

August 19, 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 3D Exploration Federal
1009' FSL & 1066' FEL
Section 11 - T12S - R29E
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 3D Exploration Federal well to the Siluro-Devonian formation at an unorthodox location based on geologic considerations.

Marbob proposes to drill its #1 3D Exploration Federal well to a unorthodox bottomhole location of 1009 feet from the South line and 1066 feet from the East line of Section 11, Township 12 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 unorthodox from the south line by only 19' and is unorthodox from the east line by a distance of 76 feet. This location represents the best location identified by 3D seismic information. The proposed location does not encroach on any lease boundaries.

There are no producing wells within a one mile radius of the proposed location and the nearest dry hole, being the Depco #1 Sundance, is located approximately 1/4 mile northwest in the diagonally adjacent spacing unit.

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Marbob proposes to dedicate to the #1 3D Exploration Federal well a standard spacing/proration unit comprised of SE/4SE/4 of said Section 11.

3D Exploration Partners is the lessee of record of all of section 11, the W/2 of section 12 and the N/2 of section 13. The NE/4 of section 14 is presently unleased Federal acreage. Marbob has recently entered into an exploration agreement with 3D Exploration which covers the affected leasehold and will be operator of record.

Exhibit "A" is a plat showing the proposed unorthodox well location, the spacing unit for the #1 3D Exploration Federal, 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.

Marbob is operator of the lands shown in yellow on Exhibit "A". All of the lands shown in yellow are lands which have been leased by Marbob or 3D Exploration. Unleased lands are shown in white. Working interest on all affected lands is common as is royalty interest in the SE/4 of section 11.

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 3D Exploration Federal, 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 150 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 3D Exploration-Fee is located within the red shaded area. The estimated productive area for this feature should be approximately 50 to 70 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 300,000 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 south and east lines of section 11 there is an increased risk of encountering the Siluro-Devonian formation at a position 10' to 15' structurally lower than at the proposed unorthodox location. 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. 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.

The proposed unorthodox location for the #1 3D Exploration Federal well should provide the opportunity for additional recoverable oil reserves.

Application For Unorthodox Location

In addition, it is Marbobs 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 3D Exploration Federal well at the proposed unorthodox location.

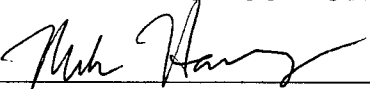
Marbob presently has a drilling rig working in the general vicinity of this proposed well and would like to move the rig directly onto the 3D Exploration Federal. We will be grateful to your prompt consideration and approval of this request.

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

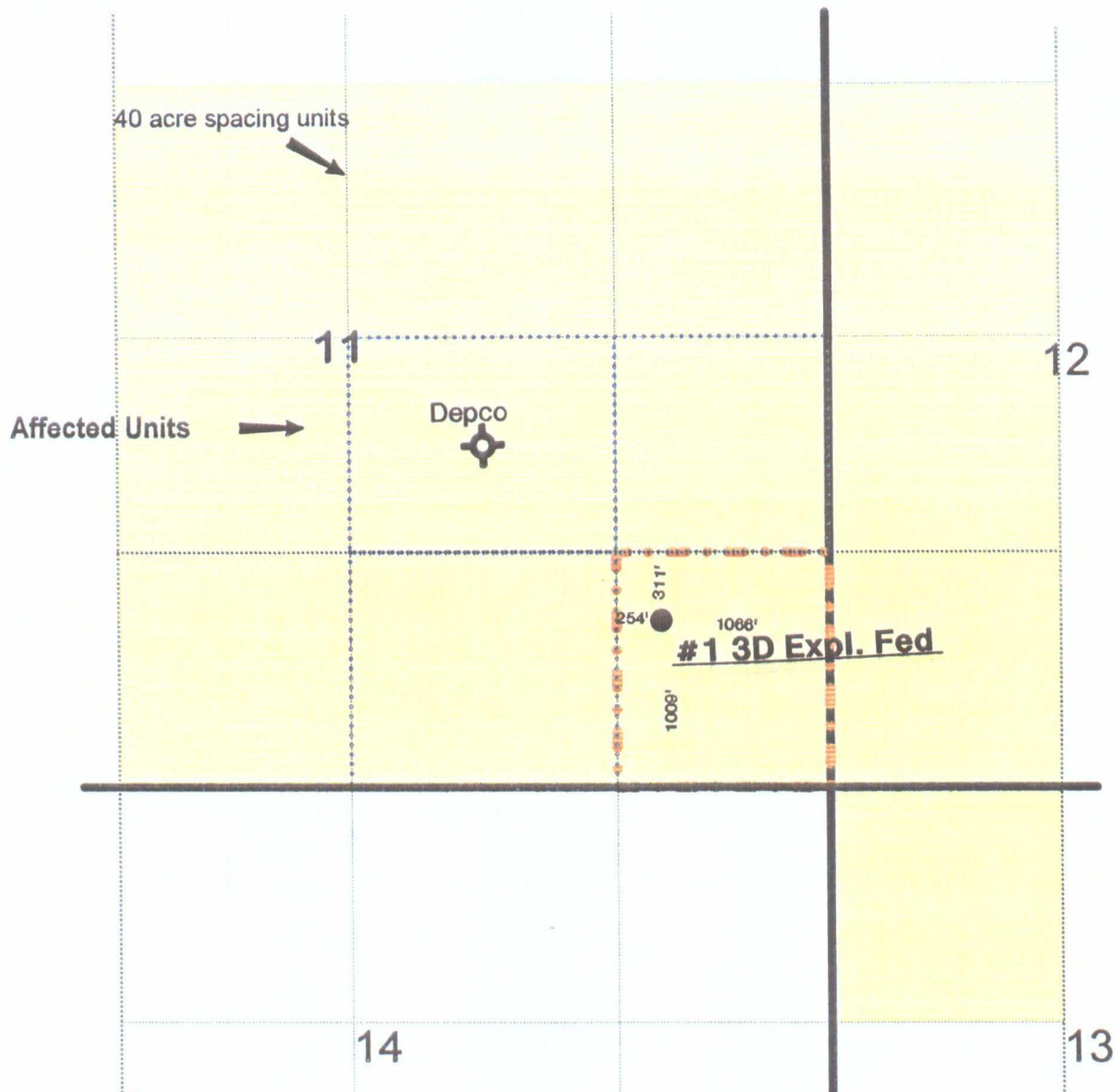


Exhibit "A"

Application For Unorthodox Location

Marbob Energy Corporation

#1 3D Exploration Federal

1009' FSL & 1066' FEL

Section 11-T12S-R29E

Chaves County, New Mexico

Marbob Leasehold



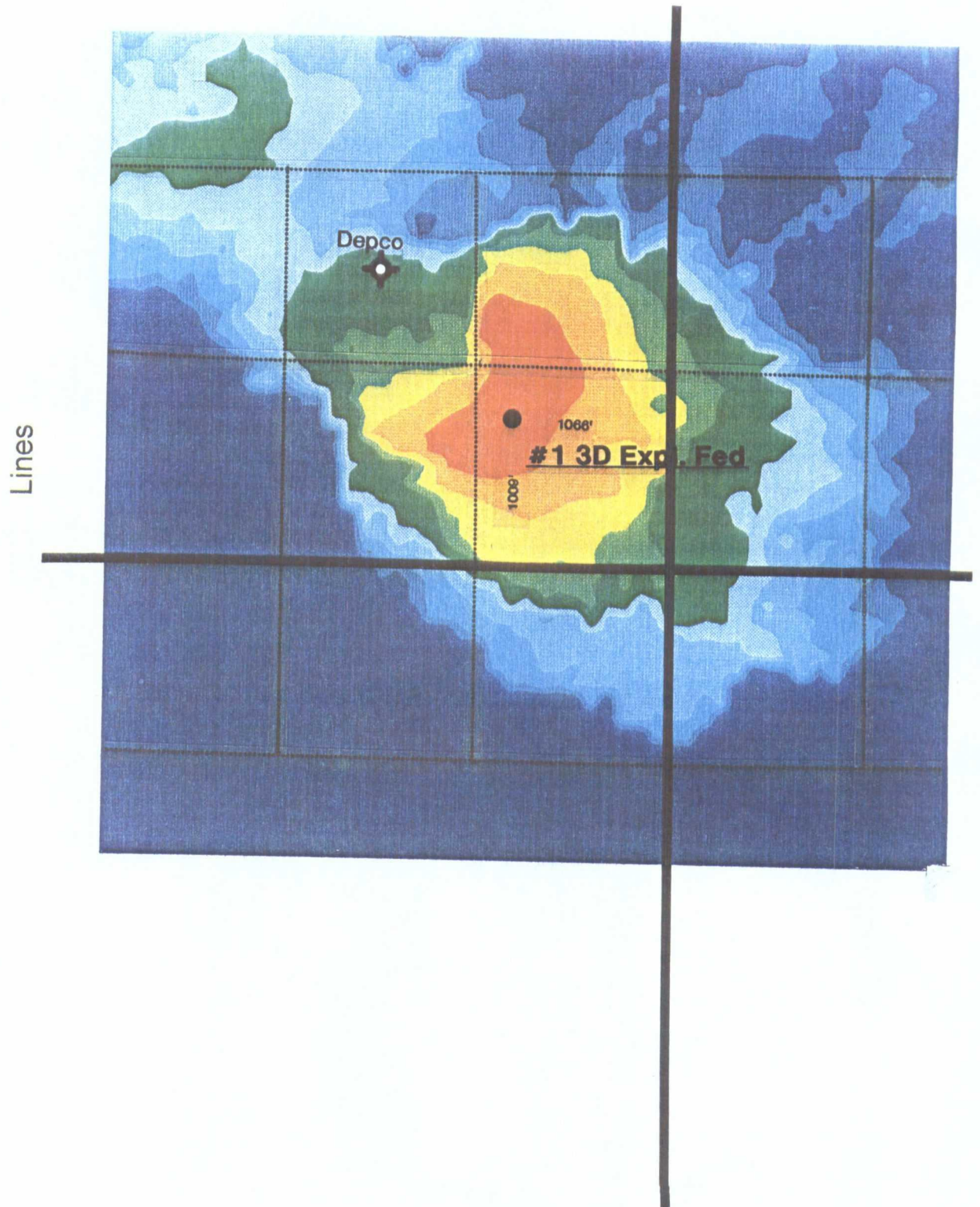
Spacing Unit



Adjacent Units

Marbob Energy #1 3D Exploration Fed. - Exhibit "B"
Devonian Structure Map - Contour Interval = 3ms (20')

Traces



CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

09/10/96 14:22:00
OGOMES -EMFF
PAGE NO: 2

Sec : 11 Twp : 12S Rng : 29E 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