

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Alamogordo NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM110351
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator MARBOB ENERGY CORPORATION		7. If Unit or CA Agreement, Name and No.
Contact: MELANIE PARKER E-Mail: marbob@marbob.com		8. Lease Name and Well No. LOTSAWHISKEY FEDERAL 1
3a. Address P O BOX 227 ARTESIA, NM 88211-0227	3b. Phone No. (include area code) Ph: 505.748.3303 Fx: 505.746.2523	9. API Well No. 30-015-33212
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSW 660FSL 660FWL At proposed prod. zone SWSW 660FSL 660FWL		10. Field and Pool, or Exploratory GOLDEN LAKE MORROW
14. Distance in miles and direction from nearest town or post office*		11. Sec., T., R., M., or Blk. and Survey or Area Sec 36 T20S R29E Mer NMP
15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		12. County or Parish EDDY
16. No. of Acres in Lease 640.00 OCD-ARTESIA		13. State NM
18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease, ft.		17. Spacing Unit dedicated to this well 320.00
19. Proposed Depth 12700 MD		20. BLM/BIA Bond No. on file
21. Elevations (Show whether DF, KB, RT, GL, etc.) 3365 GL		23. Estimated duration 21 DAYS
22. Approximate date work will start		

24. Attachments

CAPITAN CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall 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 shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature (Electronic Submission)	Name (Printed/Typed) MELANIE PARKER	Date 12/04/2003
Title AUTHORIZED REPRESENTATIVE		
Approved by (Signature) /s/ Jesse J. Juen	Name (Printed/Typed) /s/ Jesse J. Juen	Date 22 JAN 2004
Title Assoc. STATE DIRECTOR	Office NM STATE OFFICE	

Application approval does not warrant or certify 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 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. 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.

Additional Operator Remarks (see next page)

Electronic Submission #25759 verified by the BLM Well Information System
For MARBOB ENERGY CORPORATION, sent to the Carlsbad
Committed to AFMSS for processing by LINDA ASKWIG on 12/04/2003 (04LA0145AE)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

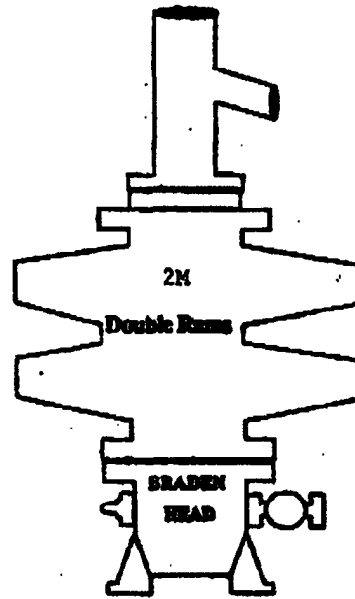
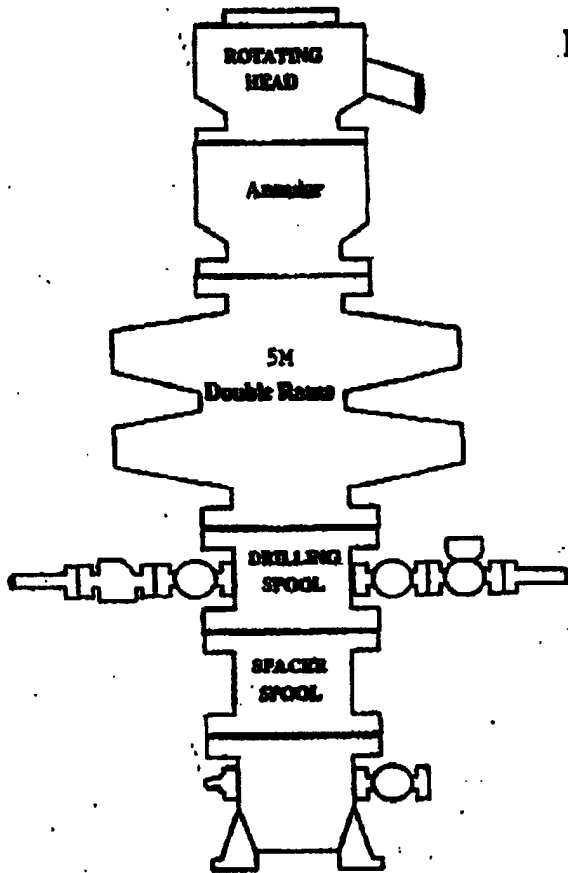
WITNESS Surface & Intermediate Casing

** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED **

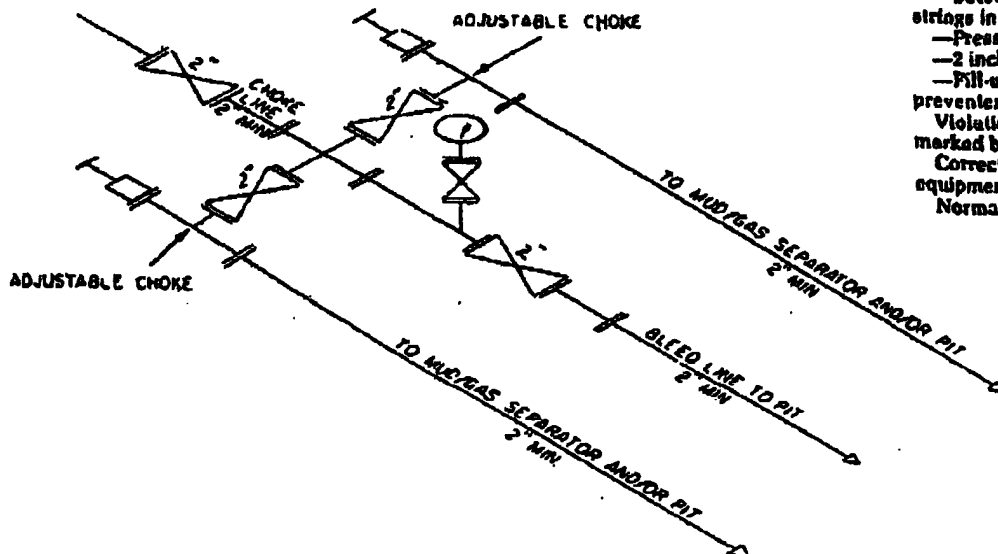
Additional Operator Remarks:

NO REMARK PROVIDED

SECRET

BOPE SCHEMATIC

ONSHORE OIL AND GAS ORDER NO. 2



2M system:

- Annular preventer, or, double ram, or two rams with one being bled and one being a pipe ram *
- Kill line (2 inch minimum)
- 1 kill line valve (2 inch minimum)
- 1 choke line valve
- 2 chokes (refer to diagram in Attachment 1)
- Upper kelly cock valve with handle available
- Safety valve and suba to fit all drill strings in use
- Pressure gauge on choke manifold
- 2 inch minimum choke line
- Fill-up line above the uppermost preventer.

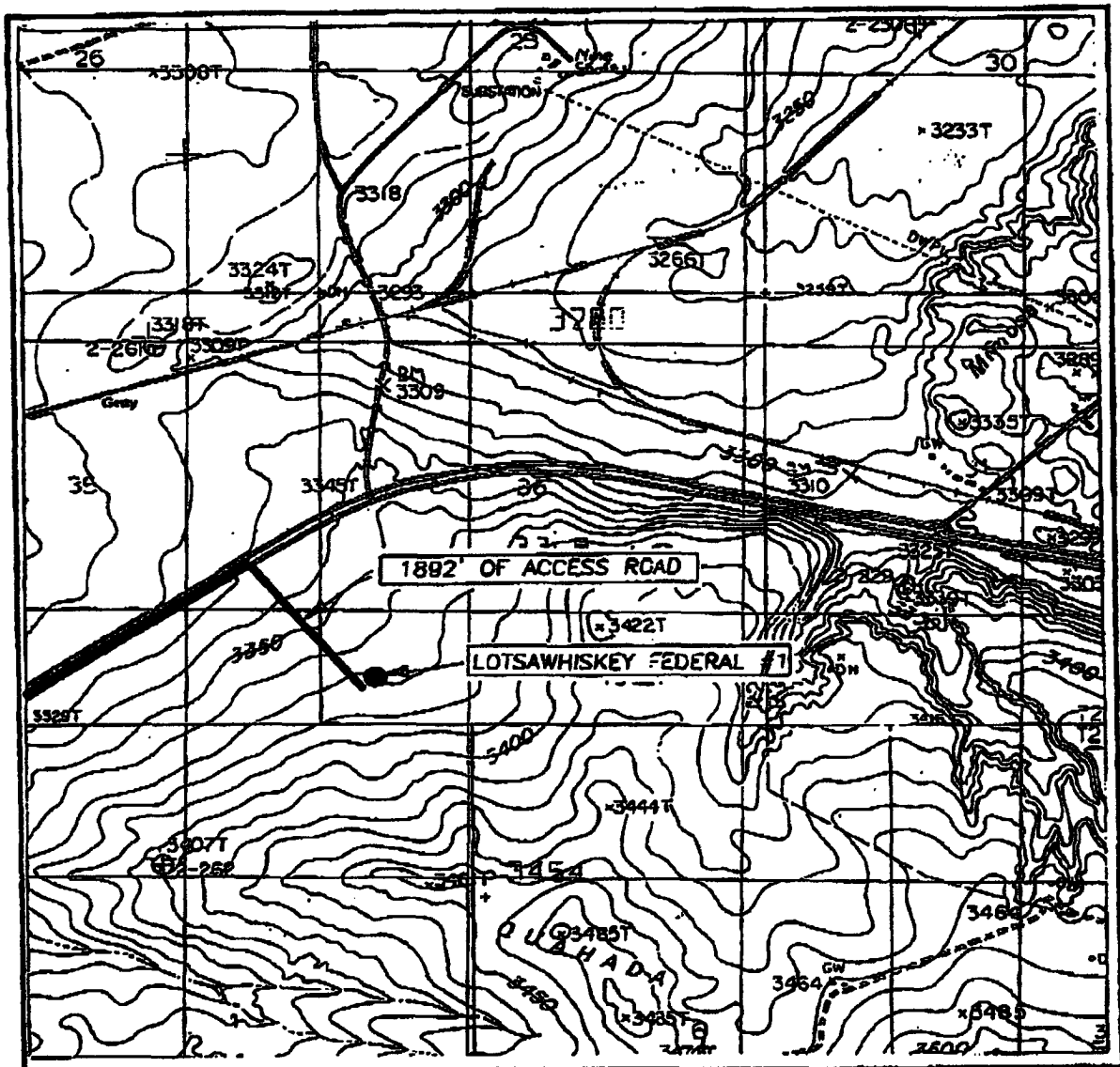
Violation: Minor (all items unless marked by asterisk).
Corrective Action: Install the equipment as specified.
Normal Abatement Period: 24 hours.

2M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION OF CHOKES

Exhibit One

MAY VARY

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
ILLINOIS CAMP SE, N.M.

SEC. 36 TWP. 20-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FSL & 660' FWL

ELEVATION 3365'

OPERATOR MARBOB ENERGY

LEASE LOTSAWHISKEY FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
ILLINOIS CAMP SE, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

Exhibit 2

Well Site Lay-Out Plat

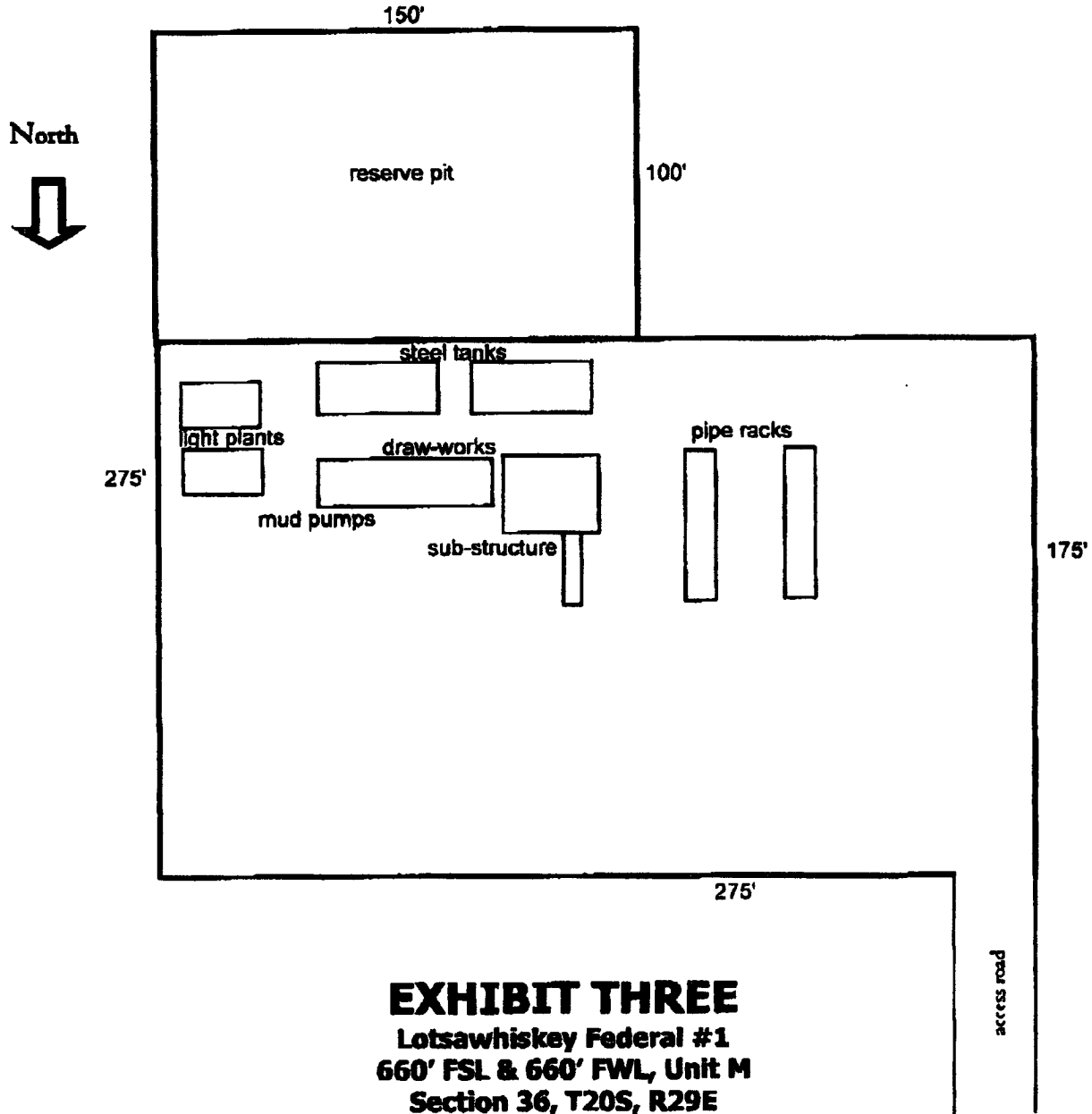


EXHIBIT THREE
Lotsawhiskey Federal #1
660' FSL & 660' FWL, Unit M
Section 36, T20S, R29E
Eddy County, New Mexico

**MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM**

**Lotsawhiskey Federal #1
660' FSL & 660' FWL, Unit M
Section 36, T20S, R29E
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. The geological surface formation is Permian.
2. The estimated tops of geologic markers are as follows:

Rustler	200'	Bone Spring	6500'
Top of Salt	470'	Wolfcamp	10000'
Base of Salt	1550'	Strawn	11000'
Yates	1640'	Atoka	11350'
Seven Rivers	1752'	Morrow	12100'
Reef	2000'	TD	12700'
Delaware	3500'		

3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Reef	2000'	Water
Delaware	3500'	Oil
Wolfcamp	10000'	
Strawn	11000'	Gas
Atoka	11350'	
Morrow	12100'	

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 20" casing at 300' and circulating cement back to surface. Any shallower zones above TD which contain commercial quantities of oil and/or gas will have cement circulated across them by inserting a float shoe joint into the 5 1/2" production casing which will be run at TD to sufficiently cover all known oil and gas horizons above 200'.

4. Proposed Casing Program:

Hole Size	Interval	OD Casing	Wt	Grade	
26"	0 - 300'	20"	94#	H-40	WITNESS
17 1/2"	0 - 1650'	13 3/8"	48#	H-40	WITNESS
12 1/4"	0 - 3400'	8 5/8"	32#	J-55	
7 7/8"	0 - 12700'	5 1/2"	17#	P-110 LT&C	

Proposed Cement Program:

20" Surface Casing: Cement w/ 400 sx Premium Plus. Circulate to surface.

13 3/8" Intermediate Casing: Cement w/ 900 sx cmt. Circulate to surface.

8 5/8" Intermediate Casing: Cement w/ 900 sx cmt. Attempt to tie in to 13 3/8" csg.

5 1/2" Production Casing: Cement w/ 700 sx cmt. Attempt to tie in to 8 5/8" csg.

5. **Pressure Control Equipment:** See Exhibit 1. Marbob proposes to nipple up on the 20" and 13 3/8" casing with a 2M system, testing it to 1000# with rig pumps, then nipple up on the 8 5/8" casing with a 5M system, tested to 5000# before drilling out.

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

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 - 300'	Fresh Wtr	8.4 - 9.2	32 - 36	N.C.
300 - 1650'	Brine	9.9 - 10.2	28 - 32	N.C.
1650 - 3400'	Fresh Wtr	8.4 - 8.6	28 - 32	N.C.
3400 - 12500'	Cut Brine	8.7 - 9.5	28 - 34	N.C.

7. **Auxiliary Equipment:** Kelly Cock; Sub with full opening valve on floor; and drill pipe connections.

8. **Testing, Logging and Coring Program:**

No drillstem tests are anticipated.

The electric logging program will consist of Dual Laterolog Micro SFL, Spectral Density Dual Spaced Neutron Csg Log, and Depth Control Log.

No conventional coring is anticipated.

9. No abnormal pressures or temperatures are anticipated.
10. **Anticipated starting date:** As soon as possible after approval.

MARBOB ENERGY CORPORATION
MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Lotsawhiskey Federal #1
660' FSL & 660' FWL, Unit M
Section 36, T20S, R29E
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:

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.

DIRECTIONS:

Proceed east from Carlsbad on Hwy 62-180 0.3 miles past mile marker 49 to access road on south side of highway. Proceed south approximately 1900' to location.

2. PLANNED ACCESS ROAD:

A new access road of 1892' will be necessary. The new road will be constructed as follows:

- A. The maximum width of the running surface will be 10'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM-approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.
- F. The proposed access road as shown in Exhibit 2 has been centerline flagged by John West Engineering.

3. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Marbob Energy Corporation proposes a collection facility, if well is productive, to be located on Lotsawhiskey Federal #1 well pad.

4. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the lined pit.
- B. Drilling fluids will be allowed to evaporate in the lined pit until the pit is dry.
- C. Water produced during completion may be disposed into the lined reserve pit.
- D. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained to prevent scattering by the wind.

5. WELLSITE LAYOUT:

- A. Exhibit 3 shows the relative location and dimensions of the well pad, the pit.
- B. The reserve pit will be lined with high quality plastic sheeting.

6. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Reserve pit will be fenced until they have dried and been leveled.
- C. All rehabilitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

7. SURFACE OWNERSHIP:

The well site and lease are located on Federal surface

- A. The area around the well site is grassland and the top soil is sandy. The vegetation is native scrub grasses with abundant oakbrush, sagebrush, yucca, and prickly pear.
- B. A Cultural Resources Examination has been requested and will be forwarded to your office in the near future.

8. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.

9. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:

Dean Chumbley, Landman
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5988

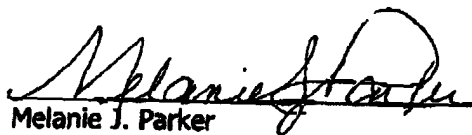
B. Through Drilling Operations

Sheryl Baker, Drilling Supervisor
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5489

10. 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.

12/03/03
Date


Melanie J. Parker
Land Department

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.

A mud-gas separator will be utilized.

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.

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

1-505-748-3303

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: December 3, 2003

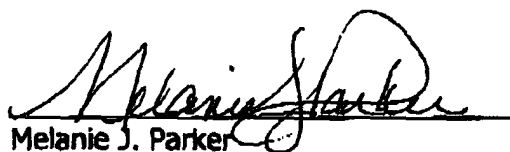
Lease #: NM 110351
Lotsawhiskey Federal

Legal Description: Section 36: All
Township 20S – Range 29E
Eddy County, New Mexico

Formation(s): Morrow

Bond Coverage: Statewide

BLM Bond File #: 585716



Melanie J. Parker
Land Department