. RICHARD L. MANUS TITLE Area Manager DATE 11-13-95

*See Instructions On Reverse Side

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

OIL CONSERVATION DIVISION
P.O. Box 2088

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-28719	Pool Code	Wildcat	Pool Name
Property Code 16299	Property Name D S 26 FEDERAL		Well Number 2
OGRID No. 14007	Operator Name MARALO, INC.		Elevation 3294

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	26	20 S	26 E		1683	NORTH	1259	EAST	EDDY

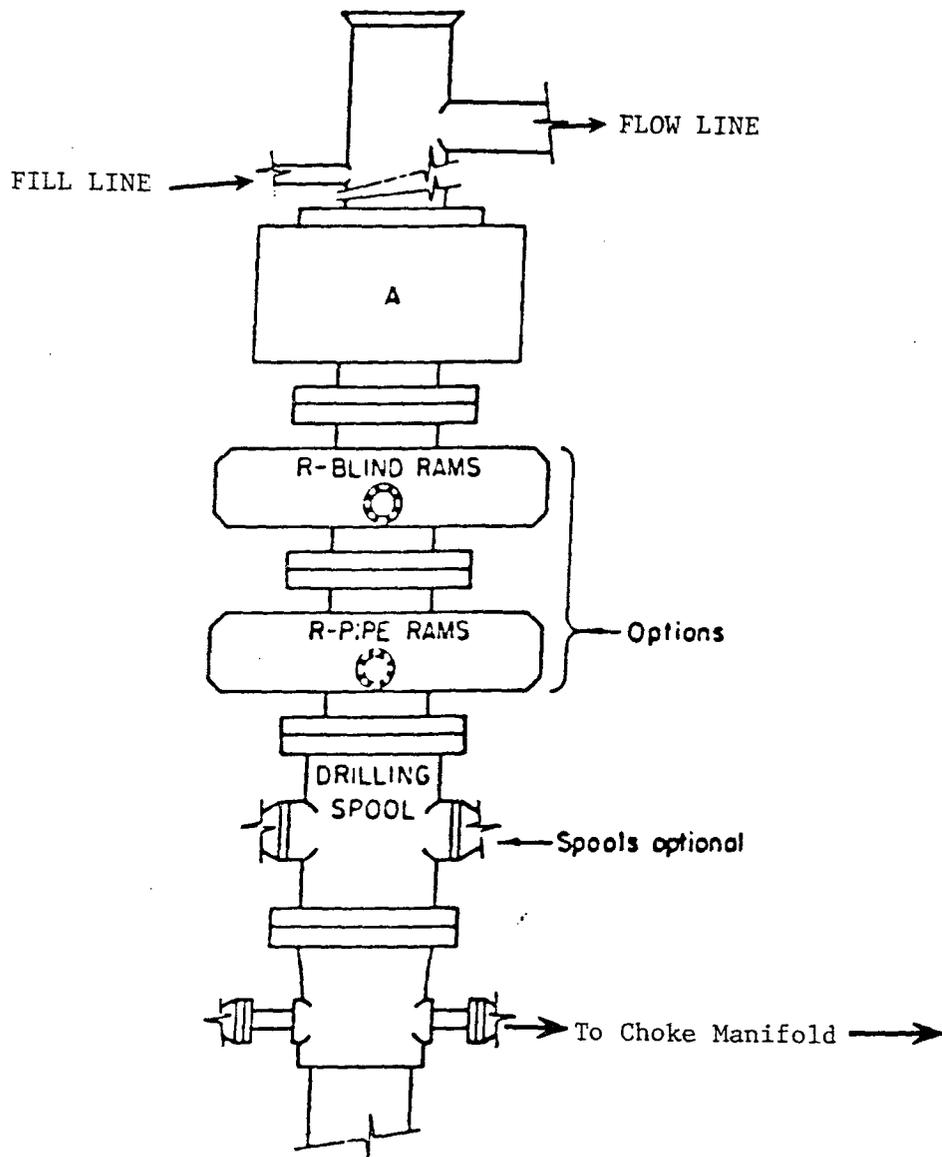
Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Joe T. Janica</i> Signature</p> <p>Joe T. Janica Printed Name</p> <p>Agent Title</p> <p>10/17/95 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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 belief.</p> <p>OCTOBER 3, 1995</p> <p>Date Surveyed SJA</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Donald J. Eidson</i> Professional Surveyor</p> <p>NEW MEXICO 10-06-95 1500</p> <p>Certificate No. JOHN W. WEST 676 DONALD J. EIDSON 3239 PROFESSIONAL SURVEYOR EIDSON 12641</p>



ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
B.O.P. SKETCH TO BE USED ON
MARALO INC.
D.S. "26" FEDERAL # 2
1683' FNL & 1259' FEL SEC. 26
T20S-R26E EDDY CO. NA

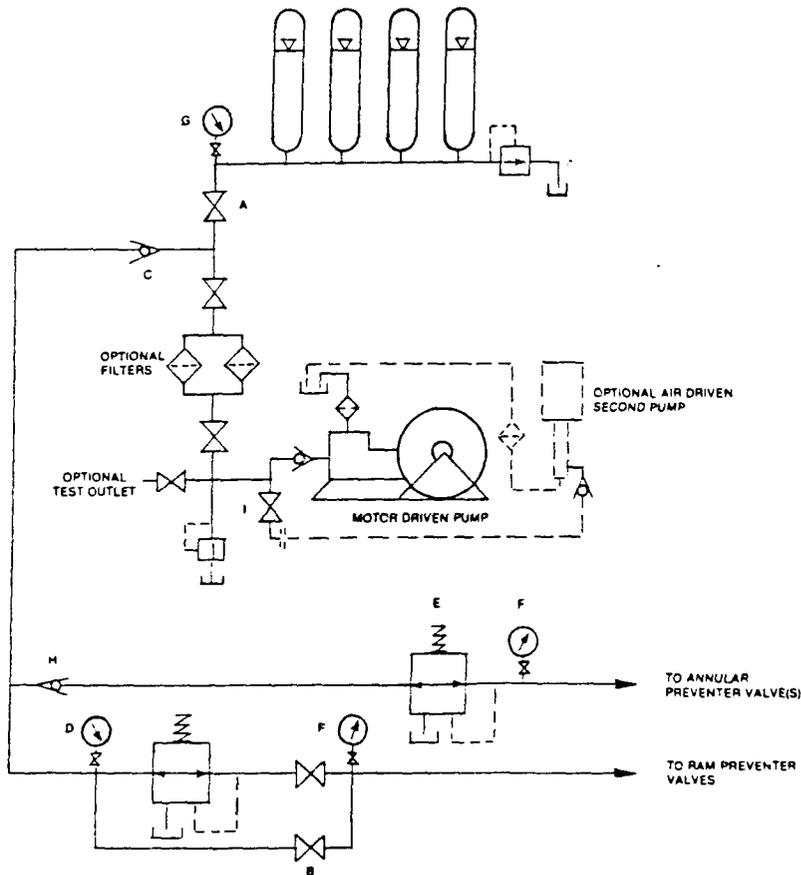


FIGURE K6-1. The schematic sketch of an accumulator system shows required and optional components.

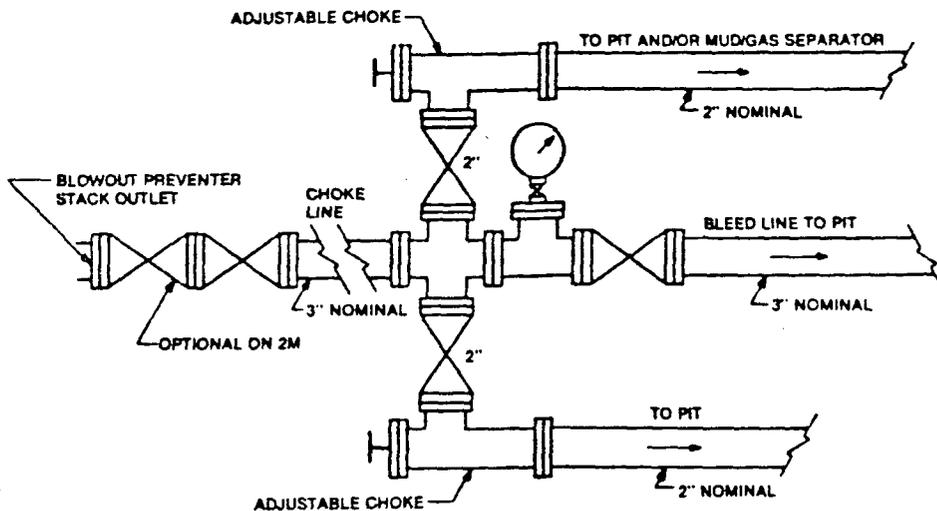


FIGURE K4-1. Typical choke manifold assembly for 2M and 3M rat working pressure service — surface installation.

EXHIBIT "E-1"
CHOKE MANIFOLD & CLOSING UNI

MARALO INC.

D.S. " 26" FEDERAL # 2
1683' FNL & 1259' FEL SEC. 2
T20S-R26E EDDY CO. N

CMD :
OG6IWCM

ONGARD
INQUIRE WELL COMPLETIONS

12/12/95 21:06:02
OGOMES -EMDQ

API Well No : 30 15 28257 Eff Date : 06-28-1995 WC Status : A
Pool Idn : 81240 MCMILLAN;MORROW (GAS)
OGRID Idn : 14007 MARALO INC
Prop Idn : 16299 D S 26 FEDERAL

Well No : 001
GL Elevation: 3296

	U/L	Sec	Township	Range	North/South	East/West	Prop/Act (P/A)
B.H. Locn	: H	26	20S	26E	FTG 1783 F N	FTG 1259 F E	P

Lot Identifier:

Dedicated Acre: 320.00

Lease Type : F

Type of consolidation (Comm, Unit, Forced Pooling - C/U/F/O) :

M0025: Enter PF keys to scroll

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06
PF07	PF08	PF09	PF10 NEXT-WC	PF11 HISTORY	PF12 NXTREC