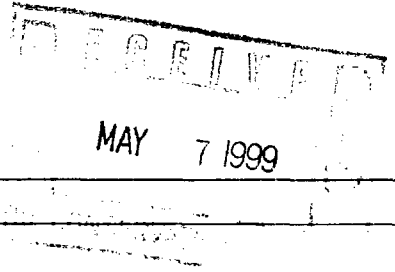




marbob
energy corporation



MAY 5, 1999

NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION
2040 SOUTH PACHECO STREET
SANTA FE, NEW MEXICO 87505

ATTENTION: BEN STONE

RE: AMENDED ADMINISTRATIVE
ORDER SWD-731

DEAR MR. STONE:

MARBOB ENERGY CORPORATION RECEIVED ADMINISTRATIVE APPROVAL TO INJECT PRODUCED WATER INTO THE CANYON FORMATION FROM 9296' TO 9464' IN THE ARCO 6 FEDERAL NO. 1 ON DECEMBER 10, 1998.

WE HAVE CONCLUDED THAT THE CANYON FORMATION LACKS RESERVOIR QUALITIES REQUIRED TO BE A GOOD DISPOSAL ZONE IN THIS WELL BORE. WE ARE UNABLE TO DISPOSE OF SUFFICIENT BARRELS OF WATER NEEDED TO MAKE OUR OPERATION ECONOMICALLY FEASIBLE. THEREFORE, MARBOB WOULD RESPECTFULLY REQUEST APPROVAL TO CONDUCT INJECTIVITY TESTS ON ADDITIONAL ZONES. WE PROPOSE TO INDEPENDENTLY TEST INJECTION INTERVALS FROM 8588' TO 8610' (WOLFCAMP LIMESTONE), 7800' TO 7890' (ABO DOLOMITE), 4600' TO 4860' AND 5250' TO 5300' (YESO DOLOMITE). A RETRIEVABLE BRIDGE PLUG AND PACKER WILL BE USED TO SEPARATE ZONES DURING TESTS. ADDITIONALLY, THE .2 PSI/FOOT FORMULA WILL BE APPLIED TO THE ZONE THAT IS CURRENTLY BEING TESTED. PLANS ARE TO BEGIN WITH THE WOLFCAMP AND CONTINUE UP HOLE IN AN EFFORT TO FIND A ZONE WITH GOOD DISPOSAL POTENTIAL. A CAST IRON BRIDGE PLUG WITH 25 FEET OF CEMENT WILL BE SET ABOVE THE CANYON ZONE AND EACH ADDITIONAL ZONE TESTED TO

325.182'

BE UNACCEPTABLE. AT NO TIME WILL OUR TEST PRESSURES EXCEED THE .2
PSI/FOOT LIMIT.

WE REMAIN OPEN TO ANY INPUT OR SUGGESTIONS YOU MAY HAVE
CONCERNING THIS PROJECT. THANK YOU FOR YOUR HELP IN THIS MATTER.

SINCERELY,

A handwritten signature in black ink, reading "Martin Joyce". The signature is written in a cursive style with a large, stylized "M" and a long, sweeping "J".

MARTIN K. JOYCE
GEOLOGIST

MKU/MFM



NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

June 7, 1999

Marbob Energy Corporation
P.O. Box 227
Artesia, New Mexico 88211-0227

Attn: Martin Joyce

Re: Recent Request for Injectivity Tests.

Dear Mr. Joyce:

Reference is made to your recent request to conduct tests on your Arco '6' Federal Well No.1 to determine a suitable injection zone. Your letter requesting such, states that by utilizing a plug and packer, you will work your way uphole perforating and testing various formations. Zones determined to be inadequate will be permanently isolated with a cast iron bridge plug and capped with 25 feet of cement. When a suitable zone is settled upon, Marbob Energy Corporation shall make application to the Division for an amendment to SWD-731 including offset notification and published legal notice. My staff has reviewed your request and the same is hereby approved for a period of 45 days, concluding on July 25, 1999.

If my staff may be of further assistance, please don't hesitate to call Mr. Ben Stone at (505) 827-8286.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lori Wrotenbery".

Lori Wrotenbery
Director

LW/BES/kv

cc: Oil Conservation Division - Artesia
File SWD-731