

DATE IN 10/3/08	SUSPENSE	ENGINEER W Jones	LOGGED IN 10/6/08	DHC TYPE 4115	APP NO. PKVRO828029204
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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 _____

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- [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.

BRIAN COLLINS
Print or Type Name

Signature

PETROLEUM ENGINEER
Title

09/18/08
Date

bcollins@marbob.com
e-mail Address

District I
1825 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

APPLICATION TYPE

District III
1000 Rio Brazos Road, Aztec, NM 87410

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

Single Well
 Establish Pre-Approved Pools

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

APPLICATION FOR DOWNHOLE COMMINGLING

EXISTING WELLBORE
 Yes No

DHE-4115

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

RHOID STATE #1 D-24-T18S-R33E LEA COUNTY
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14049 Property Code 35924 API No. 30-025-38067 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	UNDES SAN ANDRES		EK DELAWARE
Pool Code			21655
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	5334-5350' PERFORATED		5406-5661' PERFORATED
Method of Production (Flowing or Artificial Lift)	ARTIFICIAL LIFT		ARTIFICIAL LIFT
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 100 PSI PRODUCING BHP		EST 100 PSI PRODUCING BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	31° EST		35.5°
Producing, Shut-In or New Zone	NEW ZONE		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: N/A Rates:	Date: Rates:	Date: AUGUST 2008 Rates: 2.75 BOPD 2.00 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 90 % Gas 96 %	Oil % Gas %	Oil 10 % Gas 4 %

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

NMOC 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 09/18/08

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
Rhoid State #1, (Unit D, Sec. 24-T18S-R33E)

Marbob Energy proposes to downhole commingle the San Andres and the Delaware in the captioned well.

No crossflow will occur because the well will be rod pumped in a pumped down condition. The Rhoid State No. 1 is currently completed in the Delaware and a production plot with the calculated remaining ultimate recovery is attached. The proposed zonal allocation is described below.

Delaware Sand: See attached production plot.

Qi = 2.75 bopd d=29%/yr.
Qel = 1.00 bopd assumed

$$\text{EUR} = \frac{-365 (2.75-1.00)}{\ln (1-.29)} = 1.9 \text{ MBO}$$

Qi = 2.0 mcf/d d=55%/yr.
Qel = 0.5 mcf/d assumed

$$\text{EUR} = \frac{-365 (2-0.5)}{\ln (1-.55)} = 0.7 \text{ MMCF}$$

San Andres: There is no nearby San Andres production. The best engineering estimate is that production declines exponentially at 80%/yr. for one year, followed by 25%/yr. for oil and gas. The best engineering estimate is that the San Andres will come in at 40 BOPD and have a 1000 GOR.

Qi = 40 bopd d=80%/yr.
Q1yr = 8 bopd d=25%/yr.
Qel = 1 bopd assumed

$$\text{EUR} = \frac{-365 (40-8)}{\ln (1-.80)} + \frac{-365 (8-1)}{\ln (1-.25)} = 16.1 \text{ MBO}$$

Qi = 40 mcf/d d=80%/yr.
Q1yr = 8 mcf/d d=25%/yr.
Qel = 1 mcf/d assumed

$$\text{EUR} = \frac{-365(40-8)}{\ln(1-.80)} + \frac{-365(8-1)}{\ln(1-.25)} = 16.1 \text{ MMCF}$$

$$\text{Delaware Oil} = \frac{1.9 \text{ MBO}}{1.9 + 16.1} = .10 = 10\%$$

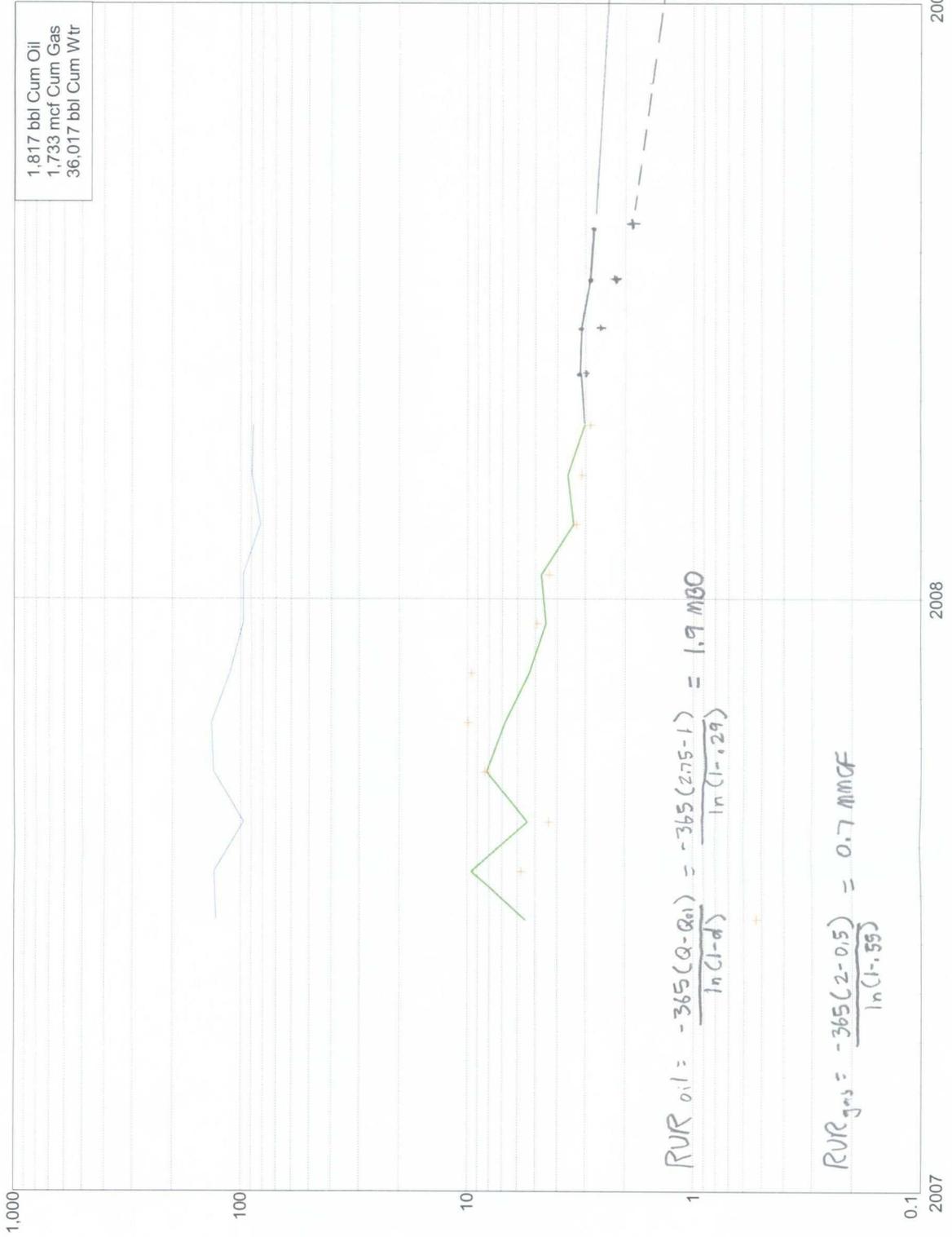
$$\text{San Andres Oil} = 1 - .10 = .90 = 90\%$$

$$\text{Delaware Gas} = \frac{0.7 \text{ MMCF}}{0.7 + 16.1} = .04 = 4\%$$

$$\text{San Andres Gas} = 1 - .04 = .96 = 96\%$$

Lease Name: RHOID STATE
 County, State: LEA, NM
 Operator: MARBOB ENERGY CORPORATION
 Field: E-K
 Reservoir: DELAWARE
 Location: 24 18S 33E NW NW NW

RHOID STATE 1 30025380670000



2009

2008

Time

2007

Production Rates (bpd, mcf)

DISTRICT I
1625 N. FRENCH DR., HOBBBS, 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 30-025-38067	Pool Code 21655	Pool Name E-K DELAWARE
Property Code 135924	Property Name RHOD STATE	Well Number 1
OGRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3903'

Surface Location

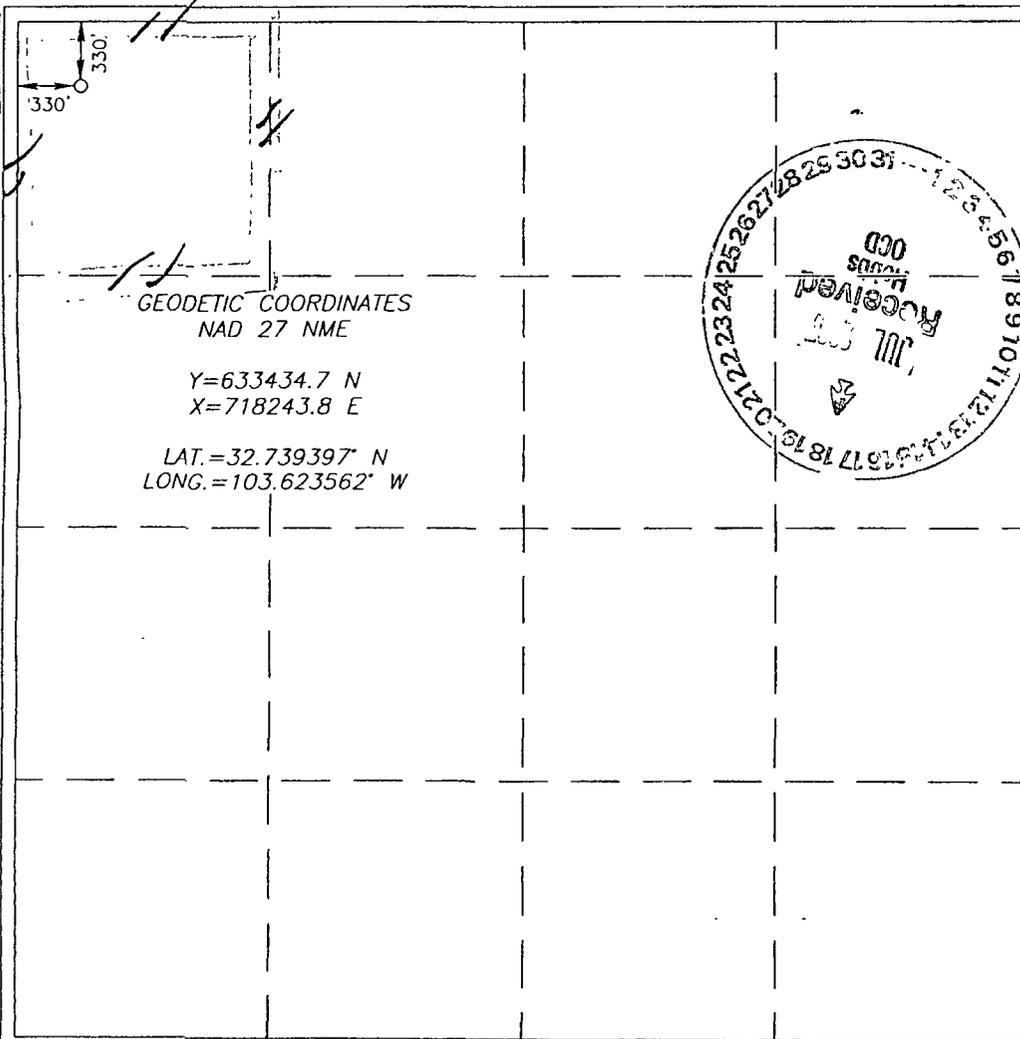
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	24	18-S	33-E		330	NORTH	330	WEST	LEA

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

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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



OPERATOR CERTIFICATION

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.

Diana J. Briggs
Signature Date 7/17/07

DIANA J. BRIGGS
Printed Name
PRODUCTION ANALYST

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.

AUGUST 01, 2006

Date Surveyed MR
Signature & Seal of Professional Surveyor

Ronald J. Eidson
Signature Date 8/8/06
Certificate No. GARY EIDSON 12641
RONALD J. EIDSON 3239
REGISTERED PROFESSIONAL SURVEYOR

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. 30-025-38067
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name RHOD STATE
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat EK DELAWARE

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 : 330 feet from the NORTH line and 330 feet from the WEST line
 Section 24 Township 18S Range 33E NMPM LEA County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
 3903' GR

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 <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> MULTIPLE COMPL <input type="checkbox"/> OTHER: DOWNHOLE COMMINGLING <input checked="" type="checkbox"/>	SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> P AND A <input type="checkbox"/> CASING/CEMENT JOB <input type="checkbox"/> OTHER: <input type="checkbox"/>
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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: UNDES. SAN ANDRES - OIL 90% - GAS 96%
 EK DELAWARE 21655 - OIL 10% - GAS 4%

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 PETROLEUM ENGINEER DATE 09/18/08

Type or print name BRIAN COLLINS E-mail address: bcollins@marbob.com Telephone No. 575-748-3303
For State Use Only

APPROVED BY: _____ TITLE _____ DATE _____

Conditions of Approval (if any):



marbob
energy corporation

September 18, 2008

New Mexico State Land Office
Oil, Gas & Minerals Division
P. O. Box 1148
Santa Fe, NM 87504-1148

Attn: Ms. Jamie Bailey

Re: C-107A Downhole Commingling Application
Rhoid State #1
Township 18 South, Range 33 East, NMPM
Sec. 24: Unit D
Lea County, New Mexico

Dear Ms. Bailey:

Enclosed is the \$30.00 application fee and copy of the Form C-107A Application for Downhole Commingling that we submitted to the NMOCD for the referenced well located in Lea County.

We are seeking approval to downhole commingle the Delaware and San Andres zones to extend the economic life of the well and maximize the financial benefit to the State of New Mexico.

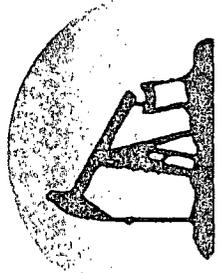
If you have any questions, please call me at 505-748-3303.

Sincerely,

Brian Collins
Petroleum Engineer

BC/dlw
enclosures

INVOICE DATE	INVOICE NO.	DESCRIPTION	INVOICE TOTAL	ADJUSTMENTS	DISCOUNT	NET AMOUNT
10/1/08		APPLICATION FEE/RHOID ST #1	\$ 30.00			\$ 30.00



MARBOB ENERGY CORPORATION
 2208 W. MAIN
 P.O. BOX 227
 ARTESIA, NEW MEXICO 88211-0227
 (505) 748-3303

056092

PLEASE DETACH BEFORE DEPOSITING. RETAIN TOP PORTION FOR YOUR RECORDS.

 <p>MARBOB energy corporation</p>		<p>2208 W. MAIN P.O. BOX 227 ARTESIA, NEW MEXICO 88211-0227 (505) 748-3303</p>		<p>056092</p> <p>95-43/1122</p>	
<p>*****THIRTY DOLLARS AND 00/100*****</p>					
<p>PAY TO THE ORDER OF</p>		<p>NEW MEXICO STATE LAND OFFICE OIL, GAS & MINERALS DIVISION PO BOX 1148 SANTA FE, NM 87504-1148</p>		<p>DATE: 10/1/08 CHECK AMOUNT: \$30.00</p>	
		<p>FIRST NATIONAL BANK P.O. DRAWER AA ARTESIA, NM 88210</p>		<p>MARBOB ENERGY CORPORATION</p> <p><i>Dean Humbley</i></p>	

⑈056092⑈ ⑆12200439⑆ ⑆46512710⑈

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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

310 OLD SANTA FE TRAIL
P.O. BOX 1148
SANTA FE, NEW MEXICO 87504-1148

COMMISSIONER'S OFFICE
Phone (505) 827-5760
Fax (505) 827-5766
www.nmstatelands.org

October 22, 2008

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

Attn: Mr. Brian Collins

Re: Downhole Commingling Application
Rhoid State Well No. 1 (API # 30-025-38067)
Unit Letter D, Section 24-18S-33E
Undesignated San Andres and EK Delaware Pools
Lea County, New Mexico

Dear Mr. Collins:

Thank you for your application to downhole commingle the Undesignated San Andres and EK Delaware pools from the referenced well in Lea County, New Mexico.

Since it appears that all the New Mexico Oil Conservation's (OCD) rules and regulations have been complied with, and there will be no loss of revenue to the State of New Mexico as a result of your proposed operation, your application is approved. Any deviation from the substance of your application will be cause for rescinding our approval, and approval is subject to like approval by the OCD.

Your filing fee in the amount of \$30.00 has been received.

If you have any questions or if we may be of further help, please contact Pete Martinez at (505) 827-5791.

Very truly yours,

PATRICK H. LYONS
COMMISSIONER OF PUBLIC LANDS

A handwritten signature in black ink, appearing to read "Jami Bailey".

BY:
JAMI BAILEY, Director
Oil, Gas and Minerals Division
PL/JB/jm
Enclosure

xc: Reader File OCD—Ed Martin,

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University.