



**marbob**  
energy corporation

November 20, 2000

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

RE: Marbob Energy Corporation's SL Deep Federal Com No. 1  
Unit J – Section 30-T19S-R32E – Lea County, New Mexico

Gentlemen:

Please review the attached Operating Agreement and A.F.E. for the above referenced well. If you approve, please execute the document where indicated. Return one fully executed J.O.A. signature page and one executed A.F.E. to our office at your earliest convenience. Please retain the copy of the Operating Agreement as well as the extra A.F.E. copy for your files.

Feel free to contact me should you have any questions. Thank you for your help with this matter.

Sincerely,

Dean Chumbley  
Land Department

DC/mm  
Enclosures

BEFORE THE OIL CONSERVATION DIVISION  
Santa Fe, New Mexico  
Case No. 12600 Exhibit No. 3  
Submitted by:  
Marbob Energy Corporation  
Hearing Date: February 22, 2001





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**marbob**  
energy corporation

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November 20, 2000

Tenison Oil Company  
401 Cypress Street, Suite 500  
Abilene, Texas 79601

RE: Marbob Energy Corporation's SL Deep Federal Com No. 1  
Unit J – Section 30-T19S-R32E – Lea County, New Mexico

Gentlemen:

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**marbob**  
energy corporation

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November 20, 2000

Pure Energy Group, Inc.  
700 North St. Mary's St., Suite 1925  
San Antonio, Texas 78205

RE: Marbob Energy Corporation's SL Deep Federal Com No. 1  
Unit J – Section 30-T19S-R32E – Lea County, New Mexico

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energy corporation

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November 20, 2000

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

RE: Marbob Energy Corporation's SL Deep Federal Com No. 1  
Unit J – Section 30-T19S-R32E – Lea County, New Mexico

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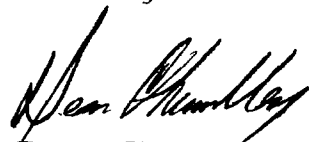
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November 20, 2000

Sharbro Oil Ltd. Company  
105 South Fourth Street  
Artesia, New Mexico 88210

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November 20, 2000

Bellwether Exploration Company  
1221 Lamar, Suite 1600  
Houston, Texas 77010

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Unit J – Section 30-T19S-R32E – Lea County, New Mexico

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The southeast quarter of Section 30 is covered by United States Oil & Gas Lease NM 59045. This lease was effective September 1, 1984. Marbob Energy owns 100% of this lease and, due to the effective date, is not a party to the 1962 Operating Agreement. Therefore, we believe our submittal of the SL Deep Federal Com Operating Agreement was justified. Additionally, while reviewing the 1962 Operating Agreement, it was noticed that Section 30 was reported to have 640 acres. Our Title Opinions show Section 30 to have 642.40 acres.

Due to the reasons outlined above, Marbob Energy Corporation would respectfully request your thoughts on the previously submitted SL Deep Federal Com Joint Operating Agreement. Thank you for your help in this matter.

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Land Department

DC/mm





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energy corporation

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November 22, 2000

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

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Unit J – Section 30, T-19S, R-32E  
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Land Department

DC/mm





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energy corporation

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November 22, 2000

Estate of Lillie M. Yates  
105 South Fourth Street  
Artesia, New Mexico 88210

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Unit J – Section 30, T-19S, R-32E  
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Dean Chumbley  
Land Department

DC/mm





December 7, 2000

Dean Chumbley  
Land Department  
Marbob Energy Corporation  
P.O. Box 227  
Artesia, New Mexico 88211-0227

DEC 14 2000

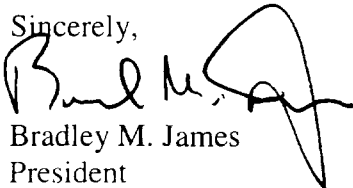
Re: SL Deep Federal Com No. 1  
Unit J – Section 30, T-19S, R-32E  
Lea County, New Mexico

Dear Mr. Chumbley:

In regards to your letter of November 22, I would like to respectfully request a copy of the title opinion on the above referenced property. Furthermore, I am working with my lienholders to get a subordination in order to work some sort of a trade with you as I have previously discussed with Paul.

You may fax it to me at (210) 225-2928. If you have any questions, please contact me at (210) 226-6700. Thank you for your prompt assistance.

Sincerely,



Bradley M. James  
President

BMJ:mrr





## PHILLIPS PETROLEUM COMPANY

4001 PENBROOK  
ODESSA, TEXAS 79762

EXPLORATION AND PRODUCTION  
Southwest Region

December 8, 2000

Re: SL Deep Federal Com No. 1 Well  
T-19-S, R-32-E  
Section 30, Unit J  
Lea County, New Mexico

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

Dear Dean:

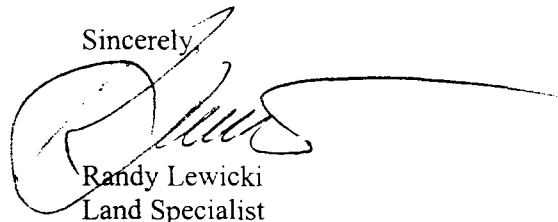
DEC 12 2000

We are in receipt of your letter dated November 20, 2000 requesting that Phillips review your attached Operating Agreement and A.F.E. serving the captioned well. Upon review, Phillips discovered an unrecorded Operating Agreement ("OA"), copy attached, covering the NE/4 as to the Strawn and all of Section 30 as to the Morrow formation.

By copy of this letter, all the working interest owners listed in your November letter referenced above are being advised accordingly. We are of the opinion that all but the SE/4 of the captioned tract is still subject to the OA. Therefore, we recommend the OA be amended to only include the NE/4 as to the Strawn formation and that the parties owning in the Morrow formation execute a new Operating Agreement serving the captioned well.

Please review the facts and advise us at your earliest convenience of your position in this matter. In the meantime, should you have any questions or comments, please contact me at (915) 368-1216.

Sincerely,



Randy Lewicki  
Land Specialist

P/Word/Marbob/SLDeep

Cc: Tenison Oil  
Bellwether Exploration  
Pure Energy Group, Inc.  
Yates Petroleum  
Sharbro Oil LTD. Company  
Estate of Lillie M. Yates, deceased





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**marbob**  
energy corporation

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December 20, 2000

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4001 Penbrook  
Odessa, Texas 79762

**RE: SL Deep Federal Com No. 1  
Unit J – Section 30, T-19S, R-32E  
Lea County, New Mexico**

Gentlemen:

Please review the enclosed Title Opinion at your earliest convenience. Marbob Energy would respectfully request that you perform all necessary actions to satisfy the requirements linked to your interest. If you would prefer to complete these tasks upon completion of a successful producer you have that option. If you opt to postpone satisfaction of your requirements, I would ask you to kindly advise me if you feel these are circumstances affecting your interest.

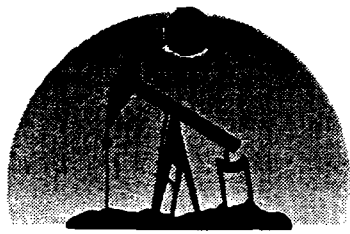
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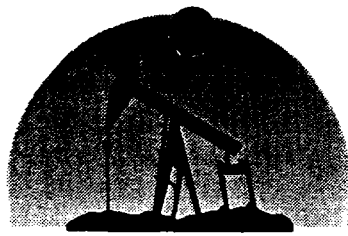
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105 South Fourth Street  
Artesia, NM 88210  
505-748-1471  
FAX 505-748-4572

**FAX COVER SHEET**

DATE: 12-28-00

TO: DEAN Chumbley

COMPANY: MAR bob

FAX: 746-2523

FROM: ROB BULLOCK

PHONE: 505-748-4351

FAX: 505-748-4572

NUMBER OF PAGES: \_\_\_\_\_  
(including cover page)

COMMENTS: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



DEEP & SHALLOW UNITS?

(8 1/2 x 14)

## ARTICLE XV. OTHER PROVISIONS (CONT.)

### E. Cost Allocation Formula

The entire cost of drilling the well will be initially borne by the working interest owners of the Deep Unit with no right to be reimbursed by the working interest owners of the shallow unit, unless the well is to be completed in the Shallow Unit in which case the working interest owners of the shallow unit will reimburse the working interest owners of the Deep Unit in accordance with the following formula:

All Pre-casing Point Costs which can be isolated to the Shallow Unit or the Deep Unit, (e.g., logging, testing, coring, fishing, etc.) will be paid for by the participating owners of those particular zones. All other Pre-casing Point Costs ("remaining costs") shall be borne by various participating owners, according to their respective participating interests in the units involved as follows:

$$\frac{\text{Participants in the Shallow Unit}}{2} \times \frac{\text{Footage to base of Shallow Unit}}{\text{TOTAL DEPTH}} \times \text{REMAINING COSTS}$$

$$\frac{\text{Participants in the Deep Unit}}{2} \times \frac{\text{Footage to base of } \overset{\text{Shallow}}{\text{Deep Unit}}}{\text{TOTAL DEPTH}} \times \text{REMAINING COSTS}$$

$$\text{plus: } 100\% \times \frac{\text{Footage from base of Shallow Unit to Total Depth}}{\text{TOTAL DEPTH}} \times \text{REMAINING COSTS}$$

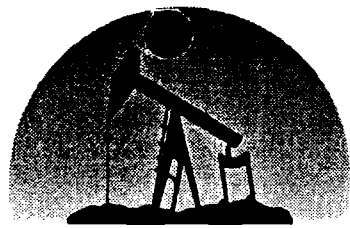
Should a dual completion attempt be made in both the Deep Unit and the Shallow Unit, all completion costs that can be isolated to the Deep or Shallow Units shall be paid for by the participating owners of those units. All other costs, with the exception of casing and tubing shall be paid for equally by the participants in Shallow Unit and the Participants in the Deep Unit. All casing and tubing shall be paid for as follows:

Average costs of casing and tubing from the surface to the base of the Shallow Unit:

Participants in the Shallow Unit - 1/2;  
Participants in the Deep Unit - 1/2.

Average costs of casing and tubing from the Base of the Shallow Unit to total depth: Participants in the Deep Unit - 100%.





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**marbob**  
energy corporation

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January 2, 2001

Phillips Petroleum Company  
4001 Penbrook  
Odessa, Texas 79762

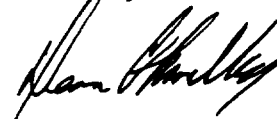
**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

Ladies and Gentlemen:

Marbob Energy Corporation previously submitted, for your approval, an Operating Agreement covering the above referenced prospect. After discussions with a Yates Petroleum representative, Marbob Energy wishes to amend the previously submitted Operating Agreement. We would add the attached page (14b). This would add a "cost allocation formula" under Article XV - Other Provisions. Amending the Operating Agreement in this manner would allow for reimbursement in the event that a deep horizon is dry and the only producible horizon would be shallow. Please make the attached page part of the Operating Agreement. Marbob Energy could commence drilling operations as soon as executed Agreements are received. Therefore, your prompt attention to this matter would be greatly appreciated.

Please contact me should you have any questions. Thank you for your help in this matter.

Sincerely,



Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

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January 2, 2001

Tenison Oil Company  
4001 Cypress Street, Suite 500  
Abilene, Texas 69601


**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

Ladies and Gentlemen:

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Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

---

January 2, 2001

Bellwether Exploration Company  
1221 Lamar, Suite 1600  
Houston, Texas 77010

**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

Ladies and Gentlemen:

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Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

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January 2, 2001

Pure Energy Group, Inc.  
700 North St. Mary's, Suite 1925  
San Antonio, Texas 78205


**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

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Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

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January 2, 2001

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

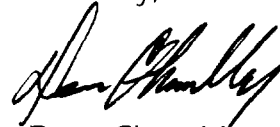
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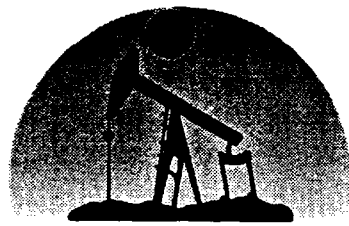
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Sincerely,

  
Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

---

January 2, 2001

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

**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

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Sincerely,

Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

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January 2, 2001

Sharbro Oil Ltd. Company  
105 South Fourth Street  
Artesia, New Mexico 88210

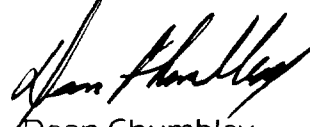
**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

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Sincerely,

  
Dean Chumbley  
Land Department

DC/mm  
Enclosure





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**marbob**  
energy corporation

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January 2, 2001

Estate of Lillie M. Yates  
105 South Fourth Street  
Artesia, New Mexico 88210

**RE: SL Deep Federal Com No. 1  
Section 30, T-19S, R-32E  
Lea County, New Mexico**

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Sincerely,

Dean Chumbley  
Land Department

DC/mm  
Enclosure



**ARTICLE XV. OTHER PROVISIONS [Cont.]**

**E. Cost Allocation Formula**

The entire cost of drilling the well will be initially borne by the working interest owners of the Deep Unit with no right to be reimbursed by the working interest owners of the shallow unit, unless the well is to be completed in the Shallow Unit in which case the working interest owners of the shallow unit will reimburse the working interest owners of the Deep Unit in accordance with the following formula:

All Pre-casing Point Costs which can be isolated to the Shallow Unit or the Deep Unit, (e.g., logging, testing, coring, fishing, etc.) will be paid for by the participating owners of those particular zones. All other Pre-casing Point Costs ("remaining costs") shall be borne by various participating owners, according to their respective participating interests in the units involved as follows:

Participants in the Shallow Unit  $\frac{1}{2} \times \frac{\text{Footage to base of Shallow Unit}}{\text{TOTAL DEPTH}} \times \text{REMANING COSTS}$

Participants in the Deep Unit  $\frac{1}{2} \times \frac{\text{Footage to base of Shallow Unit}}{\text{TOTAL DEPTH}} \times \text{REMANING COSTS}$

Plus:  $100\% \times \frac{\text{Footage from base of Shallow Unit to Total Depth}}{\text{TOTAL DEPTH}} \times \text{REMANING COSTS}$

Should a dual completion attempt be made in both the Deep Unit and the Shallow Unit, all completion costs that can be isolated to the Deep or Shallow Units shall be paid for by the participating owners of those units. All other costs, with the exception of casing and tubing shall be paid for equally by the participants in Shallow Unit and the Participants in the Deep Unit. All casing and tubing shall be paid for as follows:

Average costs of casing and tubing from the surface to the base of the Shallow Unit:

Participants in the Shallow Unit – ½;  
Participants in the Deep Unit – ½,

Average costs of casing and tubing from the Base of the Shallow Unit to total depth: Participants in the Deep Unit – 100%.

**Deep Unit** - Rights covered by this Operating Agreement.

**Shallow Unit** - All remaining rights not covered by this Operating Agreement.





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**marbob**  
energy corporation

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February 12, 2001

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

*Attention: Mr. Robert Bullock, Landman*

RE: Elliott – Hall Interests  
Section 30, T-19S, R-32E  
Lea County, New Mexico

Dear Mr. Bullock:

Thank you for the information you supplied us in regards to the above referenced interests. I used this information to recalculate the interest ownership in our proposed SL Deep Federal and to contact a Mr. Steve Elliott. Mr. Elliott confirmed what you had previously informed us regarding their override conversation. I appreciate your assistance in this matter. Additionally, it appears that you have the best files on the conversion and might be to your benefit to have an instrument made of record stating that the conversation did occur.

Thank you again for your help in this matter.

Sincerely,

Dean Chumbley  
Land Department

DC/mm





JAN 31 2001

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## TENISON OIL COMPANY

401 CYPRESS STREET, SUITE 500

ABILENE, TEXAS 79601

PHONE (915) 672-7281

FAX (915) 672-7291

January 26, 2001

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

Re: SL Deep Federal Com #1  
Lea County, New Mexico

Dear Mr. Chumbley;

After talking with Ray Miller this morning Tenison Oil is enclosing a signed copy of the AFE and the signature page of the operating agreement covering the SL Deep Federal Com #1 well. Please keep us advised of any developments regarding this lease. Thank You, and I hope that we will have a very successful well in the very near future.

Very Truly Yours  
TENISON OIL COMPANY

William B. Tenison  
Vice President, Administration



# **AUTHORITY FOR EXPENDITURE**

AFE NO.	2000-053	LEASE	SL Deep Federal Com	WELL NO.	1
DESCRIPTION	J - Section 30-19S-32E	COUNTY	Lea		
STATE	NM	AREA	Lusk Morrow	OPERATOR	Marbob Energy Corporation
PROJECT		PREPARED BY	Sheryl Baker		
EXPLORATION	DEVELOPMENT	RESULTS: OIL	DRY	TD	DATE 11/17/00

## **DRILLING INTANGIBLES**

	SUB	DRY HOLE W/O PIPE	COMPLETED WELL	ACTUAL COST	OVER UNDER
STAKING PERMITS LEGAL FEES ROW	100	20000			
SITE PREPARATION ROADS & LOC	110	15000	40000		
DRILLING FOOTAGE CONTRACT	200	396800			
DRILLING DAYWORK/MOBILIZATION	210	57600			
EQUIP RNTL MACHINERY/MAN HIRE	220	24500			
DRILLING WATER, HAULING FUEL	250	40000			
DRILING MUD & CHEMICALS	260	35000			
CEMENT SURFACE CASING	280	87500			
FISHING TOOL SERVICES	295	2000			
OTHER DRILLING COSTS/MATERIALS	299	4500			
CORING & FORMATION TESTING	300	10500			
MUD LOGGING & GEOLOGICAL SVCS	310	19500			
ELEC LOGGING, WIRELINE, PERF	350	28500	22500		
DRILLING OVERHEAD CHARGE	950	5000			
DRILLING WELLSITE SUPERVISION	955	5000			
CONTINGENCY 5%		37570	3125		
<b>TOTAL DRILLING</b>		788970	65625		

## **COMPLETION INTANGIBLES**

CEMENT PRODUCTION CASING	400		43500		
FORMATION FRACTURING	410		75000		
FORMATION ACIDIZING	420		7500		
COMPLETION UNIT	450		15000		
CONTRACT LABOR/PROFESSIONAL SVCS	500		25000		
COMPLETION WATER, POWERM FUEL	905		4500		
BATTERY CONST/SER/MATERIALS	910		20000		
COMPLETION EQUIP RNTS/SERVICES	915		22500		
DRIL/COM OVERHEAD CHARGE	950		5000		
DRIL/COM OVERHEAD CHARGE	955		5000		
MISCELLANEOUS IDC EXPENSES	900		7500		
CONTINGENCY 5%			11500		
<b>TOTAL COMPLETION</b>			242000		
<b>TOTAL INTANGIBLES</b>			307625		

## **DRILLING AND COMPLETION TANGIBLES**

SURFACE & INTERMEDIATE CASING	200	149045			
PRODUCTION CASING	250		132480		
TUBING & ATTACHMENTS	300		45000		
PUMPING WELL HOOK UP	350				
WELLHEAD EQUIPMENT	400		32500		
PUMP JACKS & PUMPS	500				
TREATER, SEPAR, EQ, METER/ELEC	600		32500		
TANKS & STORAGE FACILITIES	700		7500		
MISCELLANEOUS L&W EQUIPMENT	900		7500		
CONTINGENCY		7452	12874		
<b>TOTAL EQUIPMENT COST</b>		156497	270354		
<b>TOTAL WELL COST</b>		945467	643604		
<b>LEASE</b>	<b>ACRES @</b>	<b>PER ACRE</b>			
<b>TOTAL WELL COST</b>			1589071		

## **APPROVALS:**

OPERATOR Marbob Energy Corporation BY Sheryl Baker WI 37.3599 % DATE 11/20/00

COMPANY \_\_\_\_\_ BY \_\_\_\_\_ WI \_\_\_\_\_ % DATE \_\_\_\_\_

COMPANY TENISON OIL COMPANY BY William B. Tenison WI 3.90177 % DATE 1/26/01



# AUTHORITY FOR EXPENDITURE

AFE NO.	2000-053	LEASE	SL Deep Federal Com	WELL NO.	1
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<b>LEASE</b>	<b>ACRES @</b>	<b>PER ACRE</b>			
<b>TOTAL WELL COST</b>			1589071		

## APPROVALS:

OPERATOR Marbob Energy Corporation BY [Signature] WI 37.3599% DATE 11/20/00  
COMPANY Elliott Industries BY [Signature] WI 3.1132% DATE \_\_\_\_\_  
COMPANY \_\_\_\_\_ BY \_\_\_\_\_ WI \_\_\_\_\_% DATE \_\_\_\_\_



## AUTHORITY FOR EXPENDITURE

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TOTAL WELL COST			1589071		

## APPROVALS:

OPERATOR Marbob Energy Corporation

COMPANY Elliott-Hall Company

COMPANY

BY Sheryl Baker WI 37.3599% DATE 11/20/00BY Ellie Hall WI 3.11332% DATE 2/20/01

BY \_\_\_\_\_ WI \_\_\_\_\_ % DATE \_\_\_\_\_



AUTHORITY FOR EXPENDITURE

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DRILLING INTANGIBLES

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DRILLING AND COMPLETION TANGIBLES

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LEASE	ACRES @	PER ACRE			
TOTAL WELL COST			1589071		

APPROVALS:

OPERATOR Marbob Energy Corporation BY Sheryl Baker WI 37.3599% DATE 11/20/00  
COMPANY Bellwether Exploration Co BY K. C. Wells WI 6.3449% DATE 1/31/01  
COMPANY \_\_\_\_\_ BY \_\_\_\_\_ WI \_\_\_\_\_ % DATE \_\_\_\_\_