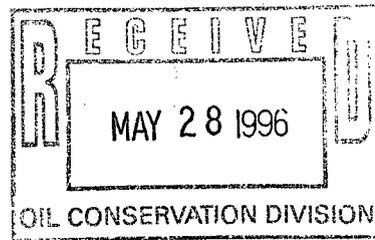


marbob
energy corporation



May 22, 1996

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
#1 True Grit - Fee
1824' FSL & 1215' FWL
Section 3 - T11S - R28E
Chaves County, New Mexico

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 #1 True Grit-Fee well to the Siluro-Devonian formation at an unorthodox location based on geologic considerations.

Marbob proposes to drill its #1 True Grit-Fee well to a unorthodox bottomhole location of 1824 feet from the South line and 1215 feet from the West line of section 3, Township 11 South, Range 29 East, N.M.P.M., Chaves County, New Mexico with the intent of testing the Siluro-Devonian formation. The proposed bottomhole location is orthodox in the northerly direction but is unorthodox in a westerly direction by a distance of 225 feet.

Marbob proposes to dedicate to the #1 True Grit-Fee well a standard spacing/proration unit comprised of NW/4SW/4 of said Section 3.

Marbob is the operator and lessee of record of the NW/4SW/4 of said section 3, and is also the operator and lessee of record of the affected adjoining and diagonal spacing units.

Page -1-

Fax
723-5055

Application For Unorthodox Location

Exhibit "A" is a plat showing the proposed unorthodox well location, the spacing unit for the #1 True Grit-Fee well, the diagonal and adjoining spacing units, and lease ownership in the affected area. The spacing unit for the proposed well is outlined in red and the adjoining governmental quarter-quarter section and lots are outlined in blue. Note that section 3 is a non-standard section that contains only 369.68 acres. The legal description for the section is: lots 1, 2, 3 & 4, S/2. It appears that the only adjoining and diagonal spacing unit that would be encroached upon by the proposed unorthodox location would be the NE/4SW/4 of said section 3. It is possible that Lots 3 & 4 may also be considered to be affected adjoining and diagonal spacing units. Marbob is also operator and lessee of record of these lands.

Marbob is operator and lessee of record of the lands shown in yellow on Exhibit "A". All of the lands shown in yellow are fee minerals having common ownership which have been leased by Marbob.

Therefore, there is common ownership, both from the working interest ownership and royalty/overriding royalty interest ownership standpoints, across all lands affected by the proposed unorthodox location of the #1 True Grit-Fee. There would be no encroachment on correlative rights.

Exhibit "B" is a geologic map derived from 3D seismic information showing the two-way travel time from the surface to the top of the Siluro-Devonian formation (Siluro-Devonian Time Map). This map indicates the presence of a structural closure having approximately 100 foot of structural relief with an area under closure of around 160 acres. The crestal position on this structure is shown in the red colored area. The proposed unorthodox location for the #1 True Grit-Fee is located within the red shaded area. The estimated productive area for this feature should be approximately 40 to 60 acres (red & yellow 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 200,000 barrels of oil and 400,000 barrels of oil with very little to no associated gas.

At the nearest orthodox location of 990 feet from the west line of section 3 there is an increased risk of encountering the down-to-the-west fault (high angle reverse fault), or steeply dipping beds associated with the fault, that bounds this feature on the west side. In addition, at the 990' FWL orthodox location it is estimated that the Siluro-Devonian formation would be encountered at a structurally lower position.

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.

Application For Unorthodox Location

The proposed unorthodox location for the #1 True Grit-Fee well should provide the opportunity for additional recoverable oil reserves and should decrease risk associated with encountering the bounding fault than would a location at the nearest orthodox location.

In addition, it is Marbob's 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.

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). As defined in Rule 104.F(3b), there are no affected parties. Please accept this application as the written statement from Marbob attesting that there are no affected parties to this proposed unorthodox location.

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 its #1 True Grit-Fee 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

R 28 E

31

32

T 10 S

Lot 4

Lot 3

Lot 2

Lot 1

#1 True Grit-Fee

1215'

105'

1824'

3

T 11 S

Exhibit "A"

Application For Unorthodox Location

Marbob Energy Corporation

#1 True Grit -Fee

1824' FSL & 1215' FWL

Section 3 - T11S - R28E

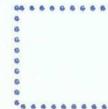
Chaves County, New Mexico



*Marbob Energy
Operator/Lessor*



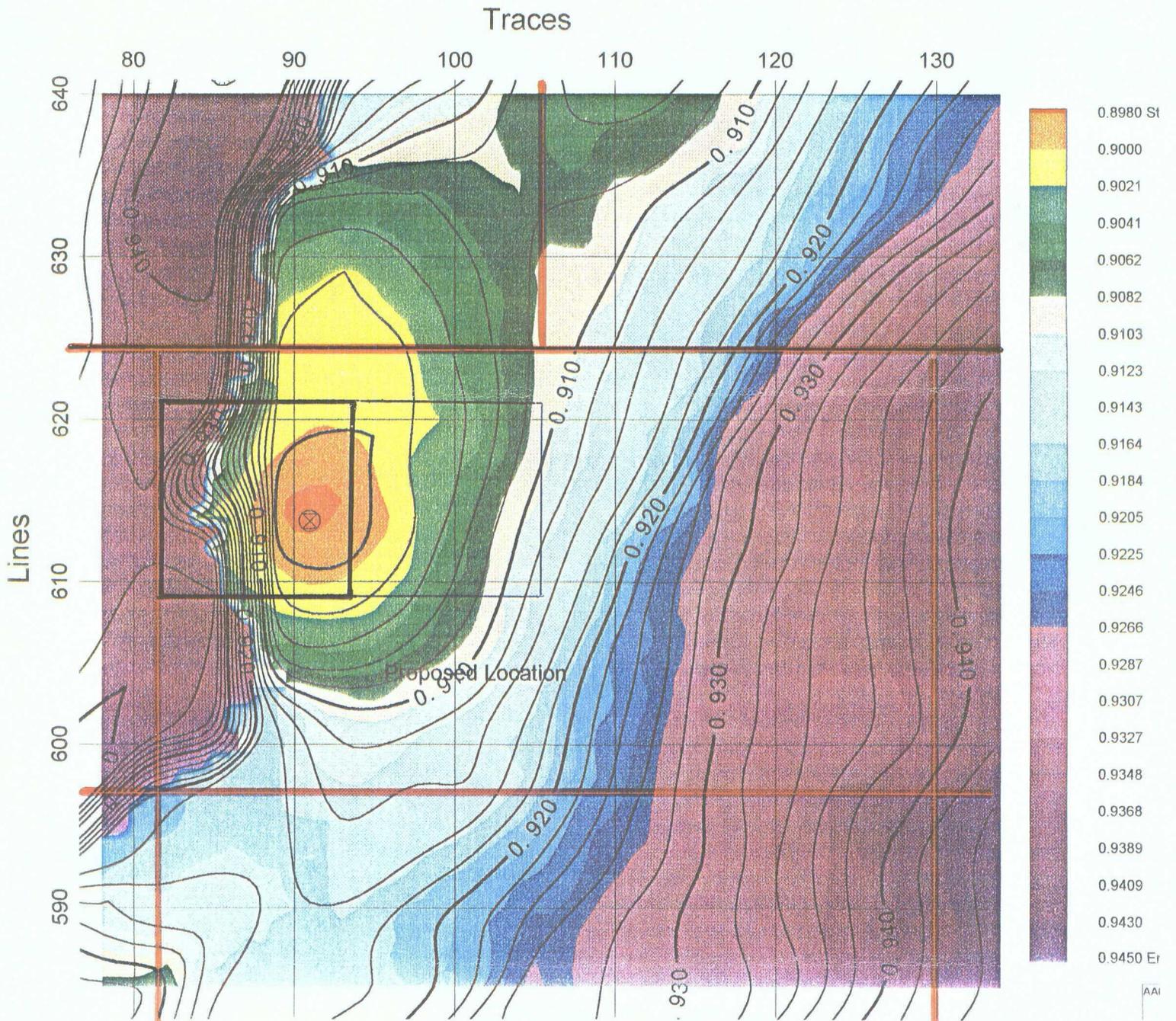
Proposed Spacing Unit

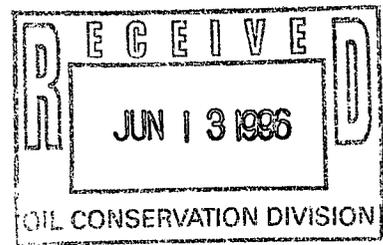


*Adjacent Affected
Spacing Unit*

Scale: 1" = 1,000'

Exhibit "B" - Marbob Energy Corporation #1 True Grit-Free Siluro-Devonian Time Map - Scale:1" = 1,000' - C.I. = 20'





June 11, 1996

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: Administrative Order NSL-3675
Marbob Energy Corporation
#1 True Grit-Fee
Section 3-T11S-R28E
Chaves County, New Mexico

Dear Mr. Stogner:

By Administrative Order NSL-3675, Marbob received administrative approval for drilling the above referenced well at an unorthodox location of 1824 feet from the south line and 1215 feet from the west line of section 3-T11S-R28E.

It has come to our attention that we have reported two different footage calls on our Form C-101 and on Form C-102. Both of the footage calls result in the well being located in the identical location. The description on our Application for Administrative Approval for Unorthodox Location is the same as on Form C-101.

Section 3 is a non-standard sized section as it measures only 3089 feet in the north to south direction (covering only 369.68 acres). The legal description for this section is reported to be lots 1, 2, 3, 4, & S/2.

Since the location for this well is located in the NW/4 SW/4 of section 3 on a legal subdivision basis, the footage call for this location was described on Form C-101 and on our Application for Administrative Approval of Unorthodox Location from the south line resulting in the 1824' FSL and 1215' FWL location.

However, the location actually is closer to the north line of the section (1265' FNL vs. 1824' FSL) so the surveyor reported the footage from the north line on the Form C-102 (standard surveying practice is to report from the nearest section line). This resulted in the two different descriptions for this location although both locations are in the exact same spot.

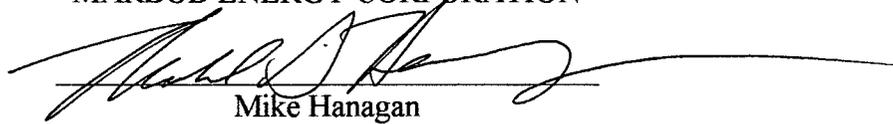
After consultation with NMOCD-Artesia, it appears that the correct description for this well should be 1265 feet from the north line and 1215 feet from the west line.

To correct the discrepancy, I have attached a copy of Form C-102 for this well and a revised Exhibit "A" for our Application for Administrative Approval of Unorthodox Location dated May 22, 1996.

Sorry about the confusion, should you need any additional information please give me a call at 505-622-6182 or 623-5053.

Sincerely,

MARBOB ENERGY CORPORATION



Mike Hanagan

R 28 E

31

32

T 10 S

Lot 4

Lot 3

Lot 2

Lot 1

1265'

1215'

1824'

105°

#1 True Grit-Fee

3

T 11 S

Exhibit "A"

Application For Unorthodox Location

Marbob Energy Corporation

#1 True Grit -Fee

1265 FNL & 1215' FWL

Section 3 - T11S - R28E

Chaves County, New Mexico



**Marbob Energy
Operator/Lessor**



Proposed Spacing Unit



**Adjacent Affected
Spacing Unit**

Scale: 1" = 1,000'

R 28 E

31

32

T 10 S

Lot 4

Lot 3

Lot 2

Lot 1

1215'

1265'

1824'

105'

#1 True Grit-Fee

3

T 11 S

Exhibit "A"

Application For Unorthodox Location

Marbob Energy Corporation

#1 True Grit -Fee

1265 FNL & 1215' FWL

Section 3 - T11S - R28E

Chaves County, New Mexico



**Marbob Energy
Operator/Lessor**



Proposed Spacing Unit



**Adjacent Affected
Spacing Unit**

Scale: 1" = 1,000'

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

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

MAY 23 1996

DISTRICT III
1300 Rio Brazos Rd., Aztec, NM 87410

AMENDED REPORT

DISTRICT IV
P.O. BOX 2080, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		WILDCAT
Property Code	Property Name	Well Number
	TRUE GRIT-FEE	1
OGRID No.	Operator Name	Elevation
014049	MARBOB ENERGY CORPORATION	3752

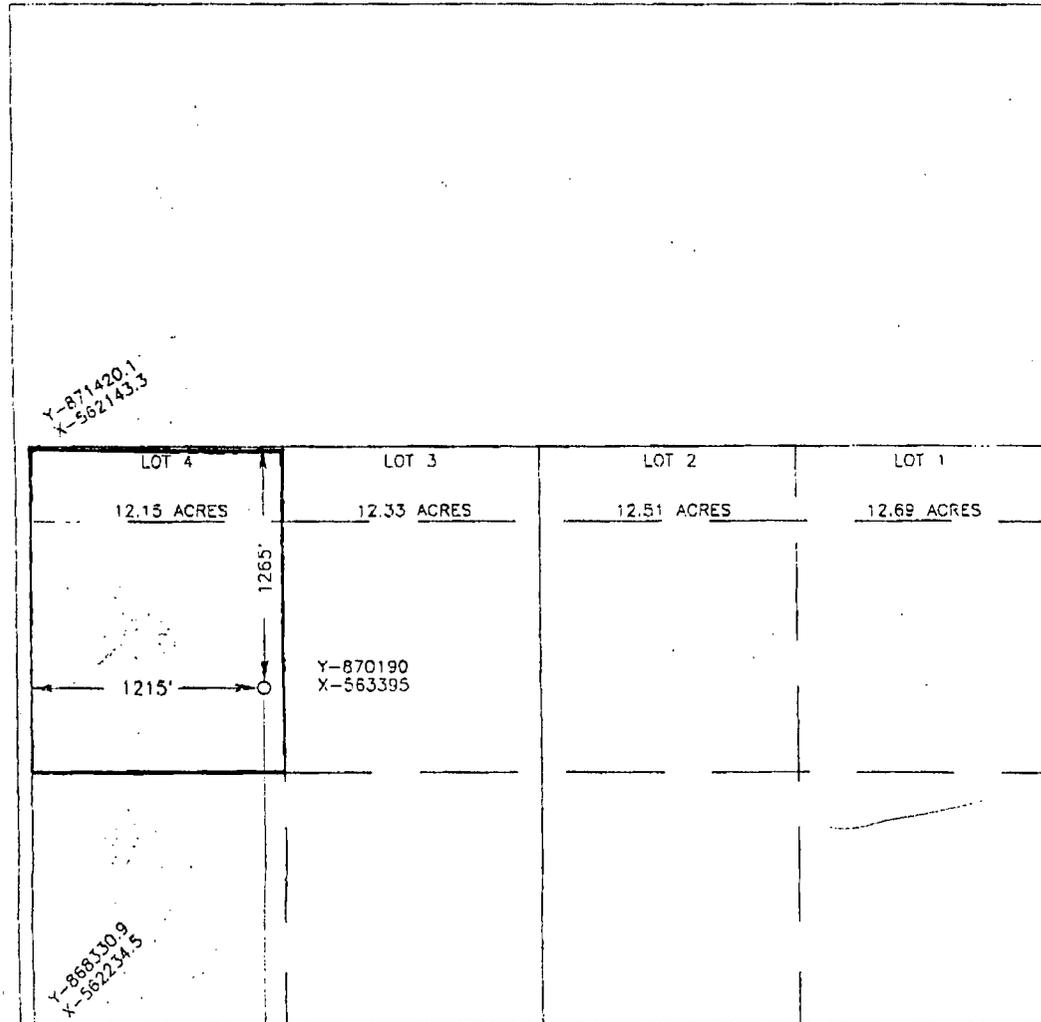
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	3	11 S	28 E		1265	NORTH	1215	WEST	CHAVES

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		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



OPERATOR CERTIFICATION

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

Rhonda Nelson
Signature

RHONDA NELSON
Printed Name

PRODUCTION CLERK
Title

5/28/96
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.

MAY 20, 1996
Date Surveyed

DMCC

Signature & Seal of Professional Surveyor

Bruce Balon
98-11-059

Certificate No. JOHN W. WEST 676
RONARD J. EIDSON 3239
GARY EIDSON 12641

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

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

MAY 23 1996

DISTRICT III
1200 Rio Brazos Rd., Aztec, NM 87410

AMENDED REPORT

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

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
		WILDCAT
Property Code	Property Name	Well Number
	TRUE GRIT-FEE	1
OGRID No.	Operator Name	Elevation
014049	MARBOB ENERGY CORPORATION	3752

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	3	11 S	28 E		1265	NORTH	1215	WEST	CHAVES

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	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

Y-871420.1
X-562143.3

LOT 4 12.15 ACRES	LOT 3 12.33 ACRES	LOT 2 12.51 ACRES	LOT 1 12.69 ACRES
Y-870190 X-563395			

Y-888130.9
X-562234.5

OPERATOR CERTIFICATION

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

Rhonda Nelson
Signature

RHONDA NELSON
Printed Name

PRODUCTION CLERK
Title

5/28/96
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.

MAY 20, 1996
Date Surveyed

DMCC

Signature & Seal of Professional Surveyor

Larry Eidsen
98-11-059

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

Sec : 03 Twp : 11S Rng : 28E Section Type : NORMAL

4	3	2	1
12.15	12.33	12.51	12.69
Fee owned	Fee owned	Fee owned	Fee owned

M0002: This is the first page

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

Sec : 03 Twp : 11S Rng : 28E Section Type : NORMAL

L 40.00 Fee owned	K 40.00 Fee owned	J 40.00 Fee owned	I 40.00 Fee owned
M 40.00 Fee owned	N 40.00 Fee owned	O 40.00 Fee owned	P 40.00 Fee owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

TRANSMITTAL COVER SHEET

**Oil Conservation Division
(505) 827-7131 (Office)
(505) 827-8177 (Fax)**

Please Deliver This Fax To:

TO: Mike Hanagan

FROM: Michael E. Stogner

SUBJECT: Marbob Energy Corp. True Grit - Fee #1

DATE: 6-3-96

PAGES: 2

*If You Have Any Problems Receiving This Fax
Please Call the Number Above*

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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