

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