

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**

- [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

| | | | |
|-----------------------------|--------------------|----------------|---------------|
| _____ Print or Type Name | _____ Signature | _____ Title | _____ Date |
| _____ e-mail Address | | | |

District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources
 Oil Conservation Division
 1220 S. St Francis Dr.
 Santa Fe, NM 87505

Form C-102

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|---|--------------------|
| API Number 30-015-33150 | Pool Name CARLSBAD;MORROW, SOUTH (PRO GAS) | Pool Code 73960 |
| Property Code 29890 | Property Name MILKY WAY FEE | Well No. 002 |
| OGRID No. 14049 | Operator Name MARBOB ENERGY CORP | Elevation 3150 |

Surface And Bottom Hole Location

| | | | | | | | | | |
|------------------------|--------------|-----------------|--------------|--------------------|------------------|---------------|------------------|---------------|----------------|
| UL or Lot D | Section 9 | Township 22S | Range 27E | Lot Idn D | Feet From 660 | N/S Line N | Feet From 660 | E/W Line W | County Eddy |
| Dedicated Acres 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

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|---|--|--|--|
| * | | | |
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OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
 Electronically Signed By: Diana Cannon
 Title: Production Analyst
 Date: 12/18/2003

SURVEYOR CERTIFICATION
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.
 Surveyed By: Ronald Eidson
 Date of Survey: 12/18/2003
 Certificate Number: 3239

District I
1625 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

APPLICATION TYPE
 Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

2004 OCT 8 PM 3 27

MARBOB ENERGY CORPORATION P. O. BOX 227, ARTESIA, NM 88211-0227
Operator Address
MILKY WAY FEE #2 D-9-22S-27E EDDY COUNTY, NM
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 29890 API No. 30-015-33150 Lease Type: Federal State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--|-------------------|--|
| Pool Name | TANSILL DAM ATOKA (S) | | CARLSBAD SOUTH MORROW |
| Pool Code | 85900 ✓ | | 73960 ✓ |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 10648-10951' PERFORATED | | 11136-11141' PERFORATED |
| Method of Production (Flowing or Artificial Lift) | FLOWING | | FLOWING |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | EST. 500 PSI PRODUCING BHP | | EST. 500 PSI PRODUCING BHP |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | N/A | | N/A |
| Producing, Shut-In or New Zone | PRODUCING | | PRODUCING |
| Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date: SEPTEMBER 2004 Rates: AVERAGED 50 MCFD | Date: Rates: | Date: OCTOBER 1, 2004 Rates: EST. 10 MCFD |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil 75 % Gas 75 % | Oil % Gas % | Oil 25 % Gas 25 % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
Are all produced fluids from all commingled zones compatible with each other? Yes No
Will commingling decrease the value of production? Yes No
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No
NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Brian Collins TITLE ENGINEER DATE 10/05/04

TYPE OR PRINT NAME BRIAN COLLINS TELEPHONE NO. (505) 748-3303

E-MAIL ADDRESS engineering@marbob.com

Engineering Summary
Form C-107A
Application for Downhole Commingling
Marbob Energy Corporation
Milky Way Fee No. 2 (D-9-22S-27E)

Marbob Energy proposes to downhole commingle the Morrow and Atoka zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown.

The attached decline curve contains the calculations of the Atoka gas reserves (remaining ultimate recovery = 9 MMCF gas). The Morrow reserves are calculated as follows:

$$\begin{aligned} Q_i &= 10 \text{ MCFD (best engineering estimate)} \\ Q_{el} &= 5 \text{ MCFD} \\ \text{Decline} &= 50\%/year \text{ (best engineering estimate)} \\ \text{Reserves} &= \frac{365 (5-10)}{\ln (1-.50)} = 2633 \text{ MCF (3 MMCF) gas} \end{aligned}$$

The proposed allocation follows. These zones don't produce oil/condensate, therefore the allocation for oil will be the same as the gas allocation.

$$\text{Morrow Gas/Oil} \quad \frac{3 \text{ MMCF}}{3+9 \text{ MMCF}} = 25\%$$

$$\text{Atoka Gas/Oil} \quad 1-.25 = 75\%$$

EDDY NM
MILKY WAY FEE 2
MARBOB ENERGY CORPORATION
ACTIVE

Detailed Production Report

| | | | |
|---------------------|--------------------------|------------------------|--------------|
| Lease Name: | MILKY WAY FEE | Well Number: | 2 |
| Lease Number: | | Cum Oil: | |
| Operator Name: | MARBOB ENERGY CORPORATIO | Cum Gas: | 9,555 |
| State: | NEW MEXICO | Cum Water: | 69 |
| County: | EDDY | First Production Date: | MAR 2004 |
| Field: | TANSILL DAM | Last Production Date: | APR 2004 |
| Sec Twn Rng: | 9D 22S 27E | Spot: | C NW NW |
| Latitude/Longitude: | | Lat/Long Source: | |
| Regulatory #: | | Completion Date: | MAR 02, 2004 |
| API: | 30015331500000 | Total Depth: | |
| Production ID: | 2300220153315085900 | Upper Perforation: | |
| Reservoir Name: | ATOKA | Lower Perforation: | |
| Prod Zone: | ATOKA | Gas Gravity: | |
| Prod Zone Code: | 403ATOK | Oil Gravity: | |
| Basin Name: | PERMIAN BASIN | Temp Gradient: | |
| Gas Gatherer: | | N Factor: | |
| Liquid Gatherer: | | GOR: | |
| Status: | ACTIVE | | GAS |

Annual Production

| Year | Oil BBLs | Gas MCF | Water BBLs |
|-----------|-------------|------------|---------------|
| Beginning | | | |
| Cum: | | | |
| 2004 | | 9,555 | 69 |
| Totals: | | 9,555 | 69 |

Monthly Production

| Date MO/YR | Oil BBLs | Gas MCF | Water BBLs | Cond Yld BBLs/MCF | % Water | # of Wells | Days on |
|---------------|-------------|------------|---------------|----------------------|---------|---------------|------------|
| MAR 2004 | | 5,967 | 45 | | | 1 | 20 |
| APR 2004 | | 3,588 | 24 | | | 1 | 30 |
| Totals: | | 9,555 | 69 | | | | |
| 2004 | | | | | | | |

| | |
|---|------|
| M | 2148 |
| J | 2507 |
| J | 1947 |
| A | 1811 |

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-015-33150 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. FEE |
| 7. Lease Name or Unit Agreement Name MILKY WAY FEE |
| 8. Well Number 2 |
| 9. OGRID Number 14049 |
| 10. Pool name or Wildcat CARLSBAD SOUTH MORROW |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
MARBOB ENERGY CORPORATION

3. Address of Operator
P. O. BOX 227, ARTESIA, NM 88211-0227

4. Well Location
 Unit Letter D : 660 feet from the NORTH line and 660 feet from the WEST line
 Section 9 Township 22S Range 27E NMPM EDDY County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3150'

Pit or Below-grade Tank Application or Closure

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|---|---|--|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER: DOWNHOLE COMMINGLING <input checked="" type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

SEE ATTACHED C-107A APPLICATION FOR DOWNHOLE COMMINGLING

THE PROPOSED ALLOCATION IS: CARLSBAD SOUTH MORROW 73960 - OIL 25% - GAS 25%
 TANSILL DAM ATOKA 85900 - OIL 75% - GAS 75%

NEW ALLOCATIONS WILL BE SUBMITTED IF ACTUAL WELL PRODUCTION IS SIGNIFICANTLY DIFFERENT THAN THAT ABOVE

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Brian Collins TITLE ENGINEER DATE 10/05/04
 Type or print name BRIAN COLLINS E-mail address: engineering@marbob.com Telephone No. 505-748-3303
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____

District I
1625 N. French Drive, Hobbs, NM 88240

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State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

2004 OCT 8 PM 3 27

MARBOB ENERGY CORPORATION P. O. BOX 227, ARTESIA, NM 88211-0227
Operator Address
MILKY WAY FEE #2 D-9-22S-27E EDDY COUNTY, NM
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 29890 API No. 30-015-33150 Lease Type: Federal State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--|-------------------|--|
| Pool Name | TANSILL DAM ATOKA | | CARLSBAD SOUTH MORROW |
| Pool Code | 85900 | | 73960 |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 10648-10951' PERFORATED | | 11136-11141' PERFORATED |
| Method of Production (Flowing or Artificial Lift) | FLOWING | | FLOWING |
| Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone) | EST. 500 PSI PRODUCING BHP | | EST. 500 PSI PRODUCING BHP |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | N/A | | N/A |
| Producing, Shut-In or New Zone | PRODUCING | | PRODUCING |
| Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.) | Date: SEPTEMBER 2004 Rates: AVERAGED 50 MCFD | Date: Rates: | Date: OCTOBER 1, 2004 Rates: EST. 10 MCFD |
| Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) | Oil 75 % Gas 75 % | Oil % Gas % | Oil 25 % Gas 25 % |

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes No
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes No
Are all produced fluids from all commingled zones compatible with each other? Yes No
Will commingling decrease the value of production? Yes No
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes No
NMOCD Reference Case No. applicable to this well: _____

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Brian Collins TITLE ENGINEER DATE 10/05/04
TYPE OR PRINT NAME BRIAN COLLINS TELEPHONE NO. (505) 748-3303
E-MAIL ADDRESS engineering@marbob.com

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
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1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|---|--------------------|
| API Number 30-015-33150 | Pool Name CARLSBAD;MORROW, SOUTH (PRO GAS) | Pool Code 73960 |
| Property Code 29890 | Property Name MILKY WAY FEE | Well No. 002 |
| OGRID No. 14049 | Operator Name MARBOB ENERGY CORP | Elevation 3150 |

Surface And Bottom Hole Location

| | | | | | | | | | |
|------------------------|--------------|-----------------|--------------|--------------------|------------------|---------------|------------------|---------------|----------------|
| UL or Lot D | Section 9 | Township 22S | Range 27E | Lot Idn D | Feet From 660 | N/S Line N | Feet From 660 | E/W Line W | County Eddy |
| Dedicated Acres 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

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| OPERATOR CERTIFICATION |
| <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> |
| Electronically Signed By: Diana Cannon |
| Title: Production Analyst |
| Date: 12/18/2003 |
| SURVEYOR CERTIFICATION |
| <i>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.</i> |
| Surveyed By: Ronald Eidson |
| Date of Survey: 12/18/2003 |
| Certificate Number: 3239 |

Engineering Summary
Form C-107A
Application for Downhole Commingling
Marbob Energy Corporation
Milky Way Fee No. 2 (D-9-22S-27E)

Marbob Energy proposes to downhole commingle the Morrow and Atoka zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown.

The attached decline curve contains the calculations of the Atoka gas reserves (remaining ultimate recovery = 9 MMCF gas). The Morrow reserves are calculated as follows:

$$\begin{aligned} Q_i &= 10 \text{ MCFD (best engineering estimate)} \\ Q_{el} &= 5 \text{ MCFD} \\ \text{Decline} &= 50\%/year \text{ (best engineering estimate)} \\ \text{Reserves} &= \frac{365 (5-10)}{\ln (1-.50)} = 2633 \text{ MCF (3 MMCF) gas} \end{aligned}$$

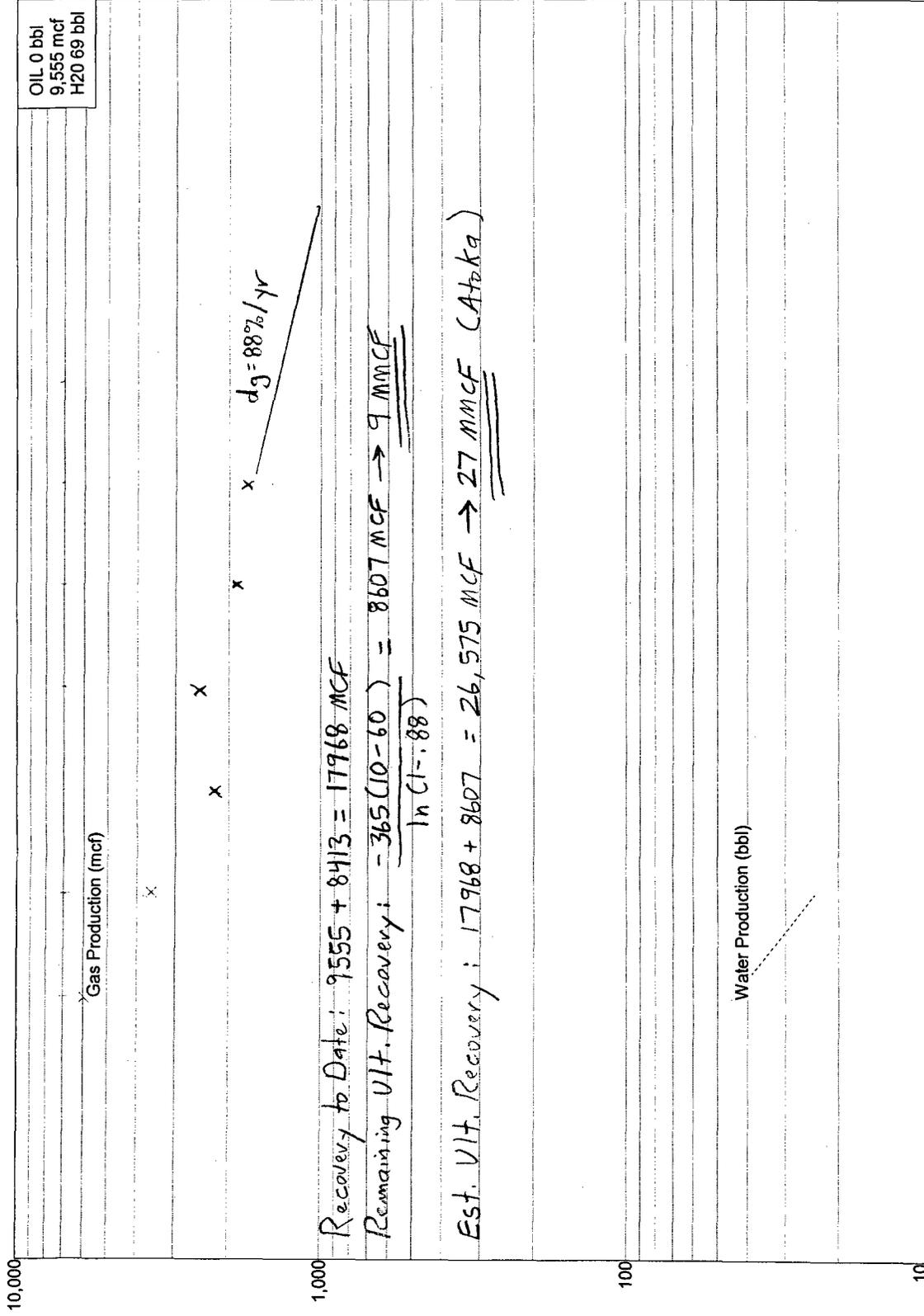
The proposed allocation follows. These zones don't produce oil/condensate, therefore the allocation for oil will be the same as the gas allocation.

$$\text{Morrow Gas/Oil} \quad \frac{3 \text{ MMCF}}{3+9 \text{ MMCF}} = 25\%$$

$$\text{Atoka Gas/Oil} \quad 1-.25 = 75\%$$

Lease Name: MILKY WAY FEE
 County, State: EDDY, NM
 Operator: MARBOB ENERGY CORPORATION
 Field: TANSILL DAM
 Reservoir: ATOKA
 Location: 9 22S 27E C NW NW

MILKY WAY FEE - [2 ATOKA



EDDY NM
MILKY WAY FEE 2
MARBOB ENERGY CORPORATION
ACTIVE

Detailed Production Report

| | |
|--|---------------------------------|
| Lease Name: MILKY WAY FEE | Well Number: 2 |
| Lease Number: | Cum Oil: |
| Operator Name: MARBOB ENERGY CORPORATIO | Cum Gas: 9,555 |
| State: NEW MEXICO | Cum Water: 69 |
| County: EDDY | First Production Date: MAR 2004 |
| Field: TANSILL DAM | Last Production Date: APR 2004 |
| Sec Twn Rng: 9D 22S 27E | Spot: C NW NW |
| Latitude/Longitude: | Lat/Long Source: |
| Regulatory #: | Completion Date: MAR 02, 2004 |
| API: 30015331500000 | Total Depth: |
| Production ID: 2300220153315085900 | Upper Perforation: |
| Reservoir Name: ATOKA | Lower Perforation: |
| Prod Zone: ATOKA | Gas Gravity: |
| Prod Zone Code: 403ATOK | Oil Gravity: |
| Basin Name: PERMIAN BASIN | Temp Gradient: |
| Gas Gatherer: | N Factor: |
| Liquid Gatherer: | GOR: |
| Status: ACTIVE | GAS |

Annual Production

| Year | Oil BBLs | Gas MCF | Water BBLs |
|-----------|-------------|------------|---------------|
| Beginning | | | |
| Cum: | | | |
| 2004 | | 9,555 | 69 |
| Totals: | | 9,555 | 69 |

Monthly Production

| Date MO/YR | Oil BBLs | Gas MCF | Water BBLs | Cond Yld BBLs/MCF | % Water | # of Wells | Days on |
|---------------|-------------|------------|---------------|----------------------|---------|---------------|------------|
| MAR 2004 | | 5,967 | 45 | | | 1 | 20 |
| APR 2004 | | 3,588 | 24 | | | 1 | 30 |
| Totals: | | 9,555 | 69 | | | | |
| 2004 | | | | | | | |

M 2148
J 2507
J 1947
A 1811

Submit 3 Copies To Appropriate District Office
 District I
 1625 N. French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 May 27, 2004

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

| |
|---|
| WELL API NO. 30-015-33150 |
| 5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> |
| 6. State Oil & Gas Lease No. FEE |
| 7. Lease Name or Unit Agreement Name MILKY WAY FEE |
| 8. Well Number 2 |
| 9. OGRID Number 14049 |
| 10. Pool name or Wildcat CARLSBAD SOUTH MORROW |

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well Gas Well Other

2. Name of Operator
 MARBOB ENERGY CORPORATION

3. Address of Operator
 P. O. BOX 227, ARTESIA, NM 88211-0227

4. Well Location
 Unit Letter D : 660 feet from the NORTH line and 660 feet from the WEST line
 Section 9 Township 22S Range 27E NMPM EDDY County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3150'

Pit or Below-grade Tank Application or Closure
 Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____
 Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

| | | | |
|---|---|--|--|
| NOTICE OF INTENTION TO: | | SUBSEQUENT REPORT OF: | |
| PERFORM REMEDIAL WORK <input type="checkbox"/> | PLUG AND ABANDON <input type="checkbox"/> | REMEDIAL WORK <input type="checkbox"/> | ALTERING CASING <input type="checkbox"/> |
| TEMPORARILY ABANDON <input type="checkbox"/> | CHANGE PLANS <input type="checkbox"/> | COMMENCE DRILLING OPNS. <input type="checkbox"/> | P AND A <input type="checkbox"/> |
| PULL OR ALTER CASING <input type="checkbox"/> | MULTIPLE COMPL <input type="checkbox"/> | CASING/CEMENT JOB <input type="checkbox"/> | |
| OTHER: DOWNHOLE COMMINGLING <input checked="" type="checkbox"/> | | OTHER: <input type="checkbox"/> | |

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

SEE ATTACHED C-107A APPLICATION FOR DOWNHOLE COMMINGLING

THE PROPOSED ALLOCATION IS: CARLSBAD SOUTH MORROW 73960 - OIL 25% - GAS 25%
 TANSILL DAM ATOKA 85900 - OIL 75% - GAS 75%

NEW ALLOCATIONS WILL BE SUBMITTED IF ACTUAL WELL PRODUCTION IS SIGNIFICANTLY DIFFERENT THAN THAT ABOVE

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit or an (attached) alternative OCD-approved plan .

SIGNATURE Brian Collins TITLE ENGINEER DATE 10/05/04
 Type or print name BRIAN COLLINS E-mail address: engineering@marbob.com Telephone No. 505-748-3303
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____
 Conditions of Approval (if any): _____