

OIL CONSERVATION DIV.

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**marbob**  
energy corporation

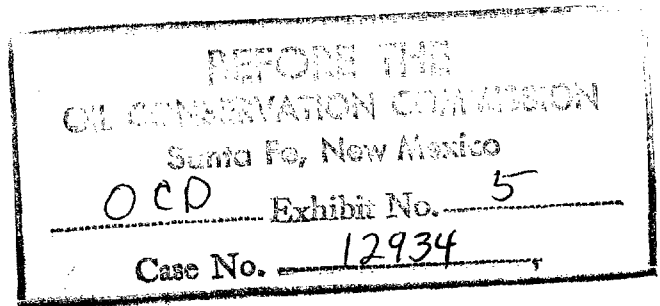
June 27, 2002

New Mexico Oil Conservation Division  
1220 S. Saint Francis Dr.  
Santa Fe, NM 87505-4000

Attn: Mr. Richard Ezeanyim

Re: Rule 402 Comments

Dear Mr. Ezeanyim:



Marbob Energy Corporation strongly recommends that Rule 402 be repealed in its entirety. We have found no utility for annual surface shut-in pressure data in our operations, and feel that gathering this data is a waste of time and money for us and the NMOCD.

In general, surface pressure data lacks the accuracy to be truly useful for reservoir engineering purposes. Calculating an accurate bottom hole pressure from surface pressure data is difficult because of condensate or water accumulation inside the wellbore and inaccurate estimates of the gas gradient. Also, the majority of gas wells in New Mexico won't reach a stabilized shut-in surface pressure within 24 hours due to low formation permeability and depletion. For these reasons, we think surface shut-in pressure data is too inaccurate to be useful.

As an operator, we object to wasting money and losing production on annually mandated shut-in surface pressure tests that yield data of dubious value. Marbob, and we suspect most other operators, collects bottom hole pressure data in our gas wells when we have good engineering or operational reasons to do so. We seldom need to collect bottom hole pressure data on an annual basis for our gas wells. We collect the data only when it is needed for specific engineering or operational reasons.

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We are pleased that you are responding to operators' concerns about the necessity of Rule 402. This looks like a good opportunity to eliminate an unnecessary rule, eliminate a paper work burden for the operators and the NMOCD, save the operators and the NMOCD unnecessary expenditures, and simplify the regulatory process. In addition to repealing or revising Rule 402, we think this is a good time for the NMOCD to review Rule 401 for revision or repeal. We question the usefulness and accuracy of the well potential data required for Rule 401. If you have any questions, please contact me at 505-748-3303.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brian Collins".

Brian Collins  
Petroleum Engineer

BC/dlw

cc: Bob Gallagher, New Mexico Oil & Gas Association.