

October 22, 1996

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

Attention: Mr. Mike Stogner

RE: APPLICATION FOR ADMINISTRATIVE APPROVAL
OF UNORTHODOX LOCATION
Marbob Energy Corporation
#1 Lambert 58 Deep Unit - Federal
330' FNL & 1010' FWL
Section 8 - T13S - R31E
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 Lambert 58 Deep Unit well to the Devonian formation at an unorthodox location based on geologic considerations.

The proposed well is located within the boundaries of the recently approved Lambert 58 Deep Unit Area. This Federal exploratory unit consists of the SW/4 of section 5-T13S-R31E and the NW/4 of section 8-T13S-R31E (approximately 320.0 acres M.O.L.). Marbob has received full joinder of this unit from 100% of the affected record title holders and working interest owners.

Marbob proposes to drill its #1 Lambert 58 Deep Unit well to a unorthodox bottomhole location of 330 feet from the North line and 1010 feet from the West line of Section 8, Township 13 North, Range 31 East, N.M.P.M., Chaves County, New Mexico with the intent of testing the Devonian formation.

The proposed bottomhole location is orthodox as to all lease lines and is orthodox from the north line, but is unorthodox from the west line by a distance of 20 feet. This location represents the best geologic location identified by 3D seismic information. The

Application For Unorthodox Location

proposed location is positioned on a seismic shot point for geologic/geophysical control purposes.

There are no wells producing from the Devonian Formation within a one mile radius of the proposed location and the nearest Devonian dry hole, being the Magnolia #1 Shaw, is located approximately 1/3-1/2 mile northwest in the diagonally adjacent spacing unit. There is shallow gas production from the Queen Formation both north and south of the proposed location. However, the Queen rights are not included within this Federal unit and will not be affected by the proposed well.

Marbob proposes to initially dedicate the #1 Lambert 58 Deep Unit well to a standard spacing/proration unit comprised of NW/4NW/4 of said Section 8. However, after obtaining production information it is very likely that Marbob will seek special pool rules that would include spacing provisions for 80 or 160 acre spacing units.

Marbob holds record title to, and operating rights to, the NW/4 of section 8. Marbob has received, from Hunt Oil Company (record title holder), a term-assignment of the operating rights as to the SW/4 of section 5. As was previously mentioned, the proposed location is not unorthodox to any outside lease boundary but is actually only unorthodox to the inner quarter-quarter line between the NW/4NW/4 of section 8 and the NE/4NW/4 of section 8.

Exhibit "A" is a plat showing the proposed unorthodox well location, the spacing unit for the #1 Lambert 58 Deep Unit, the diagonal and adjoining spacing units, and lease ownership in the affected area. The standard spacing unit for the proposed well is outlined in red and the adjoining governmental quarter-quarter section and lots are outlined in blue.

Marbob is operator of the lands shown in yellow on Exhibit "A". It is our interpretation of Oil Conservation Division Rule 104.F(3)(a) that there are no affected adjoining or diagonal spacing units to the proposed location as the unorthodox location of the proposed well does not encroach upon or toward any outside spacing unit. Working interest on all affected lands is common as is royalty/overriding interest in the NW/4 of section 8.

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 #1 Lambert 58 Deep Unit, 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 Devonian formation (Devonian Time Map). This map indicates the presence of a structural closure having approximately 75-100 feet of structural relief with an area under closure of around 160 acres. The estimated productive area for this feature should be approximately 80 to 120 acres having an oil column thickness of 50'-60'. Recoverable reserves from one well drilled in an optimum location on this feature are estimated to be between 600,000 barrels of oil and 900,000 barrels of oil with very little to no associated gas.

Structural position is the single-most important aspect of productive Devonian reservoirs found in this area. Oil columns in eastern Chaves and western Lea Counties are usually thicker than those found in central and western Chaves County and can have gross oil columns of up to 100'. Additional recoverable reserves attributable to locating wells in the highest portion of the structure can be considerable.

Application For Unorthodox Location

The proposed unorthodox location for the #1 Lambert 58 Deep Unit well should provide the opportunity for additional recoverable oil reserves.

In addition, it is our 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(3)(b). As defined in Rule 104.F(3)(b), 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(1)(b) and 104.C(1) ,without notice and hearing, so that Marbob may drill its #1 Lambert 58 Deep Unit well at the proposed unorthodox location.

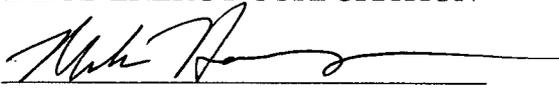
Marbob has received an approved permit to drill the proposed well and presently has a drilling rig working in the vicinity of this proposal. Dirt work has begun on the pad and roads with plans to move Peterson Drilling Company Rig #8 over the hole sometime next week.

I apologize for submitting this proposal at such a late date (relative to our proposed spud date) Unfortunately, I did not notice that the proposed well was at an unorthodox location until we had already begun dirt work on the location. I will be grateful to your prompt consideration and approval of this request.

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

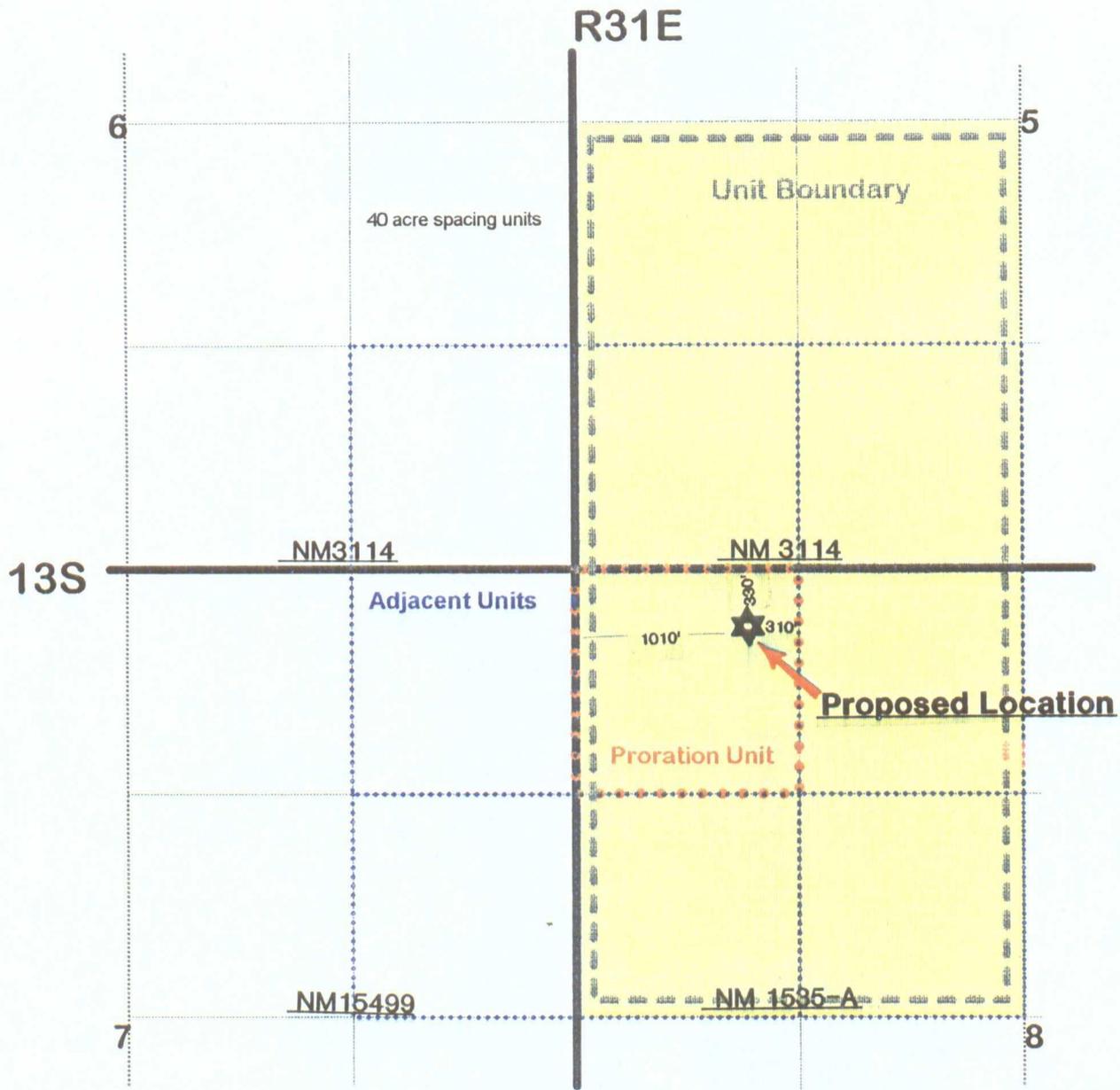


Exhibit "A"

Application For Unorthodox Location

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 330' FNL & 1010' FWL
 Section 8-T13S-R31E
 Chaves County, New Mexico



Marbob Leasehold



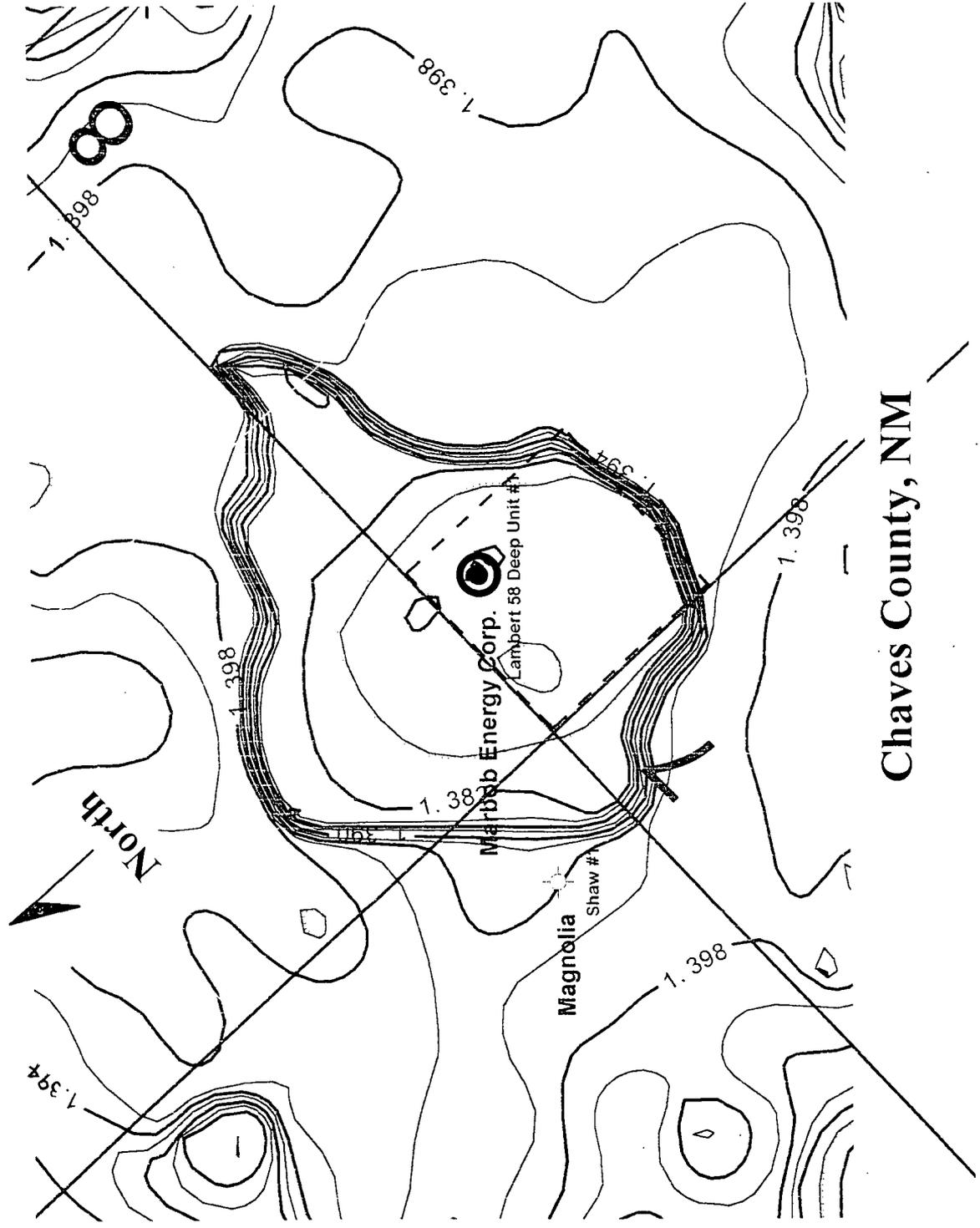
Spacing Unit



Adjacent Units

Marbob Energy Corporation Lambert 58 Deep Unit: Exhibit "B"
Devonian Time Structure 2 Ms Contour Interval 1"=1000'

R31E



T13S

Chaves County, NM



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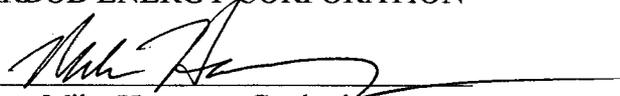
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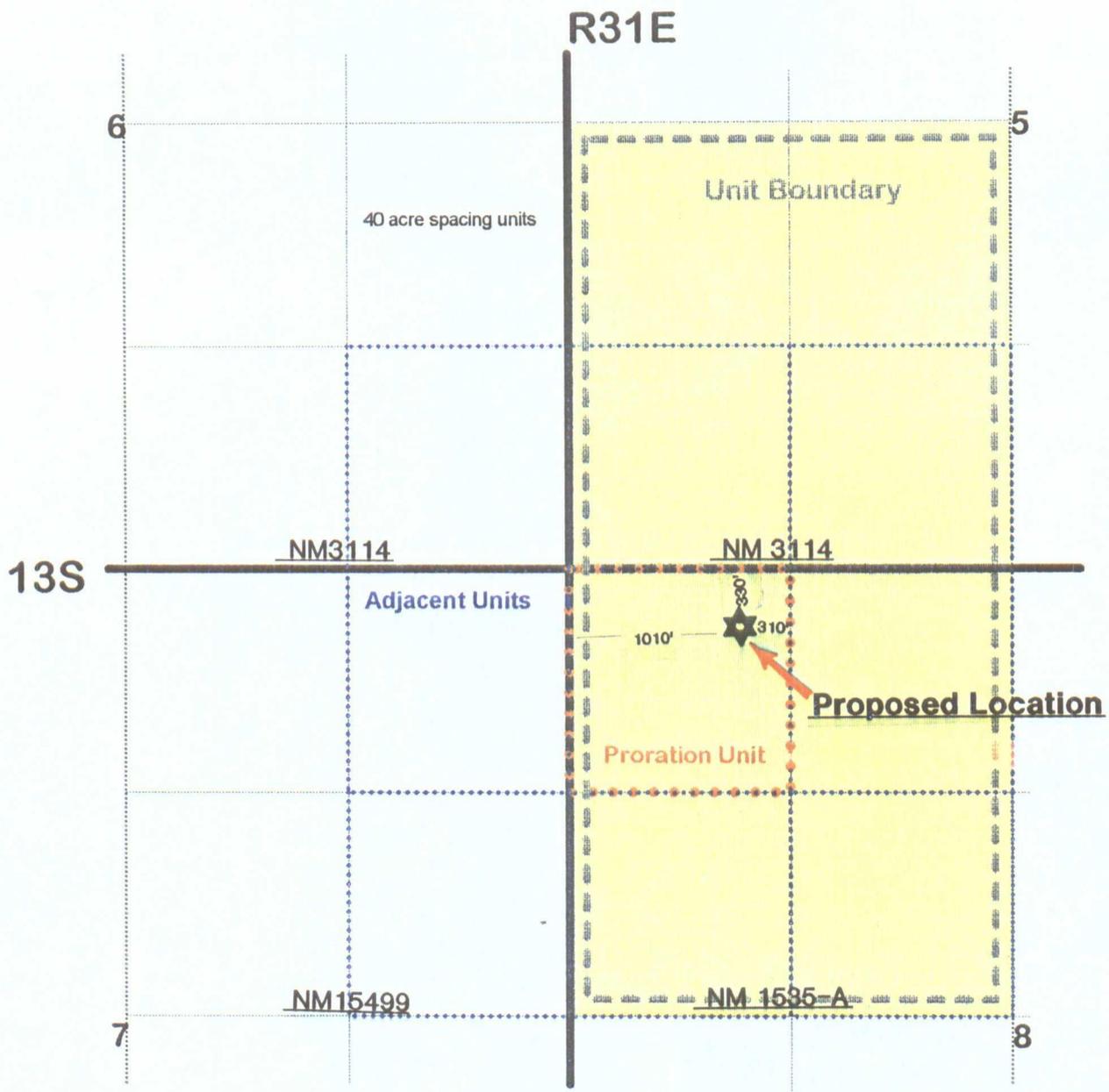


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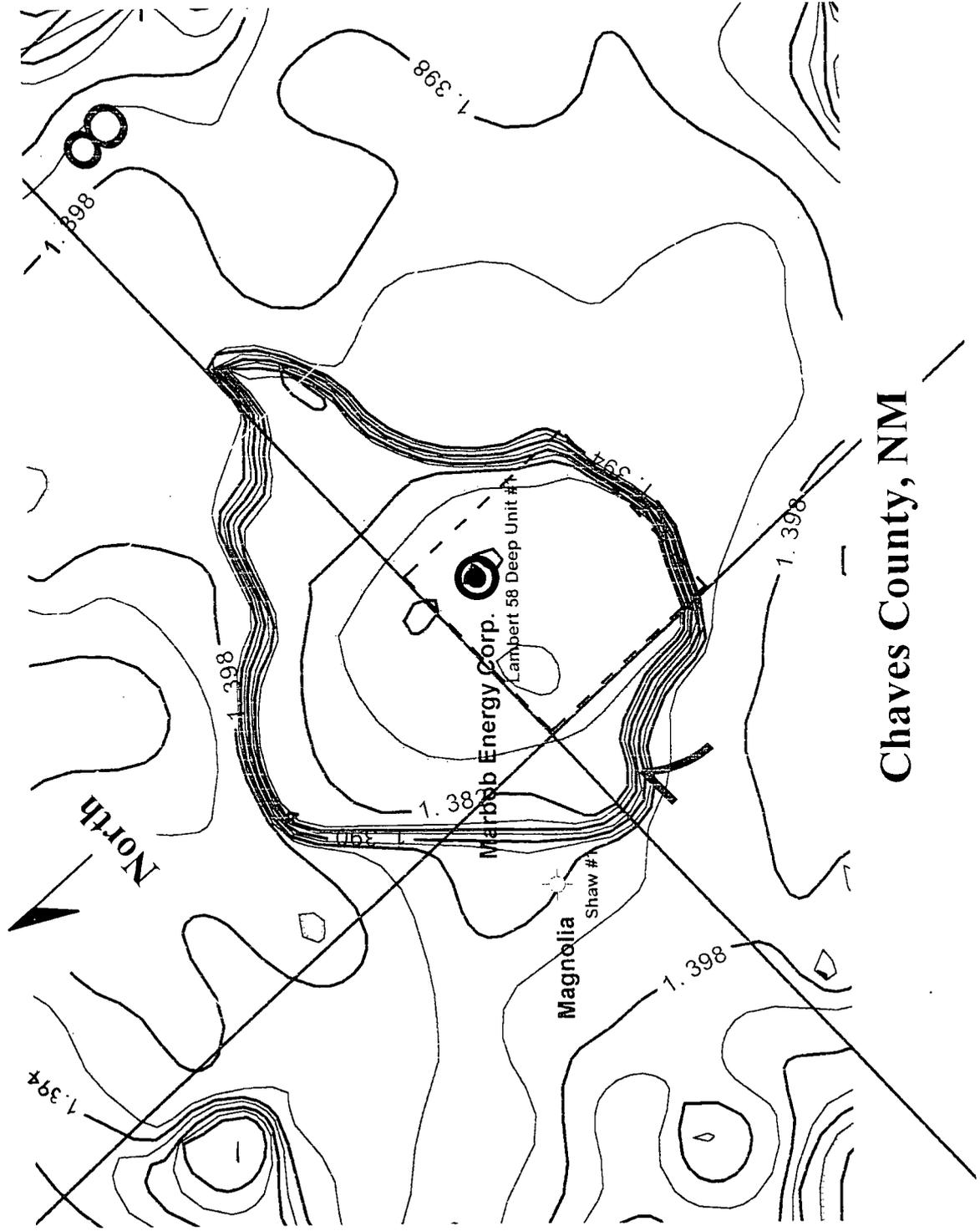
Spacing Unit



Adjacent Units

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R31E



Chaves County, NM

T13S

CMD :
OG6CLOG

ONGARD
C105-WELL COMPLETION OR RECOMP CASING LOG

11/20/96 15:11:12
OGOMES -EMFG

OGRID Identifier : 14049 MARBOB ENERGY CORP
Prop Identifier : 19671 LAMBERT 58 DEEP UNIT
API Well Identifier : 30 5 21144 Well No : 001
Surface Locn - UL : D Sec : 8 Twp : 13S Range : 31E Lot Idn :
Multiple comp (S/M/C) : S TVD Depth (Feet) : MVD Depth (Feet):
Spud Date : P/A Date :
Casing/Linear Record:

S Size Grade Weight Depth(ft) Depth(ft) Hole Size Cement ---- TOC ----
(inches) (lb/ft) Top-Liner Bot-Liner (inches) (Sacks) (feet) Code

E0004: No matching record found. Enter data to create.

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06 CONFIRM
PF07 PF08 PF09 COMMENT PF10 TLOG PF11 PF12

CMD :
OG6C101

ONGARD
C101-APPLICATION FOR PERMIT TO DRILL

11/20/96 15:11:23
OGOMES -EMFG

OGRID Idn : 14049 API Well No: 30 5 21144 APD Status(A/C/P): A
Opr Name, Addr: MARBOB ENERGY CORP Aprvl/Cncl Date : 10-21-1996
PO BOX 227
ARTESIA,NM 88211-0227

Prop Idn: 19671 LAMBERT 58 DEEP UNIT Well No: 1

	U/L	Sec	Township	Range	Lot Idn	North/South	East/West
Surface Locn : D	8	13S	31E			FTG 330 F N	FTG 1010 F W
OCD U/L : D		API	County	: 25			

Work typ(N/E/D/P/A) : N Well typ(O/G/M/I/S/W/C): O Cable/Rotary (C/R) : R
Lease typ(F/S/P/N/J/U/I): F Ground Level Elevation : 4037

State Lease No: Multiple Comp (Y/N) : S
Prpsd Depth : 11400 Prpsd Frmtn : DEVONIAN

E0009: Enter data to modify record

PF01 HELP	PF02	PF03 EXIT	PF04 GoTo	PF05	PF06 CONFIRM
PF07	PF08	PF09 PRINT	PF10 C102	PF11 HISTORY	PF12