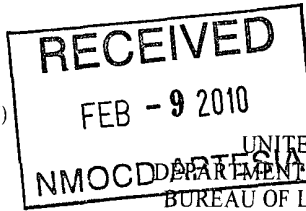


ATS-09-529 AM

Form 3160-3
(February 2005)



OCDD Artesia

SECRETARY'S POTASH

909

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a Type of work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7 If Unit or CA Agreement, Name and No
1b Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8 Lease Name and Well No Seabiscuit Federal Com #2 H
2 Name of Operator Marbob Energy Corporation		9 API Well No 30-015-37607
3a Address P.O. Box 227, Artesia, NM 88211-0227	3b Phone No (include area code) 575-748-3303	10 Field and Pool, or Exploratory Sand Dunes; Bone Spring, South
4 Location of Well (Report location clearly and in accordance with any State requirements *) At surface 330' FSL & 2260' FWL At proposed prod zone 330' FNL & 2260' FWL		11 Sec, T R M or Blk and Survey or Area Section 12, T24S - R31E
14 Distance in miles and direction from nearest town or post office* About 21 miles from Malaga, NM		12 County or Parish Eddy County
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drig unit line, if any) 330'		13 State NM
16 No of acres in lease SHL: 160, BHL: 160	17 Spacing Unit dedicated to this well 160	
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	19 Proposed Depth MD 12820 PH 9600, TVD Horz 8400	20 BLM/BIA Bond No on file NMB000412
21 Elevations (Show whether DF, KDB, RT, GL, etc) 3566' GL	22 Approximate date work will start* 08/20/2009	23 Estimated duration 35 Days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1, must be attached to this form

- | | |
|--|---|
| 1 Well plat certified by a registered surveyor | 4 Bond to cover the operations unless covered by an existing bond on file (see Item 20 above) |
| 2 A Drilling Plan | 5 Operator certification |
| 3 A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6 Such other site specific information and/or plans as may be required by the BLM. |

25 Signature <i>Nancy T. Agnew</i>	Name (Printed Typed) Nancy T. Agnew	Date 07/20/2009
Title Land Department		

Approved by (Signature) /s/ Linda S C. Rundell	Name (Printed Typed)	Date FEB 5 2010
Title NM STATE OFFICE	Office STATE DIRECTOR	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon
Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

1152

Carlsbad Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Date: July 20, 2009
SHL: NM 104684
Lease #: BHL: NM 067106
Seabiscuit Federal Com #2


Legal Description: Sec. 12-T24S-R31E
Eddy County, New Mexico

Formation(s): Permian

Bond Coverage: Statewide

BLM Bond File #: NMB000412

Marbob Energy Corporation


Nancy Agnew
Land Department

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-37607	Pool Code 13367	Pool Name Cotton Draw ; BONE SPRING
Property Code 38040	Property Name SEABISCUIT FEDERAL COM	Well Number 2H
OGRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3566'

Surface Location

UL or lot No	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	12	24-S	31-E		330	SOUTH	2260	WEST	EDDY

Bottom Hole Location If Different From Surface

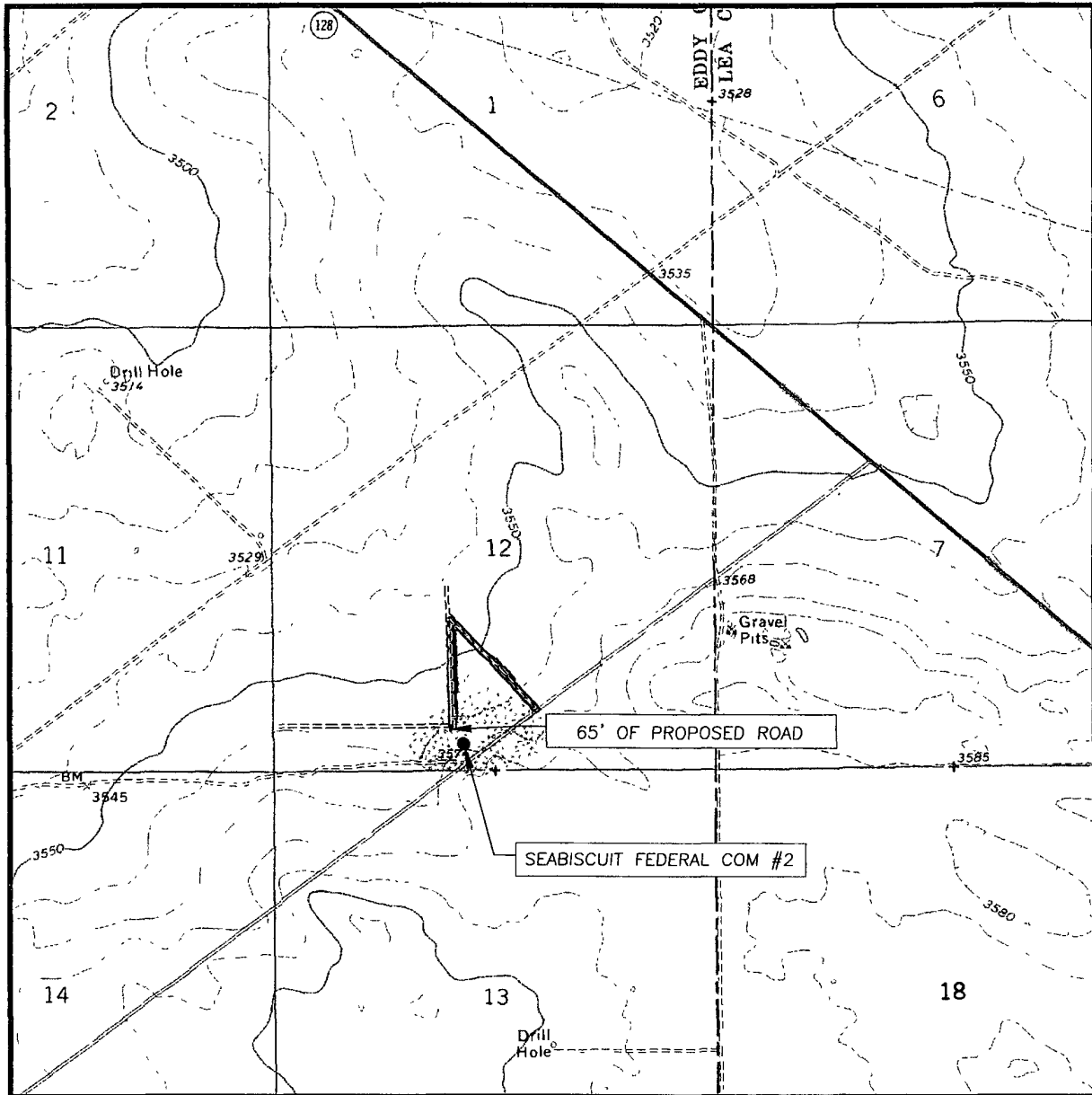
UL or lot No	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	12	24-S	31-E		330	NORTH	2260	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No
160			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>2260</p> <p>330'</p> <p>BH</p> <p>GRID AZ -359'42'09"</p> <p>HORZ DIST -4626 1'</p> <p>330'</p> <p>SL</p> <p>2260</p> <p>330'</p> <p>SEE DETAIL</p> <p>3560 0'</p> <p>3561 5'</p> <p>3566 7'</p> <p>3580 6'</p> <p>600'</p> <p>600'</p> <p>DETAIL</p> <p>Y=450868 0 N</p> <p>X=685844 7 E</p> <p>GEODETIC COORDINATES</p> <p>NAD 27 NME</p> <p>SURFACE LOCATION</p> <p>Y=446243.1 N</p> <p>X=685868 5 E</p> <p>LAT =32 225410' N</p> <p>LONG =103 732277' W</p> <p>NM-067106</p> <p>NM-104684</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Nancy T. Agnew</i> 12/20/09 Signature Date</p> <p>Nancy T. Agnew Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief</p> <p>DATE SURVEYED 12/20/09 SIGNATURE Seal of Professional Surveyor <i>Ronald J. Eidson</i> 12/20/09 3239</p> <p>Certificate No. RONALD EIDSON 3239</p>
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LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
PADUCA BREAKS NW, N.M. - 10'

SEC. 12 TWP. 24-S RGE. 31-E

SURVEY N.M.P.M

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FSL & 2260' FWL

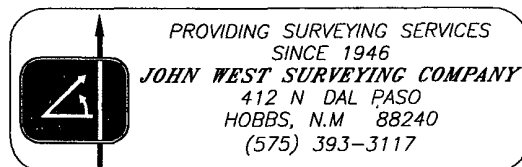
ELEVATION 3566'

OPERATOR MARBOB ENERGY CORPORATION

LEASE SEABISCUIT FEDERAL COM

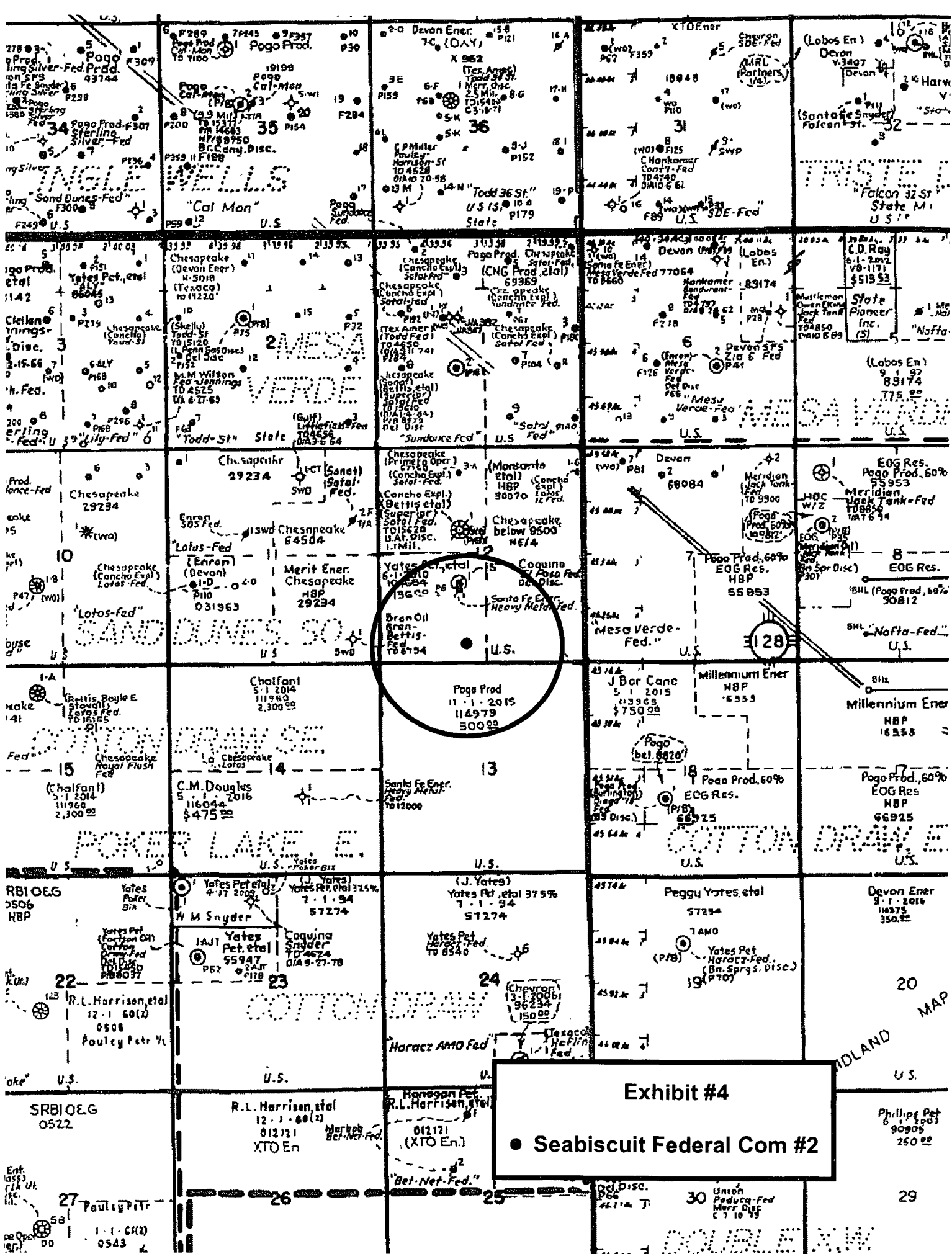
U.S.G.S. TOPOGRAPHIC MAP
PADUCA BREAKS NW, N.M.

— Existing Roads



Revised 8/19/09

Exhibit #2



MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM

Seabiscuit Federal Com #2
Surf: 330' FSL & 2260' FWL
BHL: 330' FNL & 2260' FWL
Section 12, T24S – R31E
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Marbob Energy Corporation submits the following ten items of pertinent information in accordance with BLM requirements.

1. Geological surface formation: Permian
2. The estimated tops of geologic markers & estimated depths at which anticipated water, oil or gas formations are expected to be encountered are as follows:

Rustler	810'	
Top Salt	948'	
Bottom Salt	4350'	
Delaware	4575'	Oil
Bone Spring	8421'	Oil
TD (Pilot Hole)	9600'	
TVD Horz.	8400'	

No other formations are expected to give up oil, gas, or fresh water in measurable quantities. The surface fresh water sands will be protected by setting 13 3/8" casing at 840' and circulating cement back to surface. All intervals will be isolated by setting 5 1/2" casing to total depth and circulating cement above the base of the 13 3/8" casing.

3. **Proposed Casing Program:** *See COA*

Hole Size	Interval	OD Casing	New or Used	Wt	Collar	Grade	Collapse Design Factor	Burst Design Factor	Tension Design Factor
	875'								
17 1/2"	0' – 840'	13 3/8"	New	54.5#	STC	J-55	1.125	1.125	1.6
12 1/4"	840' – 3500'	9 5/8"	New	36#	BUTT	J-55	1.125	1.125	1.6
12 1/4"	3500' – 4500'	9 5/8"	New	40#	BUTT	J-55	1.125	1.125	1.6
7 7/8"	4500' – 13000'	5 1/2"	New	17#	LTC	N--80	1.125	1.125	1.6

Plan to drill 17 1/2" hole to 840' set and cement 13 3/8" casing. Drill to 4500' with 12 1/4" bit set and cement 9 5/8" casing then drill Pilot hole to 9600' log well then plug back and horizontal well bore to new BHL @ 8400' TVD.

5. Proposed Cement Program: *See COA*

- a. 13 3/8" Surf Cement to surface with 300 sk "C" light wt 12.7 yield 1.91. Tail in with 200 sk "c" wt 14.8 yield 1.34.
- b. 9 5/8" Int cement with 800 sk "c" Light wt 12.7 yield 1.91 Tail in w/250 sk "c" wt 14.8 yield 1.34 to ~~500'~~ *Surface - See COA*
- c. 5 1/2" Prod 1st Stage 500 sk Acid Soluble "H" cement wt. 15.0 yield 2.6 2nd stage with 550 sk "H" Light wt. 12.7 yield 1.91 tail in with 100 "H" wt. 13.0 yield 1.64. DV @ 8000' TOC 4000'

The above cement volumes could be revised pending the caliper measurement from the open hole logs. The top of cement is designed to reach approximately ~~200'~~ *500'* above the 9 5/8" casing shoe. **All casing is new and API approved.**

6. Minimum Specifications for Pressure Control:

Nipple up on 13 3/8" with 2M system and test to 2000# with independent tester. Nipple up on 9 5/8" with 3M system & test to 3000# with independent tester.

BOP will be operationally checked each 24 hour period. BOP will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and a 3" choke line will be included in the drilling spool located below the BOP. Other accessories to the BOP equipment will include a Kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

7. Estimated BHP: 3993.6 psi

8. Mud Program: *See COA* The applicable depths and properties of this system are as follows:

Depth 875'	Type System	Mud Weight	Viscosity (sec)	Waterloss (cc)
0' - 840'	Fresh Water	8.4	29	N.C.
875' 840' - 4500'	Brine	9.9 - 10.0	29	N.C.
4500' - 13000'	Cut Brine	9.0	29	N.C.

The necessary mud products for weight addition and fluid loss control will be on location at all times.

9. Auxiliary Well Control and Monitoring Equipment:

- A Kelly cock will be in the drill string at all times.
- A full opening drill pipe stabbing valve having the appropriate connections will be on the rig floor at all times.

- c. Hydrogen Sulfide detection equipment will be in operation after drilling out the 13 3/8" casing shoe until the 5 1/2" casing is cemented. Breathing equipment will be on location upon drilling the 13 3/8" shoe until total depth is reached.

10. Testing, Logging and Coring Program: *See COA*

- a. Drill stem tests will be based on geological sample shows.
- b. The open hole electrical logging program will be:
 - i. Total Depth to Intermediate Casing: Dual Laterolog-Micro Laterolog and Gamma Ray. Compensated Neutron – Z Density log with Gamma Ray and Caliper.
 - ii. Total Depth to Surface: Compensated Neutron with Gamma Ray
 - iii. No coring program is planned
 - iv. Additional testing will be initiated subsequent to setting the 5 1/2" production casing. Specific intervals will be targeted based on log evaluation, geological sample shows and drill stem tests.

11. Potential Hazards:

- a. No abnormal pressures or temperatures are expected. There is no known presence of H2S in this area. If H2S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP: 3993.6 psi. No H2S is anticipated to be encountered.

12. Anticipated starting date and Duration of Operations:

- a. Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as possible after BLM approval and as soon as a rig will be available. Move in operations and drilling is expected to take 35 days.



Marbob

Eddy County

Seabiscuit Federal Com

#2H

OH

Plan: Plan #1

Pathfinder X & Y Planning Report

16 July, 2009

PATHFINDER



Pathfinder Energy Services

Pathfinder X & Y Planning Report



Company: Marbob
Project: Eddy County
Site: Seabiscuit Federal Com
Well: #2H
Wellbore: OH
Design: Plan #1

Local Co-ordinate Reference: Well #2H
TVD Reference: WELL @ 3588 00ft (22' KB)
MD Reference: WELL @ 3588 00ft (22' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: Midland Database

Project	Eddy County		
Map System:	US State Plane 1927 (Exact solution)	System Datum:	Mean Sea Level
Geo Datum:	NAD 1927 (NADCON CONUS)		
Map Zone:	New Mexico East 3001		

Site	Seabiscuit Federal Com		
Site Position		Northing:	446,236 500 ft
From:	Map	Easting:	683,988 900 ft
Position Uncertainty:	0 00 ft	Slot Radius:	"
		Latitude	32° 13' 31 515 N
		Longitude:	103° 44' 18 078 W
		Grid Convergence	0 32 °

Well		#2H				
Well Position	+N/-S	0 00 ft	Northing:	446,243 100 ft	Latitude:	32° 13' 31 477 N
	+E/-W	0 00 ft	Easting:	685,868 500 ft	Longitude:	103° 43' 56 197 W
Position Uncertainty		0 00 ft	Wellhead Elevation:	ft	Ground Level:	3,566 00 ft

Wellbore	OH				
Magnetics	Model Name	Sample Date	Declination (°)	Dip Angle (°)	Field Strength (nT)
	IGRF200510	07/16/2009	7 88	60 22	48,818

Design	Plan #1			
Audit Notes:				
Version:	Phase.	PLAN	Tie On Depth	0 00
Vertical Section:	Depth From (TVD) (ft)	+N/-S (ft)	+E/-W (ft)	Direction (°)
	0 00	0 00	0 00	359 70

Survey Tool Program	Date	07/16/2009		
From (ft)	To (ft)	Survey (Wellbore)	Tool Name	Description
0 00	12,820 02	Plan #1 (OH)	MWD	MWD - Standard



Pathfinder Energy Services Pathfinder X & Y Planning Report



Company: Marbob
Project: Eddy County
Site: Seabiscuit Federal Com
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Planned Survey												
MD (ft)	Inc (°)	Azi (°)	TVD (ft)	TVDSS (ft)	N/S (ft)	E/W (ft)	V. Sec (ft)	DLeg (°/100ft)	Northing (ft)	Easting (ft)		
0 00	0 00	0 00	0 00	-3,588 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
100 00	0 00	0 00	100 00	-3,488 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
200 00	0 00	0 00	200 00	-3,388 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
300 00	0 00	0 00	300 00	-3,288 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
400 00	0 00	0 00	400 00	-3,188 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
500 00	0 00	0 00	500 00	-3,088 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
600 00	0 00	0 00	600 00	-2,988 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
700 00	0 00	0 00	700 00	-2,888 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
800 00	0 00	0 00	800 00	-2,788 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
900 00	0 00	0 00	900 00	-2,688 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,000 00	0 00	0 00	1,000 00	-2,588 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,100 00	0 00	0 00	1,100 00	-2,488 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,200 00	0 00	0 00	1,200 00	-2,388 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,300 00	0 00	0 00	1,300 00	-2,288 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,400 00	0 00	0 00	1,400 00	-2,188 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,500 00	0 00	0 00	1,500 00	-2,088 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,600 00	0 00	0 00	1,600 00	-1,988 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,700 00	0 00	0 00	1,700 00	-1,888 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,800 00	0 00	0 00	1,800 00	-1,788 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
1,900 00	0 00	0 00	1,900 00	-1,688 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,000 00	0 00	0 00	2,000 00	-1,588 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,100 00	0 00	0 00	2,100 00	-1,488 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,200 00	0 00	0 00	2,200 00	-1,388 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,300 00	0 00	0 00	2,300 00	-1,288 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,400 00	0 00	0 00	2,400 00	-1,188 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,500 00	0 00	0 00	2,500 00	-1,088 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		
2,600 00	0 00	0 00	2,600 00	-988 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50		



Pathfinder Energy Services
Pathfinder X & Y Planning Report



Company: Marbob
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Planned Survey

MD (ft)	Inc (°)	Azi (°)	TVD (ft)	TVDSS (ft)	N/S (ft)	E/W (ft)	V. Sec (ft)	DLeg (°/100ft)	Northing (ft)	Easting (ft)
2,700 00	0 00	0 00	2,700 00	-888 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
2,800 00	0 00	0 00	2,800 00	-788 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
2,900 00	0 00	0 00	2,900 00	-688 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,000 00	0 00	0 00	3,000 00	-588 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,100 00	0 00	0 00	3,100 00	-488 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,200 00	0 00	0 00	3,200 00	-388 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,300 00	0 00	0 00	3,300 00	-288 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,400 00	0 00	0 00	3,400 00	-188 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,500 00	0 00	0 00	3,500 00	-88 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,600 00	0 00	0 00	3,600 00	12 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,700 00	0 00	0 00	3,700 00	112 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,800 00	0 00	0 00	3,800 00	212 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
3,900 00	0 00	0 00	3,900 00	312 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,000 00	0 00	0 00	4,000 00	412 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,100 00	0 00	0 00	4,100 00	512 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,200 00	0 00	0 00	4,200 00	612 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,300 00	0 00	0 00	4,300 00	712 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,400 00	0 00	0 00	4,400 00	812 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,500 00	0 00	0 00	4,500 00	912 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,600 00	0 00	0 00	4,600 00	1,012 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,700 00	0 00	0 00	4,700 00	1,112 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,800 00	0 00	0 00	4,800 00	1,212 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
4,900 00	0 00	0 00	4,900 00	1,312 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,000 00	0 00	0 00	5,000 00	1,412 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,100 00	0 00	0 00	5,100 00	1,512 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,200 00	0 00	0 00	5,200 00	1,612 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,300 00	0 00	0 00	5,300 00	1,712 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50



Pathfinder Energy Services

Pathfinder X & Y Planning Report



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5,400 00	0 00	0 00	5,400 00	1,812 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,500 00	0 00	0 00	5,500 00	1,912 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,600 00	0 00	0 00	5,600 00	2,012 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,700 00	0 00	0 00	5,700 00	2,112 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,800 00	0 00	0 00	5,800 00	2,212 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
5,900 00	0 00	0 00	5,900 00	2,312 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,000 00	0 00	0 00	6,000 00	2,412 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,100 00	0 00	0 00	6,100 00	2,512 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,200 00	0 00	0 00	6,200 00	2,612 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,300 00	0 00	0 00	6,300 00	2,712 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,400 00	0 00	0 00	6,400 00	2,812 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,500 00	0 00	0 00	6,500 00	2,912 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,600 00	0 00	0 00	6,600 00	3,012 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,700 00	0 00	0 00	6,700 00	3,112 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,800 00	0 00	0 00	6,800 00	3,212 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
6,900 00	0 00	0 00	6,900 00	3,312 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,000 00	0 00	0 00	7,000 00	3,412 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,100 00	0 00	0 00	7,100 00	3,512 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,200 00	0 00	0 00	7,200 00	3,612 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,300 00	0 00	0 00	7,300 00	3,712 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,400 00	0 00	0 00	7,400 00	3,812 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,500 00	0 00	0 00	7,500 00	3,912 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,600 00	0 00	0 00	7,600 00	4,012 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,700 00	0 00	0 00	7,700 00	4,112 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,800 00	0 00	0 00	7,800 00	4,212 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50
7,900 00	0 00	0 00	7,900 00	4,312 00	0 00	0 00	0 00	0 00	446,243 10	685,868 50



Pathfinder Energy Services

Pathfinder X & Y Planning Report



Company: Marbob
 Project: Eddy County
 Site: Seabiscuit Federal Com
 Well: #2H
 Wellbore: OH
 Design: Plan #1

Local Co-ordinate Reference: Well #2H
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 MD Reference: WELL @ 3588 00ft (22' KB)
 North Reference: Grid
 Survey Calculation Method: Minimum Curvature
 Database: Midland Database

Planned Survey

MD (ft)	Inc (°)	Azi (°)	TVD (ft)	TVDSS (ft)	N/S (ft)	E/W (ft)	V. Sec (ft)	DLeg (°/100ft)	Northing (ft)	Easting (ft)
7,922 50	0 00	0 00	7,922 50	4,334 50	0 00	0 00	0 00	0 00	446,243 10	685,868 50
KOP-7922.50'MD,0.00°INC,0.00°AZI,7922.50'TVD										
7,925 00	0 30	359 70	7,925 00	4,337 00	0 01	0 00	0 01	12 00	446,243 11	685,868 50
7,950 00	3 30	359 70	7,949 98	4,361 98	0 79	0 00	0 79	12 00	446,243 89	685,868 50
7,975 00	6 30	359 70	7,974 89	4,386 89	2 88	-0 02	2 88	12 00	446,245 98	685,868 48
8,000 00	9 30	359 70	7,999 66	4,411 66	6 28	-0 03	6 28	12 00	446,249 38	685,868 47
8,025 00	12 30	359 70	8,024 21	4,436 21	10 96	-0 06	10 96	12 00	446,254 06	685,868 44
8,050 00	15 30	359 70	8,048 49	4,460 49	16 92	-0 09	16 92	12 00	446,260 02	685,868 41
8,075 00	18 30	359 70	8,072 42	4,484 42	24 15	-0 13	24 15	12 00	446,267 25	685,868 37
8,100 00	21 30	359 70	8,095 94	4,507 94	32 61	-0 17	32 61	12 00	446,275 71	685,868 33
8,125 00	24 30	359 70	8,118 98	4,530 98	42 30	-0 22	42 30	12 00	446,285 40	685,868 28
8,150 00	27 30	359 70	8,141 49	4,553 49	53 18	-0 28	53 18	12 00	446,296 28	685,868 22
8,175 00	30 30	359 70	8,163 40	4,575 40	65 22	-0 34	65 22	12 00	446,308 32	685,868 16
8,200 00	33 30	359 70	8,184 64	4,596 64	78 39	-0 41	78 39	12 00	446,321 49	685,868 09
8,225 00	36 30	359 70	8,205 17	4,617 17	92 65	-0 49	92 66	12 00	446,335 75	685,868 01
8,250 00	39 30	359 70	8,224 92	4,636 92	107 97	-0 57	107 98	12 00	446,351 07	685,867 93
8,275 00	42 30	359 70	8,243 84	4,655 84	124 31	-0 65	124 31	12 00	446,367 41	685,867 85
8,300 00	45 30	359 70	8,261 89	4,673 89	141 61	-0 74	141 61	12 00	446,384 71	685,867 76
8,325 00	48 30	359 70	8,279 00	4,691 00	159 83	-0 84	159 83	12 00	446,402 93	685,867 66
8,350 00	51 30	359 70	8,295 14	4,707 14	178 92	-0 94	178 92	12 00	446,422 02	685,867 56
8,375 00	54 30	359 70	8,310 25	4,722 25	198 83	-1 04	198 83	12 00	446,441 93	685,867 46
8,400 00	57 30	359 70	8,324 30	4,736 30	219 50	-1 15	219 51	12 00	446,462 60	685,867 35
8,425 00	60 30	359 70	8,337 25	4,749 25	240 88	-1 26	240 89	12 00	446,483 98	685,867 24
8,450 00	63 30	359 70	8,349 07	4,761 07	262 91	-1 38	262 92	12 00	446,506 01	685,867 12
8,475 00	66 30	359 70	8,359 71	4,771 71	285 53	-1 50	285 53	12 00	446,528 63	685,867 00
8,500 00	69 29	359 70	8,369 16	4,781 16	308 67	-1 62	308 68	12 00	446,551 77	685,866 88
8,525 00	72 29	359 70	8,377 38	4,789 38	332 28	-1 74	332 28	12 00	446,575 38	685,866 76



Pathfinder Energy Services

Pathfinder X & Y Planning Report



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 Survey Calculation Method: Minimum Curvature
 Database: Midland Database

Planned Survey

MD (ft)	Inc (°)	Azi (°)	TVD (ft)	TVDSS (ft)	N/S (ft)	E/W (ft)	V. Sec (ft)	DLeg (°/100ft)	Northing (ft)	Easting (ft)
8,550 00	75 29	359 70	8,384 36	4,796 36	356 28	-1 87	356 29	12 00	446,599 38	685,866 63
8,575 00	78 29	359 70	8,390 07	4,802 07	380 62	-1 99	380 62	12 00	446,623 72	685,866 51
8,600 00	81 29	359 70	8,394 50	4,806 50	405 22	-2 12	405 22	12 00	446,648 32	685,866 38
8,625 00	84 29	359 70	8,397 63	4,809 63	430 02	-2 25	430 02	12 00	446,673 12	685,866 25
8,650 00	87 29	359 70	8,399 47	4,811 47	454 95	-2 38	454 95	12 00	446,698 05	685,866 12
8,672 56	90 00	359 70	8,400 00	4,812 00	477 49	-2 50	477 50	12 00	446,720 59	685,866 00
EOC-8672.56°MD,90.00°INC,359.70°AZI,8400.00°TVD,12.00°DLS, 477.50°VS, 477.50°N, -2.50°E										
8,700 00	90 00	359 70	8,400 00	4,812 00	504 94	-2 64	504 94	0 00	446,748 04	685,865 86
8,800 00	90 00	359 70	8,400 00	4,812 00	604 94	-3 17	604 94	0 00	446,848 04	685,865 33
8,900 00	90 00	359 70	8,400 00	4,812 00	704 94	-3 69	704 94	0 00	446,948 04	685,864 81
9,000 00	90 00	359 70	8,400 00	4,812 00	804 93	-4 21	804 94	0 00	447,048 03	685,864 29
9,100 00	90 00	359 70	8,400 00	4,812 00	904 93	-4 74	904 94	0 00	447,148 03	685,863 76
9,200 00	90 00	359 70	8,400 00	4,812 00	1,004 93	-5 26	1,004 94	0 00	447,248 03	685,863 24
9,300 00	90 00	359 70	8,400 00	4,812 00	1,104 93	-5 79	1,104 94	0 00	447,348 03	685,862 71
9,400 00	90 00	359 70	8,400 00	4,812 00	1,204 93	-6 31	1,204 94	0 00	447,448 03	685,862 19
9,500 00	90 00	359 70	8,400 00	4,812 00	1,304 93	-6 83	1,304 94	0 00	447,548 03	685,861 67
9,600 00	90 00	359 70	8,400 00	4,812 00	1,404 93	-7 36	1,404 94	0 00	447,648 03	685,861 14
9,700 00	90 00	359 70	8,400 00	4,812 00	1,504 92	-7 88	1,504 94	0 00	447,748 02	685,860 62
9,800 00	90 00	359 70	8,400 00	4,812 00	1,604 92	-8 40	1,604 94	0 00	447,848 02	685,860 10
9,900 00	90 00	359 70	8,400 00	4,812 00	1,704 92	-8 93	1,704 94	0 00	447,948 02	685,859 57
10,000 00	90 00	359 70	8,400 00	4,812 00	1,804 92	-9 45	1,804 94	0 00	448,048 02	685,859 05
10,100 00	90 00	359 70	8,400 00	4,812 00	1,904 92	-9 97	1,904 94	0 00	448,148 02	685,858 53
10,200 00	90 00	359 70	8,400 00	4,812 00	2,004 92	-10 50	2,004 94	0 00	448,248 02	685,858 00
10,300 00	90 00	359 70	8,400 00	4,812 00	2,104 92	-11 02	2,104 94	0 00	448,348 02	685,857 48
10,400 00	90 00	359 70	8,400 00	4,812 00	2,204 91	-11 55	2,204 94	0 00	448,448 01	685,856 95
10,500 00	90 00	359 70	8,400 00	4,812 00	2,304 91	-12 07	2,304 94	0 00	448,548 01	685,856 43
10,600 00	90 00	359 70	8,400 00	4,812 00	2,404 91	-12 59	2,404 94	0 00	448,648 01	685,855 91



Pathfinder Energy Services

Pathfinder X & Y Planning Report



Company: Marbob
Project: Eddy County
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Well: #2H
Wellbore: OH
Design: Plan #1

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TVD Reference: WELL @ 3588 00ft (22' KB)
MD Reference: WELL @ 3588 00ft (22' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: Midland Database

Planned Survey

MD (ft)	Inc (°)	Azi (°)	TVD (ft)	TVDSS (ft)	N/S (ft)	E/W (ft)	V. Sec (ft)	DLeg (°/100ft)	Northing (ft)	Easting (ft)
10,700 00	90 00	359 70	8,400 00	4,812 00	2,504 91	-13 12	2,504 94	0 00	448,748 01	685,855 38
10,800 00	90 00	359 70	8,400 00	4,812 00	2,604 91	-13 64	2,604 94	0 00	448,848 01	685,854 86
10,900 00	90 00	359 70	8,400 00	4,812 00	2,704 91	-14 16	2,704 94	0 00	448,948 01	685,854 34
11,000 00	90 00	359 70	8,400 00	4,812 00	2,804 91	-14 69	2,804 94	0 00	449,048 01	685,853 81
11,100 00	90 00	359 70	8,400 00	4,812 00	2,904 90	-15 21	2,904 94	0 00	449,148 00	685,853 29
11,200 00	90 00	359 70	8,400 00	4,812 00	3,004 90	-15 73	3,004 94	0 00	449,248 00	685,852 77
11,300 00	90 00	359 70	8,400 00	4,812 00	3,104 90	-16 26	3,104 94	0 00	449,348 00	685,852 24
11,400 00	90 00	359 70	8,400 00	4,812 00	3,204 90	-16 78	3,204 94	0 00	449,448 00	685,851 72
11,500 00	90 00	359 70	8,400 00	4,812 00	3,304 90	-17 30	3,304 94	0 00	449,548 00	685,851 20
11,600 00	90 00	359 70	8,400 00	4,812 00	3,404 90	-17 83	3,404 94	0 00	449,648 00	685,850 67
11,700 00	90 00	359 70	8,400 00	4,812 00	3,504 90	-18 35	3,504 94	0 00	449,748 00	685,850 15
11,800 00	90 00	359 70	8,400 00	4,812 00	3,604 90	-18 88	3,604 94	0 00	449,848 00	685,849 62
11,900 00	90 00	359 70	8,400 00	4,812 00	3,704 89	-19 40	3,704 94	0 00	449,947 99	685,849 10
12,000 00	90 00	359 70	8,400 00	4,812 00	3,804 89	-19 92	3,804 94	0 00	450,047 99	685,848 58
12,100 00	90 00	359 70	8,400 00	4,812 00	3,904 89	-20 45	3,904 94	0 00	450,147 99	685,848 05
12,200 00	90 00	359 70	8,400 00	4,812 00	4,004 89	-20 97	4,004 94	0 00	450,247 99	685,847 53
12,300 00	90 00	359 70	8,400 00	4,812 00	4,104 89	-21 49	4,104 94	0 00	450,347 99	685,847 01
12,400 00	90 00	359 70	8,400 00	4,812 00	4,204 89	-22 02	4,204 94	0 00	450,447 99	685,846 48
12,500 00	90 00	359 70	8,400 00	4,812 00	4,304 89	-22 54	4,304 94	0 00	450,547 99	685,845 96
12,600 00	90 00	359 70	8,400 00	4,812 00	4,404 88	-23 06	4,404 94	0 00	450,647 98	685,845 44
12,700 00	90 00	359 70	8,400 00	4,812 00	4,504 88	-23 59	4,504 94	0 00	450,747 98	685,844 91
12,800 00	90 00	359 70	8,400 00	4,812 00	4,604 88	-24 11	4,604 94	0 00	450,847 98	685,844 39
12,820 02	90 00	359 70	8,400 00	4,812 00	4,624 90	-24 22	4,624 96	0 00	450,868 00	685,844 28

BHL-12820.02°MD,90.00°INC,359 70°AZI, 8400.00°TVD, 4624.96°VS, 4624.90°N, -24.22°E - PBHL(SB#2)



Pathfinder Energy Services

Pathfinder X & Y Planning Report



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Site: Seabiscuit Federal Com
Well: #2H
Wellbore: OH
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MD Reference: WELL @ 3588 00ft (22' KB)
North Reference: Grid
Survey Calculation Method: Minimum Curvature
Database: Midland Database

Targets

Target Name

- hit/miss target - Shape	Dip Angle (°)	Dip Dir. (°)	TVD (ft)	+N/-S (ft)	+E/-W (ft)	Northing (ft)	Easting (ft)	Latitude	Longitude
PBHL(SB#2) - plan hits target - Point	0 00	0 00	8,400 00	4,624 90	-23 80	450,868 000	685,844 700	32° 14' 17 245 N	103° 43' 56 173 W

Plan Annotations

Measured Depth (ft)	Vertical Depth (ft)	Local Coordinates		Comment
		+N/-S (ft)	+E/-W (ft)	
7,922 50	7,922 50	0 00	0 00	KOP-7922 50'MD,0 00°INC,0 00°AZI,7922 50'TVD
8,672 56	8,400 00	477 49	-2 50	EOC-8672 56'MD,90 00°INC,359 70°AZI,8400 00'TVD,12 00°DLS, 477
12,820 02	8,400 00	4,624 90	-24 22	BHL-12820 02'MD,90 00°INC,359 70°AZI, 8400 00'TVD, 4624 96'VS, 4

Checked By: _____ Approved By: _____ Date: _____



Project: Eddy County
Site: Seabiscuit Federal C.
Well: #2H
Wellbore: OH
Plan: Plan #1 (#2H/OH)

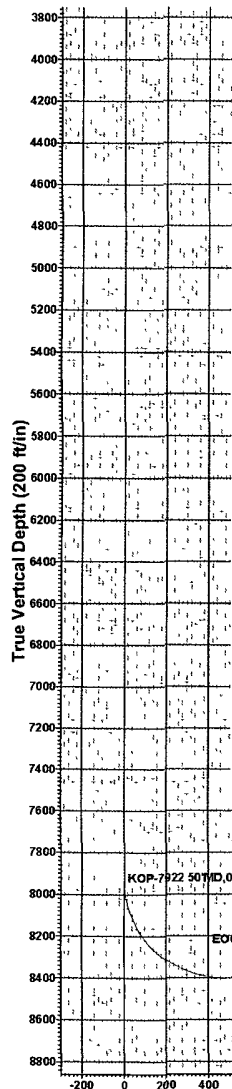


Azimuths to Grid North
True North: -0.32°
Magnetic North: 7.56°

Magnetic Field
Strength: 48817.8snT
Dip Angle: 60.22°
Date: 07/16/2009
Model: IGRF200510

PATHFINDER

PROJECT DETAILS Eddy County
Geodetic System US State Plane 1927 (Exact solution)
Datum NAD 1927 (NADCON CONUS)
Ellipsoid Clarke 1866
Zone New Mexico East 3001
System Datum Mean Sea Level
Local North Grid



Sec	MD	Inc	Azi	TVD	+N/-S	+E/-W	DLeg	TFace	VSec	Target
1	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	0 00	
2	7922 50	0 00	0 00	7922 50	0 00	0 00	0 00	0 00	0 00	
3	8672 56	90 00	359 70	8400 00	477 49	-2 50	12 00	359 70	477 50	
4	12820 02	90 00	359 70	8400 00	4624 90	-24 22	0 00	0 00	4624 96	PBHL(SB#2)

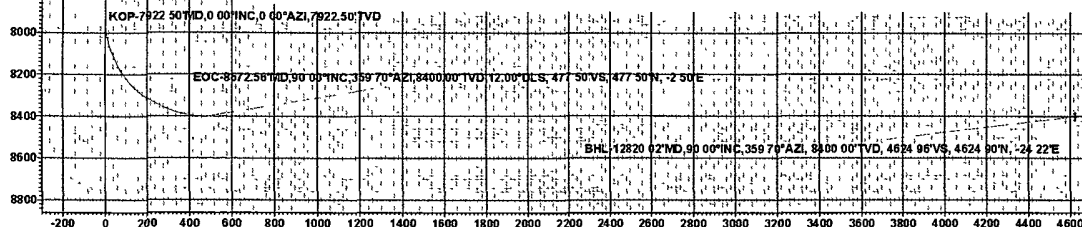
WELLBORE TARGET DETAILS (MAP CO-ORDINATES)

Name	TVD	+N/-S	+E/-W	Northing	Easting	Shape
PBHL(SB#2)	8400.00	4624.90	-23.80	450968.000	685844.700	Point

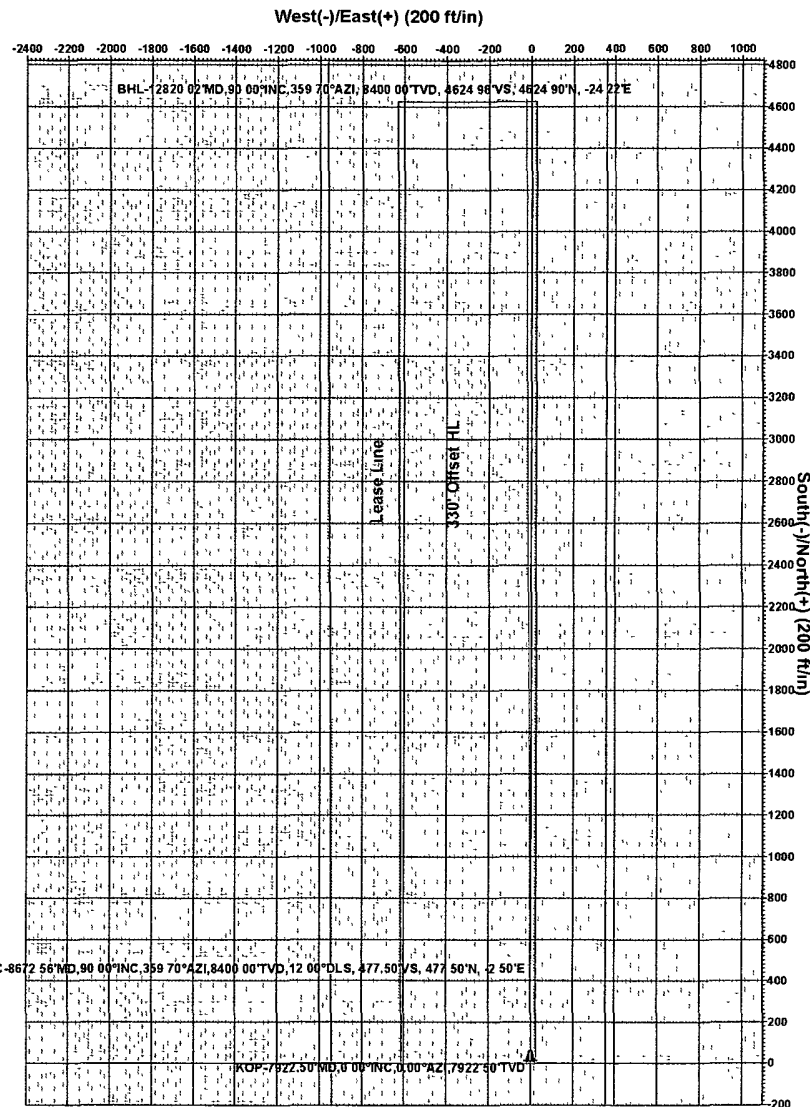
WELL DETAILS #2H

Ground Elevation 3566.00
RKB Elevation WELL @ 3588.00ft (22' KB)
Rig Name 22' KB

+N/-S	+E/-W	Northing	Easting	Latitude	Longitude	Slot
0 60	0 00	446243.100	685868.500	32° 13' 31" 477 N	103° 43' 56.187 W	



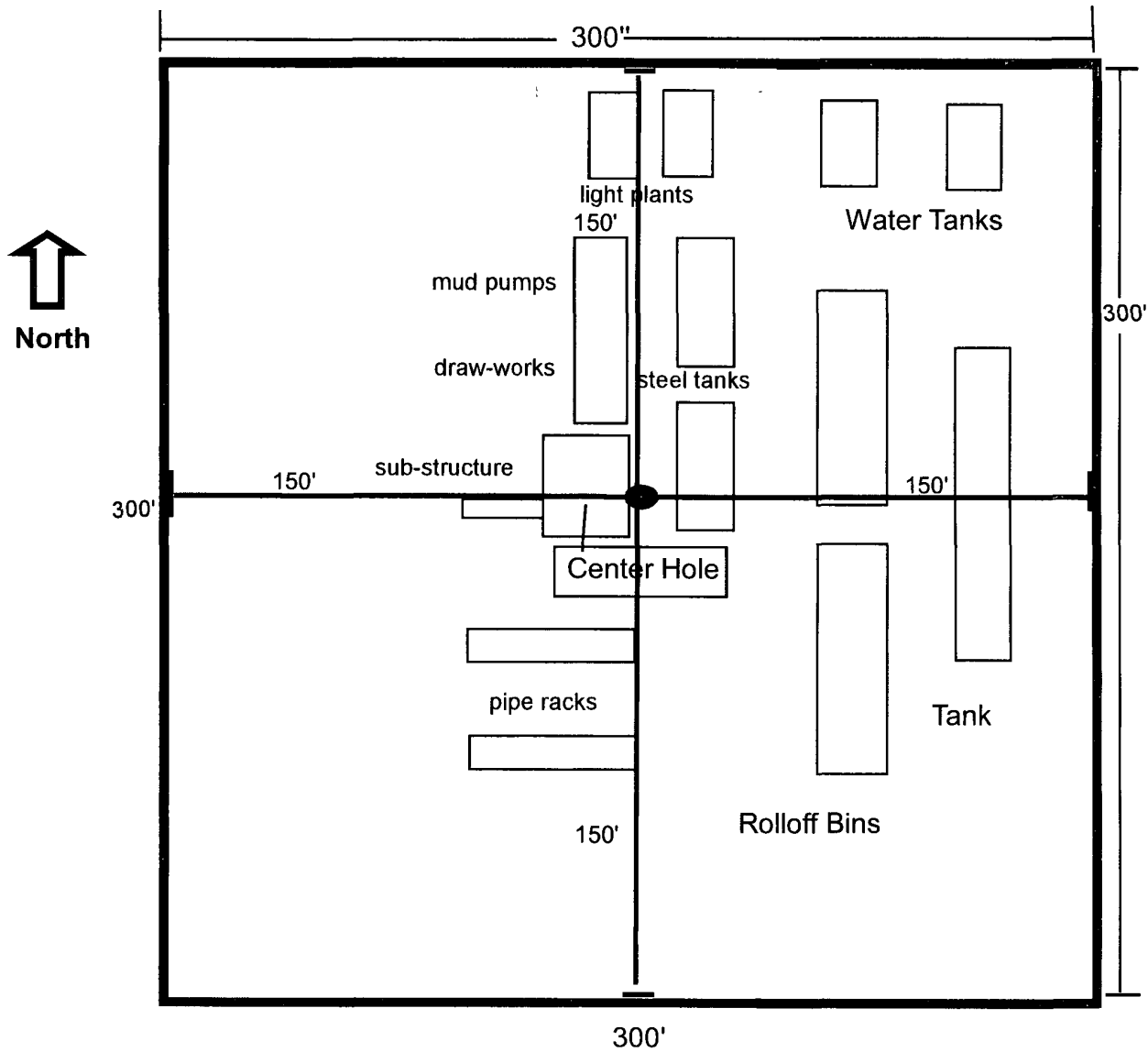
Vertical Section at 359.70° (200 ft/in)



Plan Plan #1 (#2H/OH)

Created By Nate Bingham Date 17 11, July 16 2009
Checked _____ Date _____

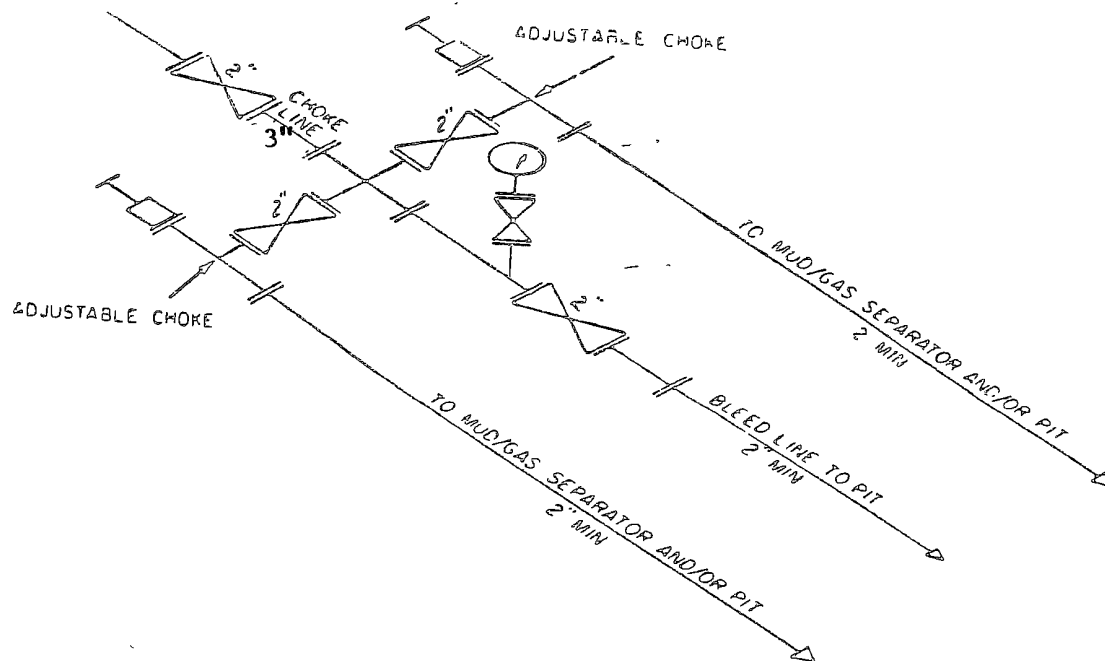
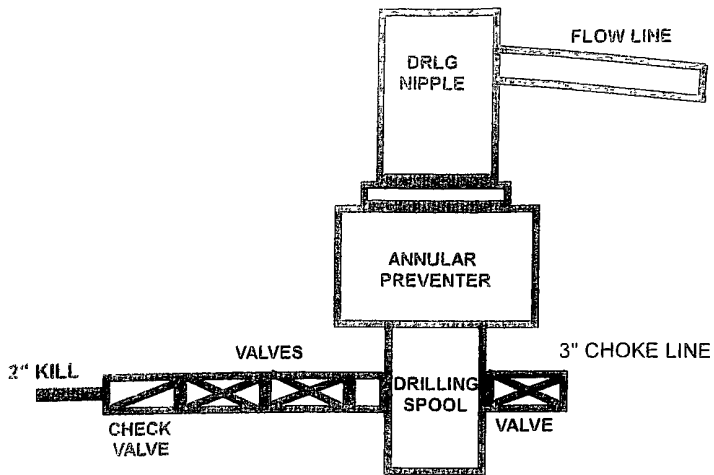
Well Site Lay-Out Plat



Seabiscuit Federal Com #2
Surf: 330' FSL & 2260' FWL
BHL: 330' FNL & 2260' FWL
Section 12, T24S – R31E
Eddy County, New Mexico

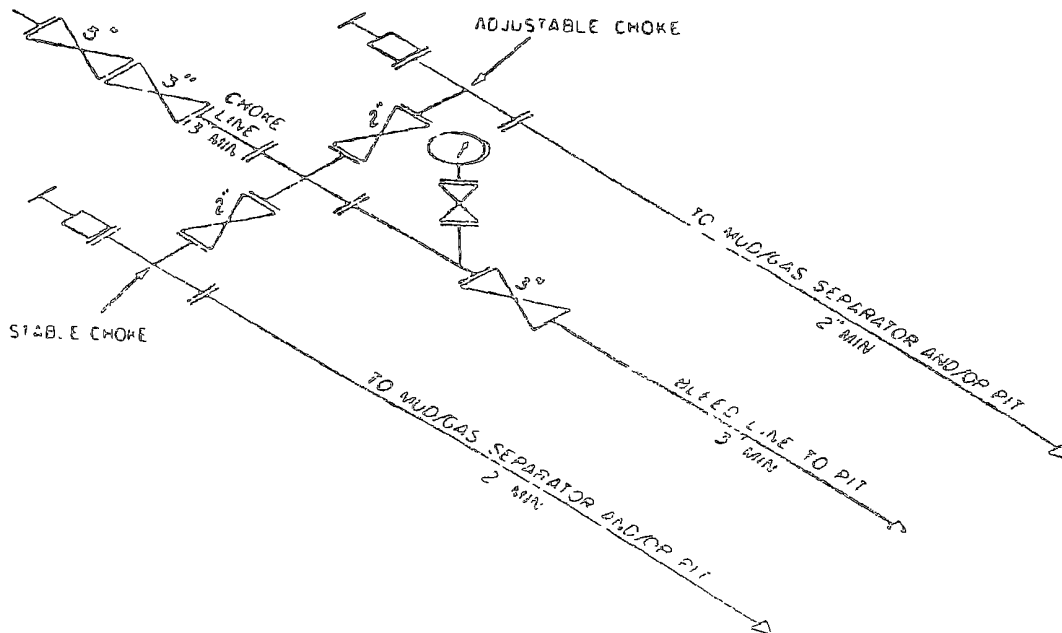
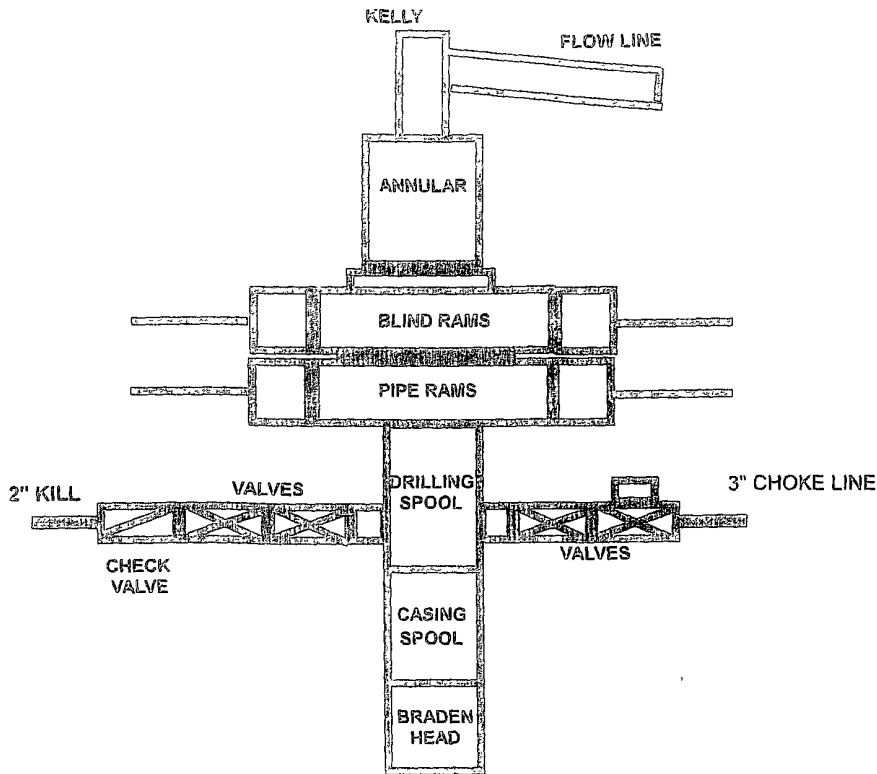
EXHIBIT THREE

2M SYSTEM



2M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION OF CHOKES
MAY VARY

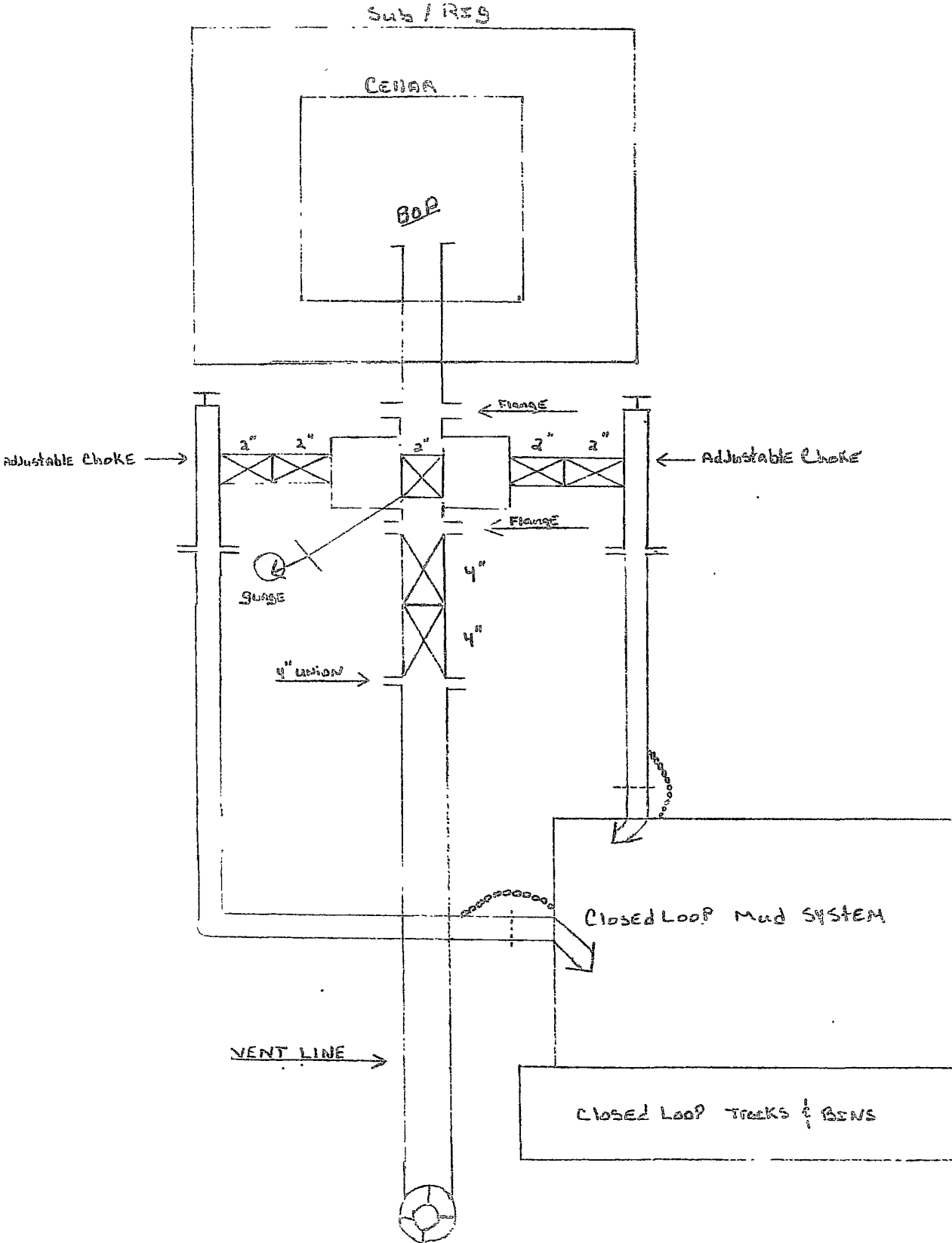
3M SYSTEM



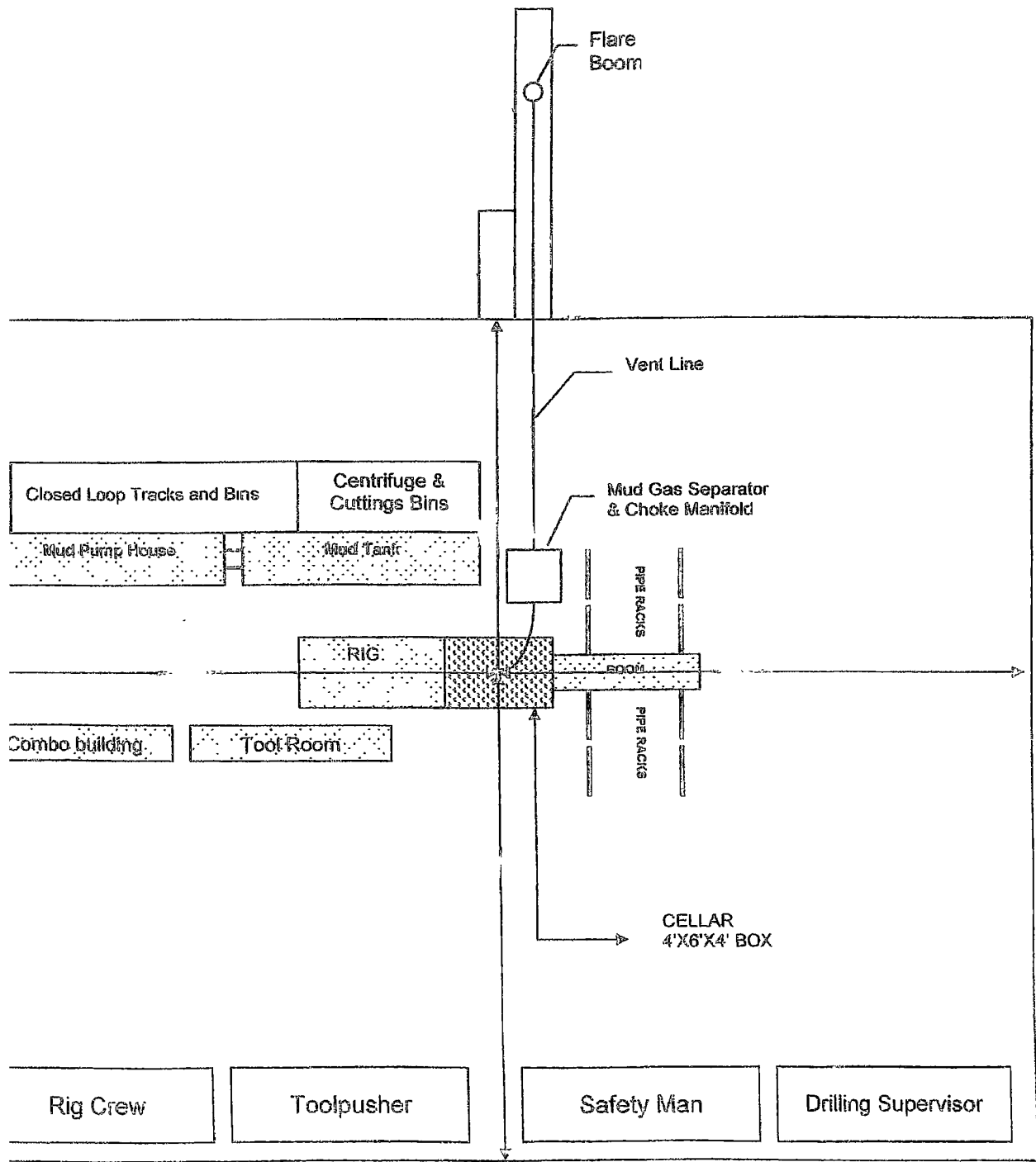
3M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION OF CHOKES

MAY 1981

2M Choke Manifold Equipment



3M Choke Manifold Equipment



MARBOB ENERGY CORPORATION

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I. HYDROGEN SULFIDE TRAINING

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in the following areas prior to commencing drilling operations on this well:

- A. The hazards and characteristics of hydrogen sulfide (H₂S).
- B. The proper use and maintenance of personal protective equipment and life support systems.
- C. The proper use of H₂S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.
- D. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

- A. The effects of H₂S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.
- B. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.
- C. The contents and requirements of the H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S Drilling Operations Plan and the Public Protection Plan. This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

II. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S safety equipment and systems will be installed, tested, and operational when drilling reaches a depth of 500 feet above, or three days prior to penetrating the first zone containing or reasonably expected to contain H₂S.

A. Well Control Equipment:

Flare line.

Choke manifold.

Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.

B. Protective equipment for essential personnel:

Mark II Surviveair 30-minute units located in the dog house and at briefing areas.

C. H₂S detection and monitoring equipment:

2 - portable H₂S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S levels of 20 ppm are reached.

D. Visual warning systems:

Caution/Danger signs shall be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at a reasonable distance from the immediate location. Bilingual signs will be used, when appropriate. See example attached.

E. Mud Program:

The mud program has been designed to minimize the volume of H₂S circulated to the surface.

F. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.

G. Communication:

Company vehicles equipped with cellular telephone and 2-way radio.

Marbob Energy has conducted a review to determine if an H₂S contingency plan is required for the above referenced well. We were able to conclude that any potential hazardous volume would be minimal. H₂S concentrations of wells in this area from surface to TD are low enough; therefore we do not believe that an H₂S Contingency Plan would be necessary.

W A R N I N G

**YOU ARE ENTERING AN H₂S AREA
AUTHORIZED PERSONNEL ONLY**

- 1. BEARDS OR CONTACT LENSES NOT ALLOWED**
- 2. HARD HATS REQUIRED**
- 3. SMOKING IN DESIGNATED AREAS ONLY**
- 4. BE WIND CONSCIOUS AT ALL TIMES**
- 5. CK WITH MARBOB FOREMAN AT MAIN OFFICE**

MARBOB ENERGY CORPORATION

1-575-748-3303

EMERGENCY CALL LIST

	<u>Office</u>	<u>Mobile</u>	<u>Home</u>
Marbob Energy Corp.	575-748-3303		
Sheryl Baker	575-748-3303	575-748-5489	575-748-2396
Johnny C. Gray	575-748-3303	575-748-5983	575-885-3879
Raye Miller	575-748-3303	575-513-0176	575-746-9577
Dean Chumbley	575-748-3303	575-748-5988	575-748-2426

EMERGENCY RESPONSE NUMBERS **Eddy County, New Mexico**

State Police	575-748-9718
Eddy County Sheriff	575-746-2701
Emergency Medical Services (Ambulance)	911 or 575-746-2701
Eddy County Emergency Management (Harry Burgess)	575-887-9511
State Emergency Response Center (SERC)	575-476-9620
Carlsbad Police Department	575-885-2111
Carlsbad Fire Department	575-885-3125
New Mexico Oil Conservation Division	575-748-1283
Indian Fire & Safety	800-530-8693
Halliburton Services	800-844-8451

MARBOB ENERGY CORPORATION
MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Seabiscuit Federal Com #2
Surf: 330' FSL & 2260' FWL
BHL: 330' FNL & 2260' FWL
Section 12, T24S – R31E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

- a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. The well was staked by John West Surveying Company.
- b. Exhibit 2 is a portion of a topo map showing the well and roads in the vicinity of the proposed location. The proposed wellsite and the access route to the location are indicated in red on Exhibit 2.
- c. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

DIRECTIONS:

From the intersection of St. Hwy. #126 and Co. Rd. (Buck Jackson Rd.), go southwest on Buck Jackson Road approx. 1. mile. Turn right on lease road and go 0.3 mile Northwest turn left (south) on reclaimed road and travel 0.2 mile. This location is southeast approx. 65' feet in pasture.

2. PLANNED ACCESS ROAD AND WELL PAD:

Marbob will build 65' of new access road coming in on the northwest side of the well pad. See directions above. Also, water will be diverted around the location from Buck Jackson county road. We will upgrade and build water diversions around the location at the time of well pad construction.

3. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. In the event the well is found productive, the Seabiscuit Federal Com #2 tank battery would be utilized and the necessary production equipment will be installed at the well site. A Site Facilities Diagram will be submitted upon completion of facility.
- B. All flowlines will adhere to API standards

- i. The original topsoil from the well site will be returned to the location. The drill site will then be contoured as close as possible to the original state.

4. LOCATION AND TYPES OF WATER SUPPLY:

This location will be drilled using a combination of water mud systems (outlined in the Drilling Program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown in Exhibit #2. On occasion, water will be obtained from a pre-existing water well, running a pump directly to the drill rig. In these cases where a poly pipeline is used to transport water for drilling purposes, the existing and proposed road shown in Exhibit "2" will be utilized.

5. CONSTRUCTION MATERIALS:

All Caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM approved pit or from prevailing deposits found under the location. All roads will be constructed of 6" rolled and compacted caliche. Will use BLM recommended use of extra caliche from other locations close by for roads, if available.

6. METHODS OF HANDLING WASTE MATERIAL:

- a. All trash, junk and other waste material will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
- b. The supplier, including broken sacks, will pick up slats remaining after completion of well.
- c. A porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- d. Disposal of fluids to be transported by an approved disposal company.

7. ANCILLARY FACILITIES:

No campsite or other facilities will be constructed as a result of this well.

8. WELLSITE LAYOUT:

- a. Exhibit 3 shows the proposed well site layout with dimensions of the pad layout.
- b. This exhibit indicates proposed location of reserve and sump pits if utilized and living facilities.
- c. Mud pits in the active circulating system will be steel pits and a closed loop system will be utilized.

9. PLANS FOR SURFACE RECLAMATION:

- a. After finishing drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original top soil will again be returned to the pad and contoured, as close as possible, to the original state.
- b. The location and road will be rehabilitated as recommended by the BLM.
- c. If the well is deemed commercially productive, the reserve pit will be restored as described in 10(A) within 120 days subsequent to the completion date. Caliche from areas of the pad site not required for operations will be reclaimed. The original top soil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography.

10. SURFACE OWNERSHIP:

The surface is owned by the US Government and is administered by the Bureau of Land Management. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas. The proposed road routes and the surface location will be restored as directed by the BLM.

11. OTHER INFORMATION:

- a. The area surrounding the well site is grassland. The topsoil is very sandy in nature. The vegetation is moderately sparse with native prairie grass, some mesquite bushes and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.
- b. There is no permanent or live water in the general proximity of the location.
- c. There are no dwellings within 2 miles of location.
- d. A Cultural Resources Examination will be completed by Boone Archeological and forwarded to the BLM office in Carlsbad, New Mexico.

12. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:
Dean Chumbley, Landman
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (575)748-3303
Cell (575) 748-5988

B. Through Drilling Operations
Sheryl Baker, Drilling Supervisor
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (575)748-3303
Cell (575)748-5489

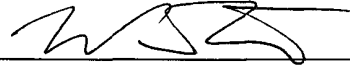
CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Marbob Energy Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

July 21 2009

Date

Marbob Energy Corporation



William Miller

Land Department

PECOS DISTRICT CONDITIONS OF APPROVAL

OPERATOR'S NAME:	Marbob Energy Corporation
LEASE NO.:	NM67106
WELL NAME & NO.:	Seabiscuit Federal Com # 2
SURFACE HOLE FOOTAGE:	330' FSL & 2260' FWL
BOTTOM HOLE FOOTAGE:	330' FNL & 2260' FWL
LOCATION:	Section 12. T. 24 S., R 31 E., NMPM
COUNTY:	Eddy County, New Mexico

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Standard Conditions of Approval (COA) apply to this APD. If any deviations to these standards exist or special COAs are required, the section with the deviation or requirement will be checked below.

- ☐ **General Provisions**
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- ☐ **Noxious Weeds**
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 - Topsoil
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 - H2S Requirements, Onshore Order #6
- ☐ **Production (Post Drilling)**
 - Well Structures & Facilities
 - Pipelines
 - Electric Lines
- ☒ **Reseeding Procedure/Interim Reclamation**
- ☐ **Final Abandonment/Reclamation**

I. GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

II. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD. (Filing of a Sundry Notice is required for this 60 day extension.)

III. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

IV. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations. Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

V. SPECIAL REQUIREMENT(S)

Timing Limitation Stipulation Condition of Approval for Lesser Prairie-Chicken: Oil and gas activities including 3-D geophysical exploration, and drilling will not be allowed in lesser prairie chicken habitat during the period from March 1st through June 15th annually. During that period, other activities that produce noise or involve human activity, such as the maintenance of oil and gas facilities, geophysical exploration other than 3-D operations, and pipeline, road, and well pad construction, will be allowed except between 3:30 am and 9:00 am. The 3:00 am to 9:00 am restriction will not apply to normal, around-the-clock operations, such as venting, flaring, or pumping, which do not require a human presence during this period. Additionally, no new drilling will be allowed within up to 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. Exhaust noise from pump jack engines must be muffled or otherwise controlled so as not to exceed 75 db measured at 30 ft. from the source of the noise.

Ground-level Abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well. For more installation details, contact the Carlsbad Field Office at 575-234-5972.

Communitization Agreement

A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales. Operator to supply NMOC order, which details the vertical and horizontal extent of pool to verify that requested communitization is within an approved and established pool.

VI. CONSTRUCTION

A. NOTIFICATION

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Carlsbad Field Office at (575) 234-5972 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved APD and Conditions of Approval (COA) on the well site and they shall be made available upon request by the Authorized Officer.

B. TECHNICAL

The operator shall stockpile 4" - topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. CLOSED LOOP SYSTEM

Although this is a closed loop system and no reserve pits will be utilized, the v-door will be on the East side of the location.

Tanks are required for drilling operations: No Pits.

The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Carlsbad Field Office at (575) 234-5972.

E. WELL PAD SURFACING

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance consistent with safety and operational needs.

F. ON LEASE ACCESS ROADS

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may be standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of mobilization.

Crowning

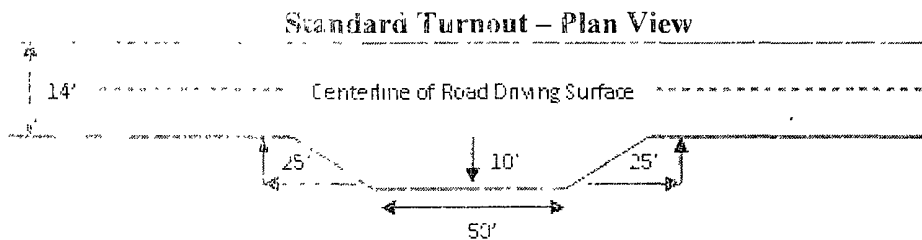
Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1, cross section and plans for typical road construction.

Ditching

Ditching shall be required on both sides of the road.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

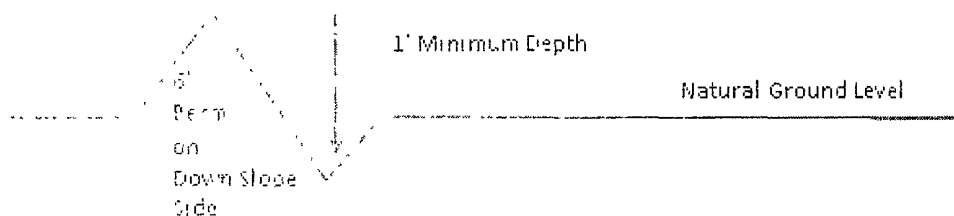


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outcropping and instopping, lead-off ditches, culvert installation, and low water crossings.)

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum road slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula for Spacing Interval of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ feet road with } 4\% \text{ road slope} = 400' / 4\% + 100' = 200' \text{ lead-off ditch interval}$$

Culvert Installation

Appropriate sized culvert(s) shall be installed at the deep waterway channel flow crossing.

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

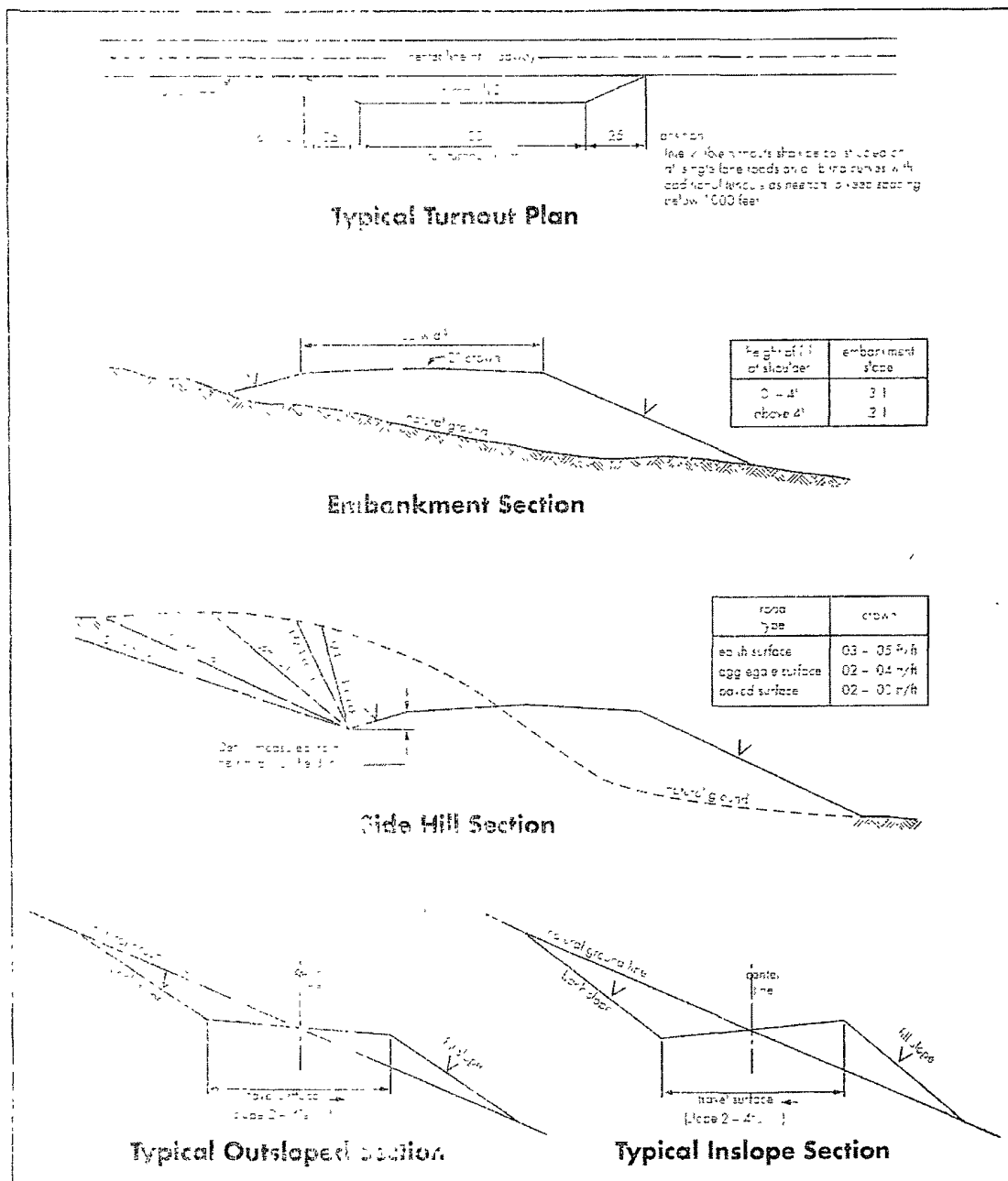
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Typical Cross Sections and Plans For Typical Road Sections



VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

- a. Spudding well
- b. Setting and/or Cementing of all casing strings
- c. BOPB tests

☒ **Edin County**

Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220,
(575) 361-2822

1. **Hydrogen Sulfide has been reported as a hazard, but no measurements have been recorded. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If Hydrogen Sulfide is encountered, please report measurements and formations to the BLM.**
2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.
3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located; this does not include the dog house or stairway area.
4. **The record of the drilling rate along with the CAL/GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Secretary's Potash

Possible water flows in the Castile, Salado, Delaware and Bone Springs Formations.
Possible lost circulation in the Delaware and Bone Springs Formations.

1. The 10-1/8 inch surface casing shall be set at approximately 875 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt) and cemented to the surface. Fresh water is to be used to setting depth.
 - a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 - b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.
 - c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.
 - d. If cement fails back, remedial cementing will be done prior to drilling out that string.

The 9-5/8 inch intermediate casing must be kept liquid filled while running into hole to meet minimum BLM requirements for collapse.

2. The minimum required fill of cement behind the 9-5/8 inch intermediate casing is:
☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.

Pilot hole is required to have a plug at the bottom of the hole. If two plugs are set, the BLM must be contacted (375 361-2822) prior to tag of bottom plug, which must be a minimum of 200' in length. Operator can set one plug from bottom of pilot hole to kick-off point and save the WOC time for tagging the first plug.

Centralizer on wireline horizontal log, must be type for horizontal service and minimum of one every 60 feet joint.

3. The minimum amount of fill of cement behind the 5-1/2 inch production casing is:

a. First stage to UV tool cement shall:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job.

b. Second stage to UV tool cement shall:

- ☒ Cement should tie back at least 500 feet into previous casing string. Operator shall provide proof of verification.

4. If hard anorthite pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventers (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE), required for drilling below the surface casing shoe shall be **2000 (2M) psi**.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE), required for drilling below the 9-5/8" intermediate casing shoe shall be **3000 (3M) psi**.

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

a. The tests shall be done by an independent service company.

b. The results of the test shall be reported to the appropriate BLM office.

c. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

2. The POP/GOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

D. DRILL STRING TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

CRW 090:09

VIII. PRODUCTION (POST DRILLING)

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the large tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color
Shale Green, Munsell Soil Color Chart # 5Y 4/2

IX. INTERIM RECLAMATION & RESEEDING PROCEDURE

A. INTERIM RECLAMATION

If the well is producing, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations shall undergo interim reclamation in order to minimize the environmental impacts of development on other resources and uses.

Operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Any reductions should allow for remedial well operations and efficient removal of oil and gas.

During the well completion, a catch ditch is important to increasing the success of revegetation. The site cleaned catch ditch may be used for road repairs, fire walls or for building other man-made locations. In order to operate the well or complete workover operations, there may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for further operational regulations if needed.

B. REVEGETATION PROCEDURE

Once the well has been drilled, all completion procedures have been accomplished, and all trash removed, record the location and all surrounding disturbed areas as follows:

Seed Mixture 2 for Sandy Sites

The holder shall seed all disturbed areas with the seed mixture listed below. The seed mixture shall be planted in the amounts specified in pounds of pure live seed (PLS)* per acre. There shall be no primary or secondary noxious weeds in the seed mixture. Seed will be tested and the viability testing of seed will be done in accordance with State law and within 90 (90) months prior to purchase. Commercial seed will be either certified or registered seed. The seed container will be tagged in accordance with State law(s) and available for inspection by the authorized officer.

Seed will be planted using a drill equipped with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture will be evenly and uniformly planted over the disturbed area (smaller/heavier seeds have a tendency to drop and settle in the drill and are planted first). The holder shall take appropriate measures to ensure this does not occur. Where drilling is not possible, seed will be broadcast and the area shall be raked or chained to cover the seed. When broadcasting seed, the pounds per acre are to be doubled. The seeding will be repeated until a satisfactory stand is established as determined by the authorized officer. Evaluation of growth will not be made before completion of at least one full growing season after seeding.

Species to be planted in pounds of pure live seed* per acre:

Species /Acre

Sand dune seed (*Leprobolus crypanctus*) 1.0

Sand berm grass (*Eriogonum fasciculatum*) 1.0
Plains brome grass (*Bromus macrostachya*) 2.0

⁴Pounds of seed per acre

Pounds of seed per acre \times purity \times percent germination = pounds pure live seed

X. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

Upon abandonment of the well and/or when the access road is no longer in service the Authorized Officer shall issue instructions and/or orders for surface reclamation and restoration of the disturbed areas.

Ground level abandoned Well Marker to avoid raptor perching: Upon the plugging and subsequent abandonment of the well, the well marker will be installed at ground level on a plate containing the pertinent information for the plugged well.

On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the private surface land owner agreement.