



October 26, 2004

BY HAND DELIVERY

Mr. Mark E. Fesmire, P. E.
Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13386

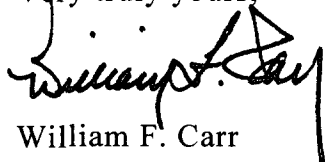
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Re: Application of Marbob Energy Corporation for contraction of the East Empire-Yeso Pool, and extension of the horizontal boundaries and the vertical limits of a portion of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool, Eddy County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Marbob Energy Corporation in the above-referenced case as well as a copy of a legal advertisement. Marbob Energy Corporation requests that this matter be placed on the docket for the November 18, 2004 Examiner hearings.

Very truly yours,



William F. Carr

Enclosures

cc: Mr. Raye Miller
Marbob Energy Corporation

STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION

IN THE MATTER OF THE APPLICATION OF MARBOB ENERGY CORPORATION FOR CONTRACTION OF THE EAST EMPIRE-YESO POOL, AND EXTENSION OF THE HORIZONTAL BOUNDARIES AND THE VERTICAL LIMITS OF A PORTION OF THE GRAYBURG-JACKSON (SEVEN RIVERS-QUEEN-GRAYBURG-SAN ANDRES) POOL, EDDY COUNTY, NEW MEXICO.

CASE NO. 13386

APPLICATION

MARBOB ENERGY CORPORATION ("Marbob"), through its undersigned attorneys, makes application to the New Mexico Oil Conservation Division for an order contracting the boundary of the East Empire-Yeso Pool and extending the horizontal and vertical limits in a portion of the Jackson-Grayburg (Seven Rivers-Queen-Grayburg-San Andres) Pool underlying its proposed Dodd Federal Unit, and in support of its application states:

1. In Oil Conservation Division Case No. 13350, heard by a Division Examiner on October 7, 2004, Marbob Energy Corporation seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of a portion of the Seven Rivers, Queen, Grayburg and San Andres, formations, Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool and the Glorieta Yeso (Paddock) formation, East Empire-Yeso Pool from the surface to a depth not to exceed 5000 feet.

2. The proposed unit area for the Dodd Federal Unit is 2400.00 acres, more or less, of Federal lands located in Eddy County, New Mexico, that is more particularly described as follows:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

3. The vertical limits of the unitized formation in the proposed Dodd Federal Unit extend from the top of the Seven Rivers Formation to the base of the Glorieta Yeso (Paddock) formation as reflected on the Spectral Density Dual Spaced Neutron Log for the Marbob Energy Corporation's Mary Dodd "B" Deep No. 2 Well located 1980 feet from the South line and 1295 feet from the East line of Section 14, Township 17 South, Range 29 East, NMPM, Eddy County, New Mexico.

4. The Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool was created by Division Order No. R-850, dated January 1, 1950. The pool boundaries have been amended from time to time to include, among other lands, all acreage in the proposed Dodd Federal Unit except the NW/4 of Section 11, Township 17 South, Range 29 East, NMPM. This tract is included in the Dodd Federal Unit Area but is not in the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool.

5. The East Empire-Yeso Pool, Glorieta Yeso (Paddock) formation, was created by Division Order No. R-10724, dated January 1, 1997. The pool boundaries have been amended from time to time to include, among other lands, the SW/4, SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM, which is within the boundaries of the proposed Dodd Federal Unit.

6. Information on the Glorieta Yeso (Paddock) formation in this area, demonstrates that it contains producible reserves but that these reserves are uneconomical to separately produce.

7. Data on well completions demonstrates that the Glorieta Yeso (Paddock) formation and the Seven Rivers, Queen, Grayburg and San Andres formations may be in communication at various locations throughout the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool.

8. The proposed unit is a direct offset to the Marbob operated Burch-Keely Unit that was statutorily unitized by Division Order No. R-7900-A, dated October 28, 1993. The unitized vertical interval in the Burch-Keely Unit includes the same formations that are included in the proposed Dodd Federal Unit. By Order No. R-10903, dated February 22, 1994, the Division extended the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool in the Burch-Keely Unit Area to include the Glorieta Yeso (Paddock) formation because, as the Division

found, while it would not be economical to develop only the Glorieta Yeso (Paddock) formation, the cost of deepening Grayburg-Jackson (Seven Rivers-queen-Grayburg-San Andres) Pool wells to the Golrieta Yeso (Paddock) formation could be justified providing these formations could be produced as a single pool. (Order No. R-10067, Finding7).

9. Under current federal regulation, the Glorieta Yeso (Paddock) production may only be commingled with production from the Seven Rivers, Queen, Grayburg and San Andres formations if the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool are extended to include the Glorieta Yeso (Paddock) formation.

10. To enable Marbob to efficiently conduct its proposed enhanced recovery operations in the proposed Dodd Federal Unit Area and to enable Marbob to produce reserves from the Glorieta Yeso (Paddock) formation that otherwise would not be recovered thereby causing waste, the following changes must be made to the current vertical and horizontal boundaries of the subject pools:

- A. contraction of the horizontal limits of limits of the East Empire-Yeso Pool to exclude the SW/4 and the SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM;
- B. expansion of the horizontal limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the NW/4 of Section 11; and
- C. extension of the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the Glorieta Yeso (Paddock) formation under the proposed Dodd Federal Unit Area.

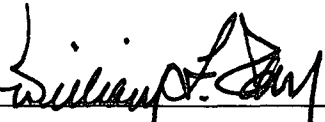
10. Approval of this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Marbob Energy Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 18, 2004 and that, after notice and hearing as required by law, the Division enter its order contracting the East Empire-Yeso Pool; expanding the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool and extending the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the Glorieta Yeso

(Paddock) formation under the horizontal boundaries of the proposed Dodd Federal Unit Area.

Respectfully submitted,

HOLLAND & HART, L.L.P.

By:  _____

William F. Carr
Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR MARBOB ENERGY
CORPORATION

CASE 13386 : Application of Marbob Energy Corporation for contraction of the East Empire-Yeso Pool and extension of the horizontal boundaries and the vertical limits of a portion of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool, Eddy County, New Mexico. Applicant in the above-styled cause, seeks an order (i) contracting the boundaries of the East Empire-Yeso Pool to exclude the SW/4 and SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM; (ii) Extending the boundaries of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the NW/4 of Section 11, Township 17 South, Range 29 East, NMPM; and (iii) extending the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the Glorieta Yeso (Paddock) formation in its proposed Dodd Federal Unit Area underlying 2400.00 acres, more or less, of Federal lands in the following acreage:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4, SW/4 NE/4

Said unit area is located approximately 3.3 miles West of Loco Hills, New Mexico.



October 28, 2004

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

TO ALL AFFECTED INTEREST OWNERS

Re: Application of Marbob Energy Corporation for contraction of the East Empire-Yeso Pool, and extension of the horizontal boundaries and the vertical limits in a portion of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool, Eddy County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Marbob Energy Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order (i) contracting the boundaries of the East Empire-Yeso Pool to exclude the SW/4 and SE/4 SW/4 of Section 22, Township 17 South, Range 29 East, NMPM; (ii) extending the boundaries of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the NW/4 of Section 11, Township 17 South, Range 29 East, NMPM; and (iii) extending the vertical limits of the Grayburg-Jackson (Seven Rivers-Queen-Grayburg-San Andres) Pool to include the Glorieta Yeso (Paddock) formation in its proposed Dodd Federal Unit Area underlying 2400.00 acres, more or less, of Federal lands in the following acreage:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM

Section 10:	E/2, E/2 W/2
Section 11:	All
Section 14:	All
Section 15:	E/2
Section 22:	SE/4, SE/4 SW/4, E/2 NE/4 SW/4 NE/4

This application has been set for hearing before a Division Examiner on November 18, 2004. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at

HOLLAND & HART LLP



that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement three days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

William F. Carr

ATTORNEY FOR MARBOB ENERGY CORPORATION

cc: Mr. Raye Miller
Marbob Energy Corporation

Dear :

Very truly yours,

William F. Carr