

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 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, New Mexico 87505

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

2006 FEB 15 PM 12:49

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

APPLICATION FOR DOWNHOLE COMMINGLING

MARBOB ENERGY CORPORATION P O BOX 227 ARTESIA, NM 88211-0027

Operator Address
RUTHIE FEE #1 M-10-22S-27E EDDY COUNTY, NM

Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 33875 API No. 30-015-33403 Lease Type: Federal State Fee

| DATA ELEMENT | UPPER ZONE | INTERMEDIATE ZONE | LOWER ZONE |
|--|--|--|--|
| Pool Name | CARLSBAD STRAWN <i>Go2</i> | TANSILL DAM ATOKA <i>Go2</i> | CARLSBAD SOUTH MORROW <i>Pro Go2</i> |
| Pool Code | 74040 ✓ | 85900 ✓ | 73960 ✓ |
| Top and Bottom of Pay Section (Perforated or Open-Hole Interval) | 10218-10320' PERF | 10924-11060' PERF | 11224-11587' PERF |
| Method of Production (Flowing or Artificial Lift) | FLOWING | 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 | EST 500 PSI PRODUCING BHP |
| Oil Gravity or Gas BTU (Degree API or Gas BTU) | N/A | N/A | N/A |
| Producing, Shut-In or New Zone | PRODUCING | 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: FEB 9, 2006 Rates: EST 2 BOPD 310 MCFD | Date: JAN 30, 2006 Rates: EST 60 MCFD | Date: JAN 16, 2006 Rates: EST 15 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 100 % Gas 90 % | Oil 0 % Gas 5 % | Oil 0 % Gas 5 % |

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 02/13/06
 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
Ruthie Fee No. (M-10-22S-27E)

Marbob Energy proposes to downhole commingle the Morrow, Atoka and Strawn zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown and because each zone is separated by a composite frac plug, which acts as a check valve by preventing downward flow.

The Morrow, Atoka and Strawn reserves are calculated as follows:

Morrow: The best engineering estimate is that the Morrow will decline at an exponential decline of 50%/yr.

$$\begin{aligned} Q_i &= 15 \text{ MCFD} \\ Q_{el} &= 1 \text{ MCFD} \\ d &= 50\%/yr. \end{aligned}$$

$$RUR = \frac{-365 (Q_i - Q_{el})}{\ln (1-d)} = \frac{-365 (15-1)}{\ln (1-.5)} = 7372 \text{ MCF}$$

Atoka: The best engineering estimate is that Atoka will decline at 95%/yr the first year and 75%/yr thereafter.

$$\begin{aligned} Q_i &= 60 \text{ MCFD} \\ Q_{1yr} &= 3 \text{ MCFD} \\ Q_{el} &= 1 \text{ MCFD} \end{aligned}$$

$$\begin{aligned} RUR &= \frac{-365 (60-3)}{\ln (1-.95)} = \frac{-365 (3-1)}{\ln (1-.75)} = 6945 \text{ MCF} + 527 \text{ MCF} \\ &= 7472 \text{ MCF} \end{aligned}$$

Strawn: The best engineering estimate is that the Strawn will decline at 75%/yr the first year and 33%/yr thereafter.

$$\begin{aligned} Q_i &= 310 \text{ MCFD} \\ Q_{1yr} &= 77.5 \text{ MCFD} \\ Q_{el} &= 1 \text{ MCFD} \end{aligned}$$

$$\begin{aligned} RUR &= \frac{-365 (310-77.5)}{\ln (1-.75)} = \frac{-365 (77.5-1)}{\ln (1-.33)} = 61,215 \text{ MCF} + 69,723 \text{ MCF} \\ &= 130,938 \text{ MCFD} \end{aligned}$$

The proposed allocation follows. Only the Strawn produces oil/condensate, therefore the allocation for oil will be 100% Strawn.

$$\text{Morrow Gas} \quad \frac{7372 \text{ MMCF}}{7372 + 7472 + 130,938 \text{ MCF}} = 5.1\%, \text{ say } 5\%$$

$$\text{Atoka Gas} \quad \frac{7472 \text{ MMCF}}{7372 + 7472 + 130,938 \text{ MCF}} = 5.1\%, \text{ say } 5\%$$

$$\text{Strawn Gas} \quad 100 - 5 - 5 = 90\%$$

$$\text{Strawn Oil} \quad = 100\%$$

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

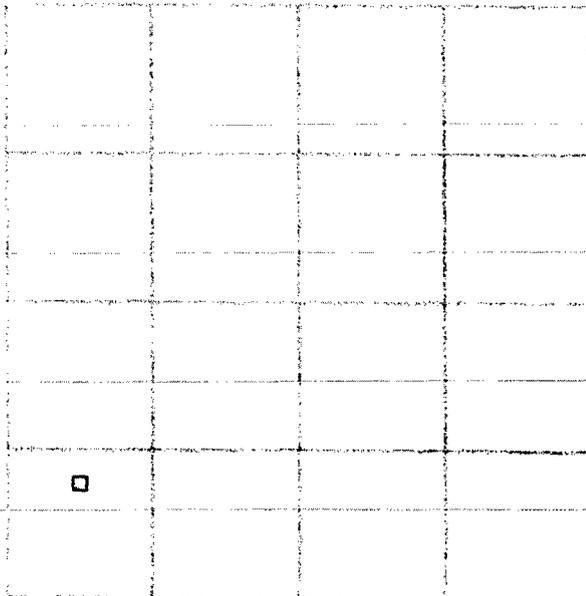
Form C-102
Permit 880

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------|---|--------------------|
| API Number 30-015-33403 | Pool Name CARLSBAD;MORROW, SOUTH (PRO GAS) | Pool Code 73960 |
| Property Code 33875 | Property Name RUTHIE FEE | Well No. 001 |
| OGRID No. 14049 | Operator Name MARBOB ENERGY CORP | Elevation 3080 |

Surface And Bottom Hole Location

| | | | | | | | | | |
|------------------------|---------------|-----------------|--------------|--------------------|-------------------|---------------|------------------|---------------|----------------|
| Ul. or Lot M | Section 10 | Township 22S | Range 27E | Lot Idn M | Feet From 1026 | N/S Line S | Feet From 660 | E/W Line W | County Eddy |
| Dedicated Acres 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |



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: 04/23/2004

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: Gary Eidson
Date of Survey: 04/14/2004
Certificate Number: 12641

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District III 1000 Rio Brazos Rd., Aztec, NM 87410
District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

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

WELL API NO. 30-015-33403
5. Indicate Type of Lease STATE [] FEE [X]
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name RUTHIE FEE
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat CARLSBAD; MORROW, SOUTH
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3080' GR

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 [X] Other
2. Name of Operator MARBOB ENERGY CORPORATION
3. Address of Operator P O BOX 228 ARTESIA, NM 88211-0228
4. Well Location Unit Letter M : 1026 feet from the SOUTH line and 660 feet from the WEST line Section 10 Township 22S Range 27E NMPM EDDY County NM
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: PERFORM REMEDIAL WORK [] PLUG AND ABANDON [] TEMPORARILY ABANDON [] CHANGE PLANS [] PULL OR ALTER CASING [] MULTIPLE COMPL [] OTHER: DOWNHOLE COMMINGLING [X]
SUBSEQUENT REPORT OF: REMEDIAL WORK [] ALTERING CASING [] COMMENCE DRILLING OPNS. [] P AND A [] CASING/CEMENT JOB [] OTHER: []

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 0% - GAS 5% TANSILL DAM ATOKA 85900 - OIL 0% - GAS 5% CARLSBAD STRAWN 74040 - OIL 100% - GAS 90%

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 NMOCDC guidelines [], a general permit [] or an (attached) alternative OCD-approved plan [].

SIGNATURE [Signature] TITLE ENGINEER DATE 02/13/06

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):