

Sec : 04 Twp : 25S Rng : 28E Section Type : NORMAL

4	3	2	1
E 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	F 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	G 40.00 CS VA2533 0001 SOUTHWESTERN ENER 10/01/06	H 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03
L 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	K 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	J 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	I 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03
M 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	N 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	O 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03	P 40.00 CS V05284 0004 SOUTHWESTERN ENER 04/01/03

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

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

1. Operator Name and Address MARBOB ENERGY CORP PO Box 227 Artesia, NM 88211		2. OGRID Number 14049
		3. API Number 30-015-35102
4. Property Code 35954	5. Property Name SCARED HAWK STATE COM	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Ltn	Feet From	N/S Line	Feet From	E/W Line	County
A	4	25S	28E	1	330	N	25	E	EDDY

8. Pool Information

WILLOW LAKE; DELAWARE, SW	96855
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3009
14. Multiple N	15. Proposed Depth 7000	16. Formation Delaware	17. Contractor	18. Spud Date 9/1/2006
Depth to Ground water 35		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 3000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input checked="" type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	12.25	9.625	36	675	700	0
Prod	7.875	5.5	17	7000	1800	0

Casing/Cement Program: Additional Comments

We propose to drill 12 1/4 inch hole to 675ft w/fresh water, run 9 5/8 inch 36 lb J-55 csg, set at 675 ft w/700sx cement, circ to surface drill 7 7/8 inch hole w/brine water to 7000 ft, run 5 1/2 inch 17 lb J-55 csg, set at 7000 ft w/1800 sx cement, circ to surface.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
Double Ram	2000	2000	Cameron

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> a general permit <input checked="" type="checkbox"/> or an (attached) alternative OCB-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION	
	Approved By: Bryan Arant	
Printed Name: Electronically filed by Diana Briggs	Title: Geologist	
Title: Production Analyst	Approved Date: 8/21/2006	Expiration Date: 8/21/2007
Email Address: production@marbob.com		
Date: 8/21/2006	Phone: 505-748-3303	Conditions of Approval Attached

1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720

District II

1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

District III

1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

Energy, Minerals and Natural Resources**Oil Conservation Division****1220 S. St Francis Dr.****Santa Fe, NM 87505****WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-015-35102	2. Pool Code 96855	3. Pool Name WILLOW LAKE; DELAWARE, SW
4. Property Code 35954	5. Property Name SCARED HAWK STATE COM	6. Well No. 001
7. OGRID No. 14049	8. Operator Name MARBOB ENERGY CORP	9. Elevation 3009

10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	4	25S	28E	A	330	N	25	E	EDDY

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
B	4	25S	28E	2	430	N	2310	E	EDDY
12. Dedicated Acres 80.64		13. Joint or Infill		14. Consolidation Code		15. Order No.			

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>OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained 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(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i></p> <p>E-Signed By: Diana Briggs Title: Production Analyst Date: 8/21/2006</p>
	<p>SURVEYOR CERTIFICATION</p> <p><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></p> <p>Surveyed By: Gary Eidson Date of Survey: 7/17/2006 Certificate Number: 12641</p>

Permit Comments

Operator: MARBOB ENERGY CORP , 14049
Well: SCARED HAWK STATE COM #001
API: 30-015-35102

Created By	Comment	Comment Date
MARBOB4	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.	7/31/2008

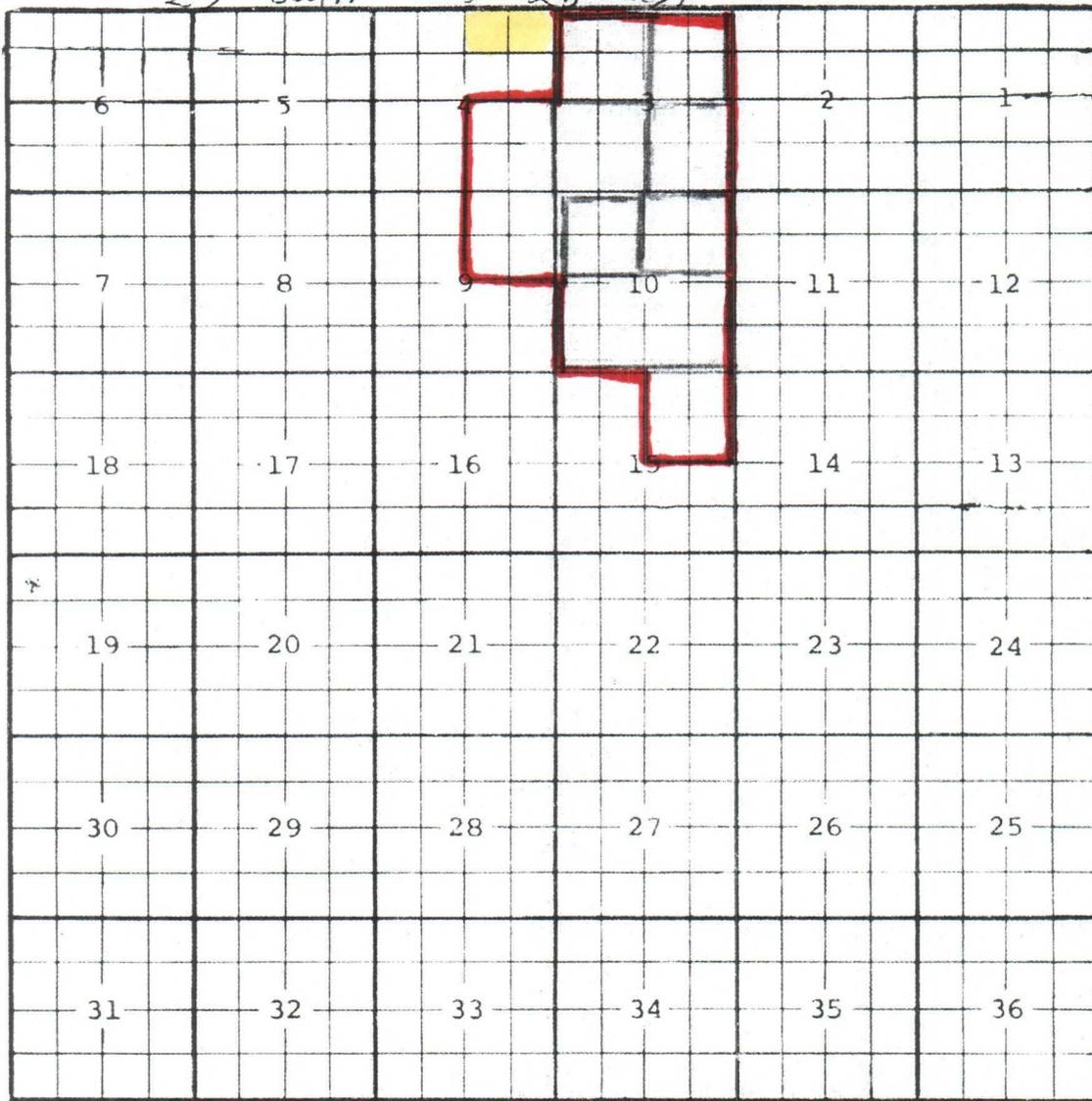
Permit Conditions of Approval

Operator: MARBOB ENERGY CORP , 14049
Well: SCARED HAWK STATE COM #001
API: 30-015-35102

OCD Reviewer	Condition
BArrant	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
BArrant	Will require a directional survey with the C-104
BArrant	Please notify OCD time of spud and time to witness the cementing to surface all casing strings.
BArrant	This is a "drill only" well as a NSL is required to produce.

County Eddy Pool Southwest Willow Lake-Delaware

TOWNSHIP 25 South Range 28 East NMPM



Description: $NW\frac{1}{4}$ Sec. 10 (R-11120, 1-21-99) Ext: $NE\frac{1}{4}$ Sec. 10 (R-11838, 4-27-02)

Ext: $SE\frac{1}{4}$ Sec. 4, $NE\frac{1}{4}$ Sec. 9 (R-12002, 8-11-03) Ext: $S\frac{1}{2}$ Sec. 10 (R-12125, 3-30-04)

Ext: $SE\frac{1}{4}$ Sec. 3 (R-12128, 6-7-04) Ext: $SW\frac{1}{4}$ Sec. 3 (R-12228, 10-25-04)

Ext: $NE\frac{1}{4}$ Sec. 15 (R-12309, 2-18-08) Ext: $NW\frac{1}{4}$ Sec. 3 (R-12495, 1-25-06)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

June 7, 2006

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227

Attention: **Raye Miller**
marbob@marbob.com

Administrative Order NSL-5391 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. Miller:

Reference is made to the following: (i) your application (*administrative application reference No. pTDS0-613929999*) initially submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico by telefax on May 18, 2006; (ii) your follow-up hard copy received by the Division on May 19, 2006; (iii) your telephone conversation with Mr. Michael E. Stogner, Staff Engineer with the Division in Santa Fe, on Wednesday morning, May 31, 2006; (iii) your meeting with Mr. Stogner in Santa Fe Wednesday morning, June 7, 2006; and (iv) the Division's records in Artesia and Santa Fe, including the file on Division Administrative Order 5273 (BHL), dated September 6, 2005: all concerning Marbob Energy Corporation's ("Marbob") proposed development of the Delaware formation within the 80-acre area comprising the SW/4 NW/4 (Unit E) and the NW/4 SW/4 (Unit L) of Section 3, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole techniques.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) By Order No. R-11120, issued in Case No. 12116 on January 21, 1999 and made effective on February 1, 1999, the Division created and defined the Southwest Willow Lake-Delaware Pool (96855) for the production of oil from the Delaware formation; the horizontal limits for this pool, as currently designated, comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM

Section 3:	All
Section 4:	SE/4
Section 9:	NE/4
Section 10:	All
Section 15:	NE/4;

- (3) Currently, the Southwest Willow Lake-Delaware Pool is governed by the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
- (4) It is the Division's understanding that Marbob intends to drill its Western Hawk State Com. Well No. 2 (API No. 30-015-34863), from a surface location 1350 feet from the North line and 990 feet from the West line (Unit E) of Section 3, vertically to an approximate measured depth (MD) of 4,723 feet; kick-off to the south and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,473 feet (MD), or 5,200 (TVD); and continue to drill horizontally for an approximate distance of 1,804 feet to a bottomhole location, or end-point, within the Delaware formation at a subsurface location approximately 1650 feet from the South line and 900 feet from the West line (Unit L) of Section 3;
- (5) The top of the Delaware formation should be intercepted at an approximate depth of 2,600 feet;
- (6) The proposed 80-acre stand-up "Project Area", pursuant to Division Rules 111.A (9) and C (3), will be established by combining two standard 40-acre oil spacing and proration units within the Southwest Willow Lake-Delaware Pool comprising the SW/4 NW/4 (Unit E) of Section 3, comprising a portion of New Mexico State Lease No. V-2964-0001, and the NW/4 SW/4 (Unit L) of Section 3, comprising a portion of New Mexico State Lease No. V-05920;
- (7) From the entry point into the Delaware formation within the vertical wellbore to the kick-off depth and a portion of the curved wellbore will be unorthodox pursuant to Division Rules 104.B (1) and 111.A (13);
- (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved;
- (9) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F; therefore the subject application based on Marbob's proposed directional drilling plan should be approved; and
- (10) Marbob should operate the aforementioned horizontal drainhole and 80-acre project area under the provisions contained within this order and all other applicable provisions of Division Rules 111 and 505.

It Is Therefore Ordered That:

(1) Marbob Energy Corporation ("Marbob") is hereby authorized to directionally drill its Western Hawk State Com. Well No. 2 (API No. 30-015-34863), from a surface location 1350 feet from the North line and 990 feet from the West line (Unit E) of Section 3, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, vertically to an approximate measured depth (MD) of 4,723 feet; kick-off to the south and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,473 feet (MD), or 5,200 (TVD); and continue to drill horizontally for an approximate distance of 1,804 feet to a bottomhole location, or end-point, within the Southwest Willow Lake-Delaware Pool (96855) at a subsurface location approximately 1650 feet from the South line and 900 feet from the West line (Unit L) of Section 3.

(2) Pursuant to Division Rules 111.A (9) and C (3) an 80-acre Project Area shall will be established by combining two standard 40-acre oil spacing and proration units within the Southwest Willow Lake-Delaware Pool comprising the SW/4 NW/4 (Unit E) of Section 3, comprising a portion of New Mexico State Lease No. V-2964-0001, and the NW/4 SW/4 (Unit L) of Section 3, comprising a portion of New Mexico State Lease No. V-05920.

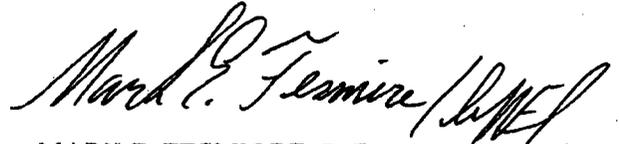
(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 505.

(4) This order shall become null and void should any part of the acreage comprising the subject 80-acre Project Area be combined with or be included with any other Project Area formed pursuant to Division Rules 111.A (9) and C. (3).

(5) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIORE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
File: NSL-5273 (BHL)



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

September 6, 2005

Mark Fesmire
Director
Oil Conservation Division

Marbob Energy Corporation
P. O. Box 227
Artesia, New Mexico 88211-0227

Attention: **Brent May**
Geologist

Administrative Order NSL-5273 (BHL)
(Non-Standard Subsurface Location/Producing Area)

Dear Mr. May:

Reference is made to the following: (i) your application submitted to the New Mexico Oil Conservation Division ("Division") in Santa Fe, New Mexico on August 2, 2005 (*administrative application reference No. pMES0-524943327*); (ii) Mr. Michael E. Stogner's, Engineer with the Division in Santa Fe, telefax for additional information on September 2, 2005; (iii) Mr. Stogner's telephone conversation with Mr. Raye Miller on Friday afternoon, September 2, 2005 and subsequent e-mail containing the necessary information to complete your application; and (iv) the Division's records in Artesia and Santa Fe: all concerning Marbob Energy Corporation's ("Marbob") proposed development of the Delaware formation within a portion of the Sly Hawk State Lease (*New Mexico State Land Office Lease No. V-05920*) underlying the N/2 NW/4 equivalent of Section 3, Township 25 South, Range 28 East, NMPM, Eddy County, New Mexico, utilizing horizontal drainhole techniques.

The Division Director Finds That:

- (1) The subject application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), and 111.C (2);
- (2) By Order No. R-11120, issued in Case No. 12116 on January 21, 1999 and made effective on February 1, 1999, the Division created and defined the Southwest Willow Lake-Delaware Pool (96855) for the production of oil from the Delaware formation; the horizontal limits for this pool, as currently designated, comprises the following described lands in Eddy County, New Mexico:

TOWNSHIP 25 SOUTH, RANGE 28 EAST, NMPM

Section 3:	Lots 1 and 2, S/2 NE/4, and S/2
Section 4:	SE/4
Section 9:	NE/4
Section 10:	All
Section 15:	NE/4;

- (3) Currently, the Southwest Willow Lake-Delaware Pool and that area within one-mile of the pool boundaries [see Division Rule 104.A (2) (a)] are subject to the statewide rules and regulations, as promulgated by Rule 104.B (1), which provides for 40-acre oil spacing and proration units, or drilling units, and requires that wells be located no closer than 330 feet to the outer boundary of a single 40-acre oil spacing and proration unit;
 - (4) It is the Division's understanding that Marbob intends to drill its Sly Hawk State Well No. 4 (API No. 30-015-34242), from a surface location 330 feet from the North line and 2620 feet from the West line (Lot 3/Unit C) of Section 3, vertically to an approximate measured depth (MD) of 4,388 feet; kick-off to the west and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,138 feet (MD); and continue to drill horizontally for an approximate distance of 1850 feet to a bottomhole location, or endpoint, within the Delaware formation at a subsurface location approximately 430 feet from the North line and 330 feet from the West line (Lot 4/Unit D) of Section 3;
 - (5) The top of the Delaware formation should be intercepted at an approximate depth of 2,600 feet;
 - (6) The proposed 80.64-acre "Project Area", pursuant to Division Rules 111.A (9) and C (3), will be established by combining two standard 40-acre, more or less, oil spacing and proration units in the Undesignated Southwest Willow Lake-Delaware Pool comprising Lots 3 (NE/4 NW/4 equivalent-Unit "C") and Lots 4 (NW/4 NW/4 equivalent-Unit "D") of Section 3;
 - (7) From the entry point into the Delaware formation within the vertical wellbore to the kick-off depth and a portion of the curved wellbore will be unorthodox pursuant to Division Rules 104.B (1) and 111.A (13);
 - (8) It appearing the applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F, the subject application should be approved, further, the aforementioned horizontal drainhole and 80.64-acre project area should continue operating under the provisions contained within this order and all other applicable provisions of Division Rule 111;
 - (9) The applicant has satisfied all of the appropriate requirements prescribed in Rules 111.C (2) and 104.F; therefore the subject application based on Marbob's proposed directional drilling plan should be approved; and
 - (10) The subject 80.64-acre oil spacing and proration unit/project area is to be governed by the provisions contained within this order and all other applicable provisions of Division Rules 111 and 505.
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It Is Therefore Ordered That:

(1) Marbob Energy Corporation ("Marbob") is hereby authorized to directionally drill its Sly Hawk State Well No. 4 (API No. 30-015-34242); from a surface location 330 feet from the North line and 2620 feet from the West line (Lot 3/Unit C) of Section 3, vertically to an approximate measured depth (MD) of 4,388 feet; kick-off to the west and build angle until a 90 degree deviation off of vertical is achieved at an approximate measured depth of 5,138 feet (MD); and continue to drill horizontally for an approximate distance of 1850 feet to a bottomhole location, or end-point, within the Undesignated Southwest Willow Lake-Delaware Pool (96855) at a subsurface location approximately 430 feet from the North line and 330 feet from the West line (Lot 4/Unit D) of Section 3.

(2) An 80.64-acre Project Area shall will be established by combining Lots 3 and 4 (N/2 NW/4 equivalent) of Section 3.

(3) The operator shall comply with all applicable requirements and conditions set forth in Division Rules 111 and 505.

(4) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



MARK E. FESMIORE, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
New Mexico State Land Office – Santa Fe
Mr. Raye Miller – Marbob Energy Corporation, Artesia