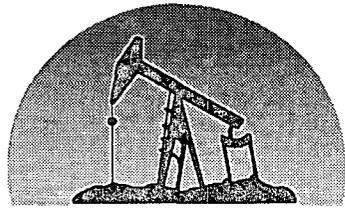


NSL 12/8/98



marbob
energy corporation

November 17, 1998

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

NOV 18 1998

Attention: Mr. Mike Stogner

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

Dear Mike:

Marbob Energy Corporation (Marbob) hereby makes application pursuant to Oil Conservation Division Rule 104.F.(2) for administrative approval to drill the above referenced Primero Federal to the Morrow formation based on geologic/surface considerations.

Marbob proposes to drill the Primero Federal #1 well at an unorthodox location 850 feet from the north line and 847 feet from the west line in Section 23 of Township 26 South, Range 24 East, N.M.P.M., Eddy County, New Mexico. The proposed proration unit is the north half and this would make the location have greater than the standard setback of 660 feet but be unorthodox to the west setback by 803 feet.

Marbob is the operator for the well with the rights in the lease being owned by Marbob Energy Corporation and Primero Operating, Inc. The spacing unit which this well will encroach upon is either the N/2 of Section 22 of Township 26 South, Range 24 East or the E/2 of Section 22 of Township 26 South, Range 24 East depending on where the location was placed. There are

currently no deep wells in Section 22 so no proration units have been established. Marbob Energy Corporation and the other owners listed above own the same interest in the N/2 and SE/4 of Section 22 of Township 26 South, Range 24 East under the same federal lease NM-100316. We have identified all adjoining proration units on Exhibit "B" with a list of the owners or operators for each tract. Each party listed has been notified and supplied with a copy of this application.

Exhibit "A" is a plat showing the proposed unorthodox well location and the spacing unit for the Primero Federal #1. The spacing unit is outlined in orange. We initially selected an orthodox location to the south and east. Upon our initial review, it was determined that that location was a fairly severe slope. We then moved the location further south and east up on fairly level terrain. Upon inspection of this location by the BLM, we were advised that this location fell in three special management areas - sensitive soils, cave karst, and visual. The BLM identified some sinks near the proposed location and turned it over to their geomorphologists. Their cave specialists met our people on location and he objected to the location based on a series of sinks near the location. He and our people spend the remainder of the day reviewing the area for karst and looking for alternative locations which agreeable both to our geologist and their cave person. They finally settled on an alternate location at 2123 feet from the south line and 1744 feet from the west line. I objected to that location because it was closer to a sink than the original location. After a lengthy meeting with the BLM, it was apparent that they were not going to approve our original location. In the field survey of this area, the cave person for the BLM had also agreed that the location submitted with this application was suitable to drill. We finally determined that to achieve two locations in that section, we should agree to their location 2123 feet from the south line and 1744 feet from the west line. We submitted our application to drill at that location. The BLM proceeded to do an EIS on the location. After the 30 day waiting period, we began punching up the application to determine when it would be approved. They advised us that without consultation they had decided to move our location to the west. That was unacceptable to us for geologic reasons. The BLM indicated that any other location would be burdened with significant additional requirements which would render tremendous additional cost to Marbob. We asked our people to go back to the field to review the area again to determine if an other acceptable geologic location could be found which would get us away from the sinks. They spend the better part of the day

reviewing the are and found more sinks without finding a good location. As a result, we finally requested that the BLM approve the location contained in this application. They have approved the location which is submitted herein.

We affirm that notice has been sent to the offset operators or lease owners. We would request that you consider approval of this unorthodox location. Thank you for your help in this matter. If you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script that reads "Raye Miller".

Raye Miller
Land Department

RM/mm

cc: Mr. Tim Gumm
OCD District II
811 South 1st St.
Artesia, NM 88210

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

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

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 | Pool Name WILDCAT |
| Property Code | Property Name PRIMERO FEDERAL | Well Number 1 |
| OGRID No. 14049 | Operator Name MARBOB ENERGY CORPORATION | Elevation 3873 |

Surface Location

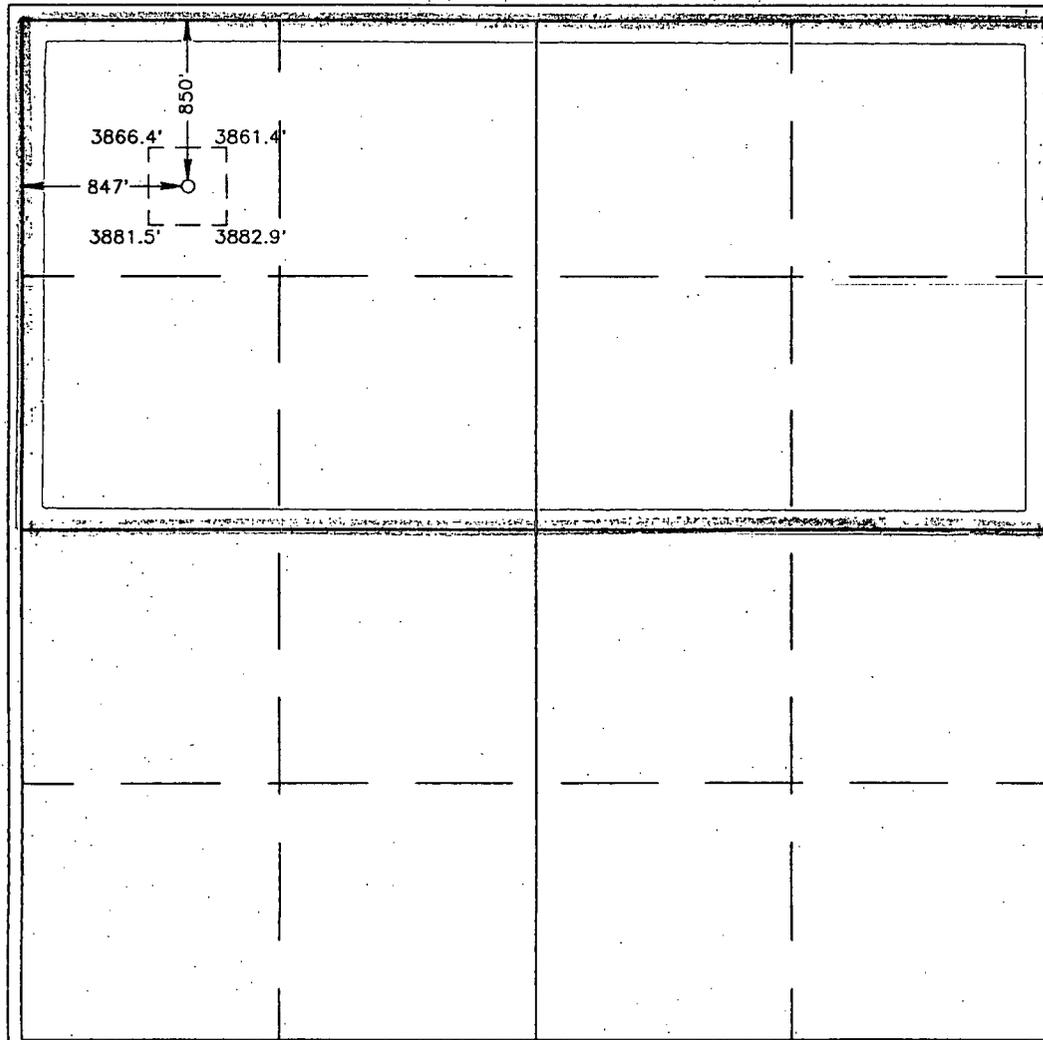
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 23 | 26 S | 24 E | | 850 | NORTH | 847 | WEST | 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 | Joint or Infill | Consolidation Code | Order No. |
|-----------------|-----------------|--------------------|-----------|
| 320 | | | |

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 ANALYST
Title

10/5/98
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 22, 1998

Date Surveyed _____ DMCC

Signature *Ronald McDonald*
Professional Surveyor

RONALD MCDONALD
NEW MEXICO
3239
08-17-08
5-28-98

Certificate No. RONALD MCDONALD 3239
GARY EDISON 12641
McDONALD 12185



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

Gentlemen:

Marbob Energy Corporation has submitted an Application to the Oil Conservation Division for the unorthodox location unit for the above described well. A copy of the Application is enclosed for your review.

Please accept this letter as the required notification. If you object, please notify the following:

Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

If you have any questions regarding the Application, please contact me. If you do not object to the location as proposed, please sign the waiver below.

Sincerely,

Raye Miller

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Abo Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

RE: Application for Administrative Approval of Unorthodox Location
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Sincerely,

Raye Miller

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Myco Industries, Inc.
105 South Fourth Street
Artesia, New Mexico 88210

RE: Application for Administrative Approval of Unorthodox Location
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Sincerely,

Raye Miller

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

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2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

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Sincerely,

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

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2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

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Sincerely,

Raye Miller

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Primero Operating, Inc.
Post Office Box 1433
Roswell, New Mexico 88202

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

Gentlemen:

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Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

If you have any questions regarding the Application, please contact me. If you do not object to the location as proposed, please sign the waiver below.

Sincerely,

Raye Miller

Raye Miller
Land Department

_____ We do not object to location
as proposed.

By: _____
Name: _____
Title: _____
Date: _____



marbob
energy corporation

November 18, 1998

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

NOV 20 1998

Attention: Mr. Mike Stogner

RE: Application for Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23-26S-24E, Eddy County, New Mexico

Dear Mike:

Enclosed please find signed waivers by the affected parties for the above referenced Application mailed to you November 17, 1998. We would appreciate your timely review of this Application. If it meets with your approval, we would like to spud around December 1, 1998. Please advise if you have any questions.

Thank you for your help in this matter.

Sincerely,

Raye Miller

Raye Miller
Land Department

RM/mm
Enclosures



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Bureau of Land Management
2909 West Second Street
Roswell, New Mexico 88201

RE: Application for Administrative Approval of Unorthodox Location
Primero Federal #1 - 850' FNL and 847' FWL
Section 23, T-26S, R-24E, Eddy County, New Mexico

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Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

If you have any questions regarding the Application, please contact me. If you do not object to the location as proposed, please sign the waiver below.

Sincerely,

Raye Miller

Raye Miller
Land Department

We do not object to location
as proposed.

By: *Armando A. Lopez*
Name: Armando A. Lopez
Title: Acting AFOM - Lands + Minerals
Date: 11/18/98



marbob
energy corporation

November 17, 1998

Hand Delivered November 18, 1998

Primero Operating, Inc.
Post Office Box 1433
Roswell, New Mexico 88202

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Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505
Attention: Mr. Mike Stogner

If you have any questions regarding the Application, please contact me. If you do not object to the location as proposed, please sign the waiver below.

Sincerely,

Ray Miller

Raye Miller
Land Department

We do not object to location
as proposed.
By: *[Signature]*
Name: J. PHEEPS W.L.H. IV
Title: PRESIDENT
Date: 11/17/98

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

November 18, 1998

Mr. Raye Miller
Marbob Energy Corp.
P. O. Box 227
Artesia, New Mexico 88210

Re: Marbob Energy Corp.'s Primero Federal #1
Township 26 South-Range 24 East
Section 23: N/2, 850' FNL & 847' FWL
Eddy County, New Mexico

Dear Mr. Miller:

Yates Petroleum Corporation, Yates Drilling Company, Myco Industries Inc. and Abo Petroleum Corporation (hereinafter Yates) are in receipt of your request for a Waiver of Objection for the referenced unorthodox well location. Yates agrees to waive such objection subject to Marbob Energy Corp. agreement to grant Yates a like unorthodox location for a well on Yates' leases in SE/4 of Section 15-T26S-R24E and SW/4 of Section 22-T26S-R24E, Eddy County, New Mexico.

Please indicate your agreement by executing and returning one (1) copy of this letter to the undersigned.

Very truly yours,

**YATES PETROLEUM CORPORATION
YATES DRILLING COMPANY
MYCO INDUSTRIES INC.
ABO PETROLEUM CORPORATION**

Chuck Moran
Landman

Agreed to and Accepted this 18th of November, 1998.

MARBOB ENERGY CORP.

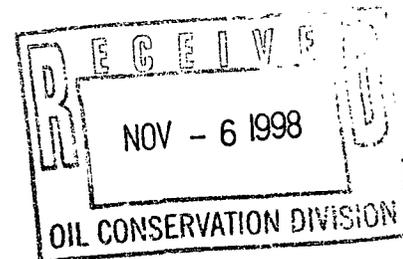
By: Raye Miller
Title: Attorney-in-fact

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER



November 4, 1998

New Mexico Oil Conservation Division
2040 South Pacheco
Santa Fe, New Mexico 87505

Attention: Director Lori Wrotenberry

Re: Application of Marbob Energy Corporation for
Simultaneous Dedication and Unorthodox Well Location
Lusk Deep Unit Well No. 14
1650' FNL, 990' FWL, Sec. 19, T19S-R32E
Lea County, New Mexico

Dear Director Wrotenberry:

This letter is to advise you that Yates Petroleum Corporation supports the application of Marbob Energy in the above matter before the Oil Conservation Division. Yates Petroleum holds the position that the operator should be allowed discretion with regard to the appropriate field development density by providing for multiple wells within a spacing unit in cases where offsetting correlative rights will not be impaired. Increasing the flexibility of an operator to match the development density to the geology and well performance will increase the recovery efficiency on a per acre basis resulting the total volume of gas and condensate recovered from a given pool.

Yates Petroleum Corporation supports the application of Marbob Energy in this matter and recommends it be granted.

Thank you for your consideration.

Very truly yours,

YATES PETROLEUM CORPORATION

David Pearson
Reservoir Engineer

Randy G. Patterson
Land Manager

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

11/20/98 13:16:45
OGOIV -EMD6
PAGE NO: 1

Sec : 23 Twp : 26S Rng : 24E Section Type : NORMAL

| | | | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| D 40.00 Federal owned | C 40.00 Federal owned | B 40.00 Federal owned | A 40.00 Federal owned |
| E 40.00 Federal owned | F 40.00 Federal owned | G 40.00 Federal owned | H 40.00 Federal 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 : 23 Twp : 26S Rng : 24E Section Type : NORMAL

| | | | |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| L 40.00 Federal owned | K 40.00 Federal owned | J 40.00 Federal owned | I 40.00 Federal owned |
| M 40.00 Federal owned | N 40.00 Federal owned | O 40.00 Federal owned | P 40.00 Federal owned |

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