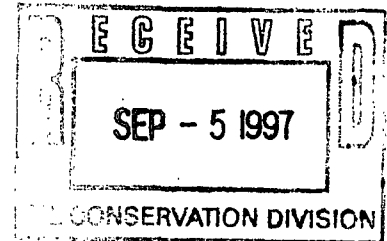


marbob
energy corporation



September 2, 1997

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 Apache Springs Federal
1442' FNL & 2174' FWL
Section 34 - T10S - R30E
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 Apache Springs Federal well to the Siluro-Devonian formation at an unorthodox location based on geologic considerations.

Marbob proposes to drill the #1 Apache Springs Federal well to a unorthodox bottomhole location of 1442 feet from the north line and 2174 feet from the west line of Section 34, Township 10 South, Range 30 East, N.M.P.M., Chaves County, New Mexico with the intent of testing the Siluro-Devonian formation. This location represents the best location identified by 3D seismic information. The proposed location encroaches only on an inner quarter-quarter boundary and 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 Cosden Petroleum #1-A Federal, is located approximately 1/4 mile northeast in the diagonally adjacent spacing unit.

Application For Unorthodox Location

Marbob proposes to dedicate to the #1 Apache Springs Federal well a standard spacing/proration unit comprised of SE/4NW/4 of said Section 34.

McClellan Oil Corporation is the lessee of record of all of section 34. Marbob has recently entered into a farmout agreement with McClellan which covers the affected leasehold and Marbob will be operator of record. There is common working interest, royalty interest and overriding royalty interest across all of section 34.

Exhibit "A" is a plat showing the proposed unorthodox well location, the spacing unit for the #1 Apache Springs 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.

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 Apache Springs 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 125-150 foot of structural relief with an area under closure of around 120 acres. The crestal position on this structure is shown in the yellow colored area. The proposed unorthodox location for the #1 Apache Springs-Fee is located within the yellow 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 1650 feet from the north line of section 34 there is an increased risk of encountering the Siluro-Devonian formation at a position 10' to 20' 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 could be around 40,000 to 50,000 barrels of additional oil.

The proposed unorthodox location for the #1 Apache Springs Federal well should provide the opportunity for additional recoverable oil reserves.

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

Application For Unorthodox Location

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), McClellan Oil Corporation, as Lessee of record, is the only affected party. Please find ~~an~~ attached herewith an executed approval by McClellan Oil Corporation of this non-standard 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 Apache Springs Federal well at the proposed unorthodox location.

Marbob presently has a drilling rig contracted for this proposed well and would like to move the rig onto the Apache Springs Federal within the next 2 weeks. I inadvertently missed that this location was unorthodox and therefore did not file this application until the Hobbs office of the OCD notified me, I apologize for this oversight. 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: OCD District I, Hobbs

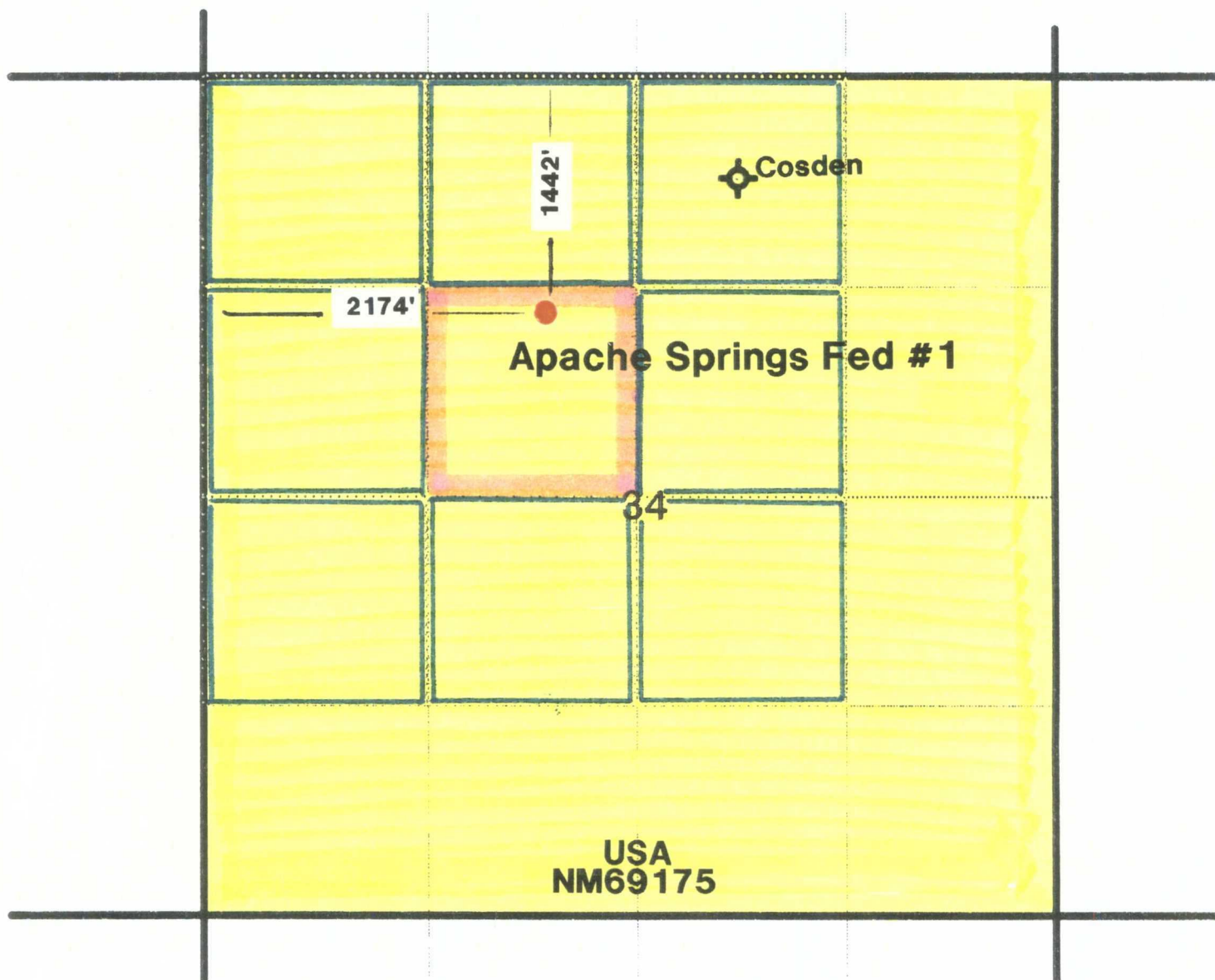


Exhibit "A"

Application For Unorthodox Location

Marbob Energy Corporation

Apache Springs Federal #1

1442' FNL & 2174' FWL

Section 34-T10S-R30E

Chaves County, New Mexico



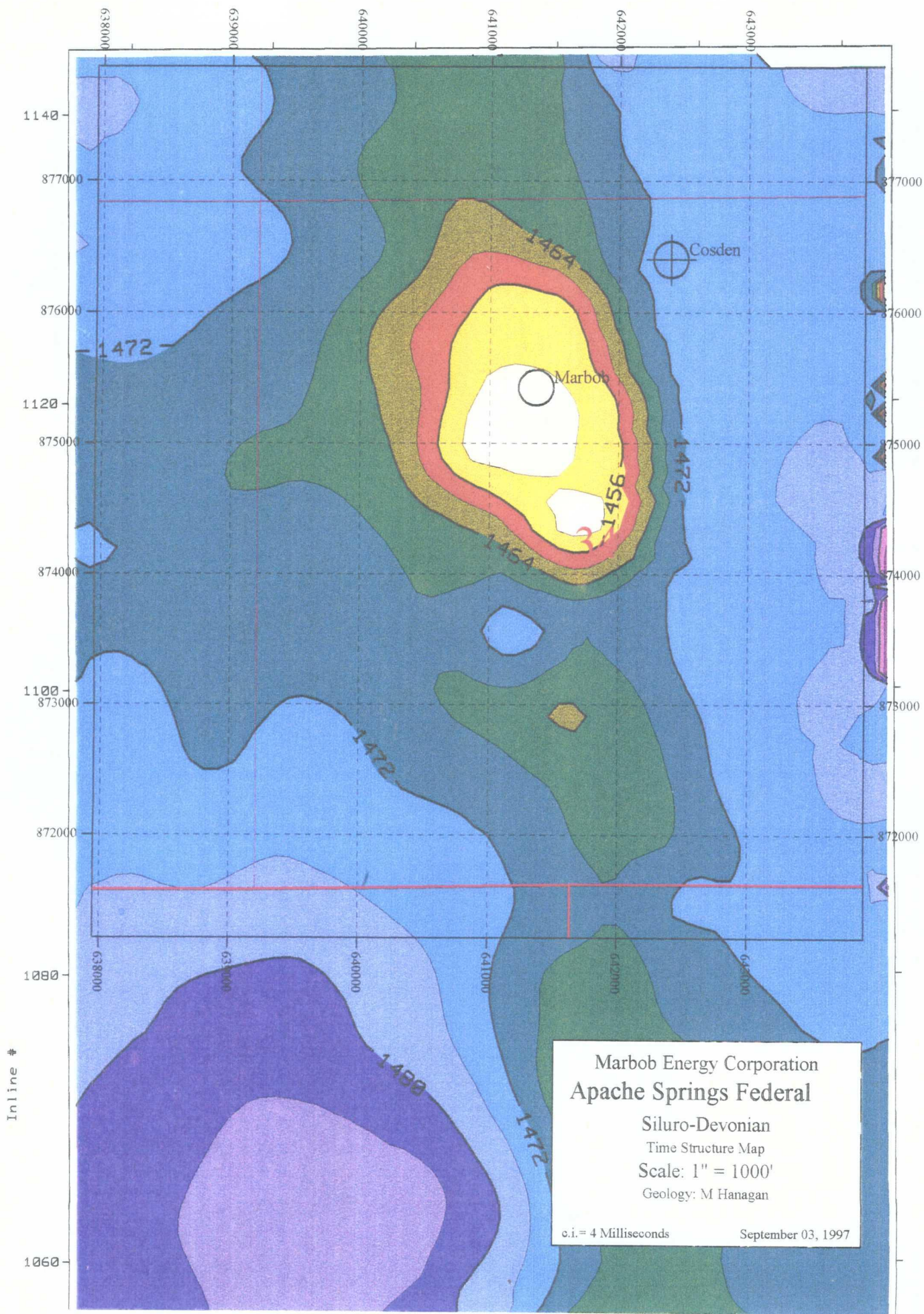
Marbob Leasehold

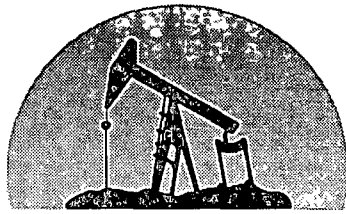


Spacing Unit



Adjacent Units





marbob
energy corporation

September 2, 1997

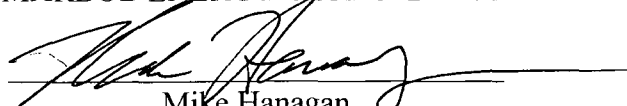
McClellan Oil Corporation
P.O. Box 730
Roswell, NM 88202-0730

RE: REQUEST FOR APPROVAL FOR UNORTHODOX LOCATION
Marbob Energy Corporation
Apache Springs-Federal #1
1442' FNL & 2174' FWL
Section 34-T10S-R30E
Chaves County, New Mexico

Dear Mark:

As you are aware, Marbob has proposed the drilling of the Apache Springs-Federal #1 at the above referenced location. This location is unorthodox to a inner quarter-quarter line. As this is a non-standard location, Marbob has submitted an application for administrative approval to the NMOCD in Santa Fe. As record title owner of the affected federal lease, Marbob hereby request that you acknowledge your approval of this non-standard location in the space provided for hereinbelow.

Sincerely,
MARBOB ENERGY CORPORATION


Mike Hanagan

Non-Standard location approved and accepted this 3rd day of September, 1997, by Mark McClellan (Mark H. McClellan), President, McClellan Oil Corporation

