

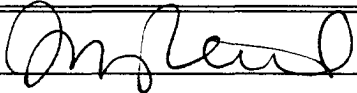
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Artesia, NM 88210

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|--|--|---|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. LC-028731- B | |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input 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. NM 111789 X | |
| 3a. Address PO Box 227, Artesia, NM 88211-0227 | | 8. Lease Name and Well No. Dodd Federal Unit #513 | |
| 3b. Phone No. (include area code) 505-748-3303 | | 9. API Well No. 30-015-34563 | |
| 4. Location of Well (Report location clearly and in accordance with the Survey Regulations. *) At surface 660 FNL 1320 FEL At proposed prod. zone 1295 Non-Standard Location SUBJECT TO LIKE APPROVAL BY STATE | | 10. Field and Pool, or Exploratory GRBG Jackson SR Q GRBG SA | |
| 14. Distance in miles and direction from nearest town or post office* | | 11. Sec., T., R., M., or Blk. and Survey or Area Sec. 14, T-17S, R-29E | |
| 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 | | 13. State NM | |
| 17. Spacing Unit dedicated to this well 40 | | RECEIVED DEC 16 2005 BLM-ARTESIA | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | | 20. BLM/BIA Bond No. on file 585716 | |
| 19. Proposed Depth 5000' | | 21. Estimated duration 21 Days | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3630 GL | | 22. Approximate date work will start* July 9, 2005 | |
| 23. Estimated duration 21 Days | | 24. Attachments Roswell 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:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

| | | |
|--|---|---------------------|
| 25. Signature  | Name (Printed/Typed) Amy Reid | Date 6/9/2005 |
| Title Land Department | | |
| Approved by (Signature) ACTING /s/ Joe G. Lara | Name (Printed/Typed) /s/ Joe G. Lara | Date DEC 14 2005 |
| Title FIELD MANAGER | Office CARLSBAD FIELD OFFICE | |

Application approval does not warrant or certify that 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.

*(Instructions on reverse)

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

Witness Surface Casing

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Marbob Energy Corporation

3a. Address

P.O. Box 227, Artesia, N.M. 88211-0227

3b. Phone No. (include area code)

505-748-3303

4. Location of Well (Footage, Sec., T, R., M., or Survey Description)

660' FNL & 1295' FEL

Section 14, T17S, R29E

5. Lease Serial No.

LC-028731-B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

Dodd Federal Unit #513

9. API Well No.

10. Field and Pool, or Exploratory Area

GRBG Jackson SR Q GRBG SA

11. County or Parish, State

Eddy County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other Change Footages

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Change Footage From 660' FNL & 1320' FEL To 660' FNL & 1295' FEL.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Nancy T. Bratcher

Title Land Department

Signature

Nancy Bratcher

Date December 28, 2005

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by (Signature)

/s/ James Stovall

Name **James Stovall**
(Printed/Typed)

ACTING

FIELD MANAGER

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject land which would entitle the applicant to conduct operations thereon.

Office

CARLSBAD FIELD OFFICE

Date

JAN 06 2006

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.

(Continued on next page)

DISTRICT I
1625 N. FRENCH DR., HORBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, 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 Department

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised JUNE 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|---------------|---------------------------|---------------------------|
| API Number | Pool Code | Pool Name |
| | 28509 | GRBG JACKSON SR Q GRBG SA |
| Property Code | Property Name | Well Number |
| | DODD FEDERAL UNIT | 513 |
| OGRID No. | Operator Name | Elevation |
| 14049 | MARBOB ENERGY CORPORATION | 3630' |

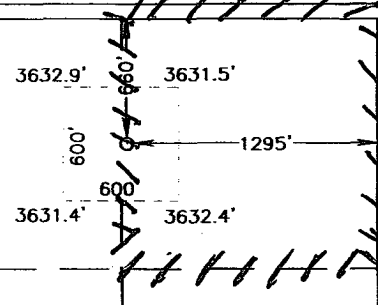
Surface Location

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| A | 14 | 17-S | 29-E | | 660 | NORTH | 1295 | EAST | EDDY |

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

| | |
|--|--|
|  | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Nancy T. Bratcher</i> Signature</p> <p>Nancy T. Bratcher Printed Name</p> <p>Land Department Title</p> <p>December 28, 2005 Date</p> |
| <p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=669383.3 N X=589922.8 E</p> <p>LAT.=32°50'23.56" N LONG.=104°02'26.00" W</p> | <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>FEBRUARY 21, 2005</p> <p>Date Surveyed LA REV: 12/22/05</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary Edson</i> 05.11.0250</p> <p>Certificate No. GARY EDSON 12641</p> |

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, 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-144
March 12, 2004

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

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: **Marbob Energy Corporation**

Telephone: **505-748-3303**

e-mail address: **marbob@marbob.com**

Address: **PO Box 227, Artesia, NM 88211-0227**

Facility or well name: **Dodd Federal Unit #513**

API #: _____ U/L or Qtr/Qtr **NENE Sec 14 T 17S R 29E**

County: **Eddy**

Latitude _____

Longitude _____

NAD: 1927 ☐ 1983 ☐

Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness **12** mil Clay ☐ Volume _____ bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why _____

RECEIVED

DEC 16 2005

OCD-ARTESIA

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)

Less than 50 feet

(20 points)

50 feet or more, but less than 100 feet

(10 points)

100 feet or more

(0 points)

0 points

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

(20 points)

No

(0 points)

0 points

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

(20 points)

200 feet or more, but less than 1000 feet

(10 points)

1000 feet or more

(0 points)

0 points

Ranking Score (Total Points)

0 points

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

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

Date: June 9, 2005

Printed Name/Title: **Amy Reid / Land Department**

Signature _____

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: **12-20-05**

Gerry Guye

Compliance Officer

Printed Name/Title _____

Signature _____

MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM

Dodd Federal Unit #513
660' FNL & 1320' FEL, Unit A
Section 14, T17S, 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:

| | | | |
|----------|-------|------------|-------|
| Yates | 830' | Queen | 1765' |
| Grayburg | 2078' | San Andres | 2418' |
| Glorieta | 3888' | Yeso | 3954' |

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

| | |
|------------|-------|
| Water | 200' |
| Oil or Gas | 2078' |

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 8 5/8" casing at ~~1500'~~ ^{375'} 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 |
|-----------|----------|-----------|-----|-------|
| 12 1/4" | 0 - 375' | 8 5/8" | 24# | J-55 |
| 7 7/8" | 0-5000' | 5 1/2" | 17# | J-55 |

Proposed Cement Program:

8 5/8" Surface Casing: Cement w/ 300 sx of Class C w/2% cc.

5 1/2" Production Casing: Cement w/ 1100 sx Class C. TOC to be 500' above all oil and gas bearing zones.

5. Pressure Control Equipment: See Exhibit 1
6. Mud Program: The applicable depths and properties of this system are as follows:

| Depth | Type | Weight (ppg) | Viscosity (sec) | Waterloss (cc) |
|-------------------------------|-----------|--------------|-----------------|----------------|
| 0 – 350' | Fresh Wtr | 8.5 | 48 | N.C. |
| 350-4800' 5000' | Brine | 9.8-10.2 | 40-45 | 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

Dodd Federal Unit #513
660' FNL & 1320' FEL, Unit A
Section 14, T17S, 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 well site and the access route to the location are indicated in red on Exhibit 2.

DIRECTIONS:

From the intersection of US HWY. #82 and Kewanee Road (Co. Rd. #215). Go North on Co. Rd. #215 approx. 1.3 miles. Turn left and go west approx. 0.2 miles. This location is approx. 38' north of the road.

2. PLANNED ACCESS ROAD:

None

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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

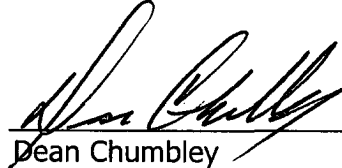
- B. Through Drilling Operations

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

9. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site 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.

6-9-2005
Date



Dean Chumbley
Landman

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

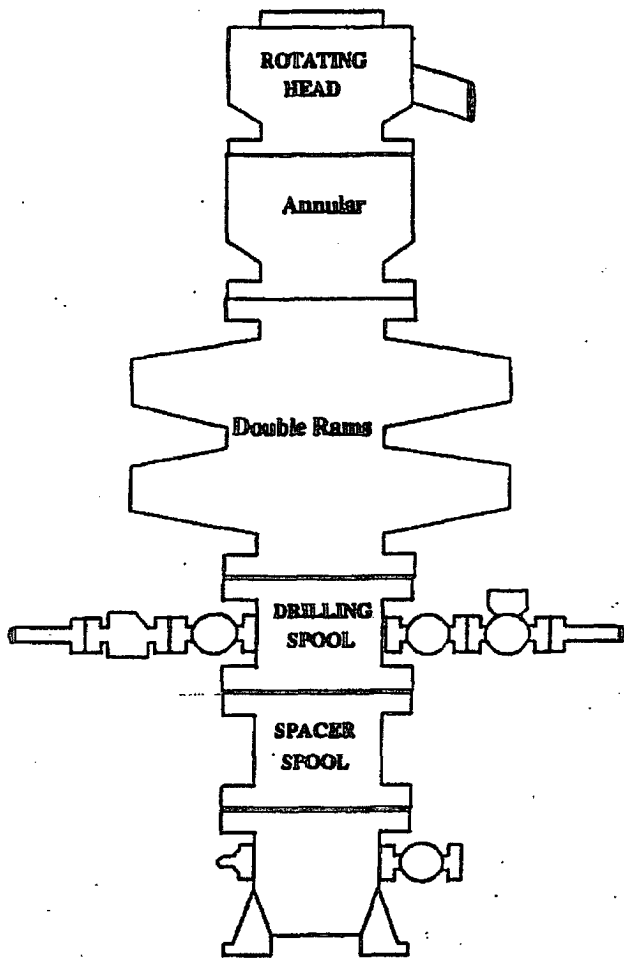
**YOU ARE ENTERING AN H₂S AREA
AUTHORIZED PERSONNEL ONLY**

- 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**

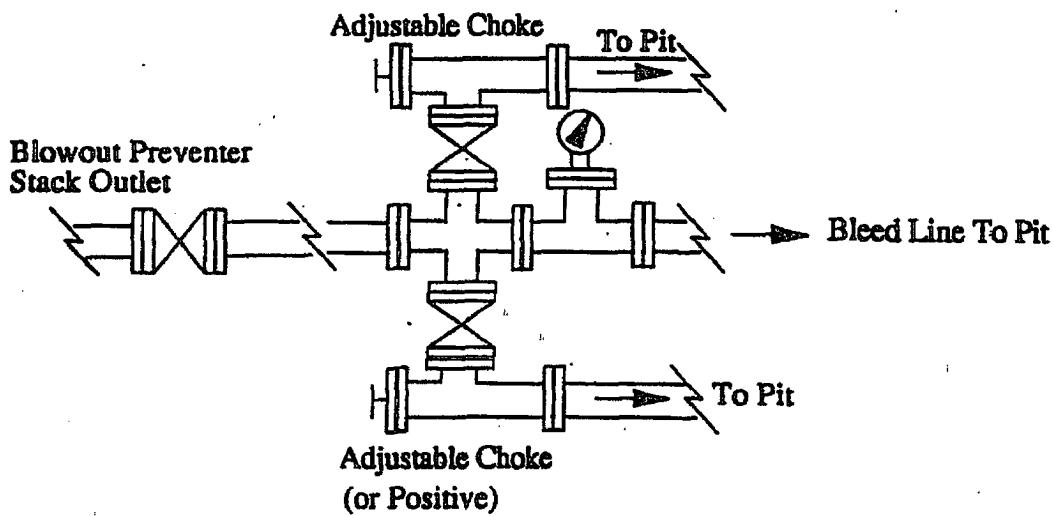
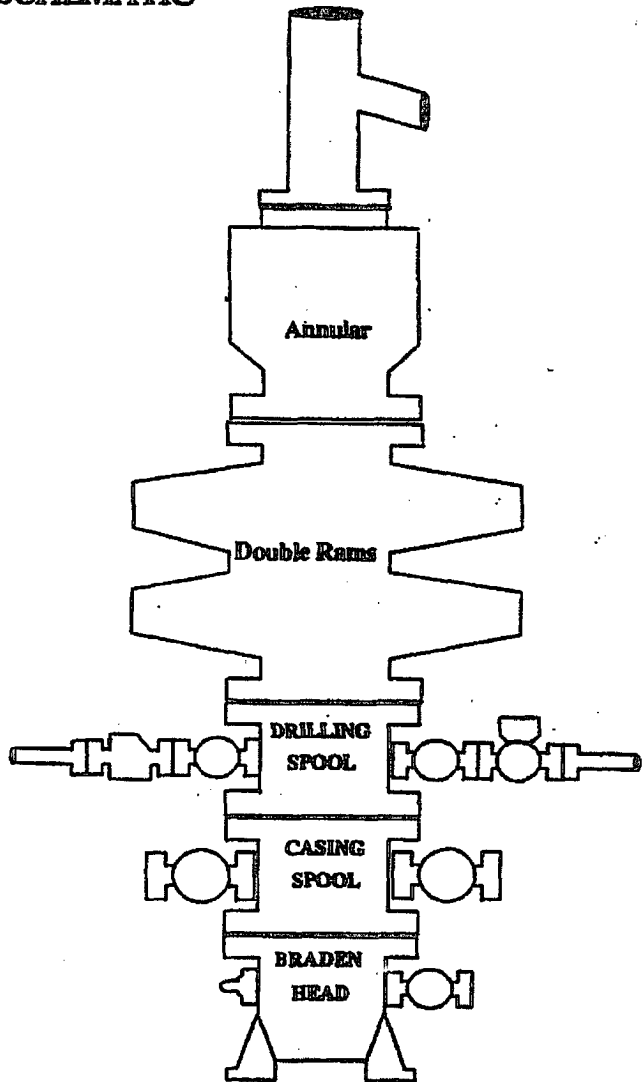
MARBOB ENERGY CORPORATION

1-505-748-3303

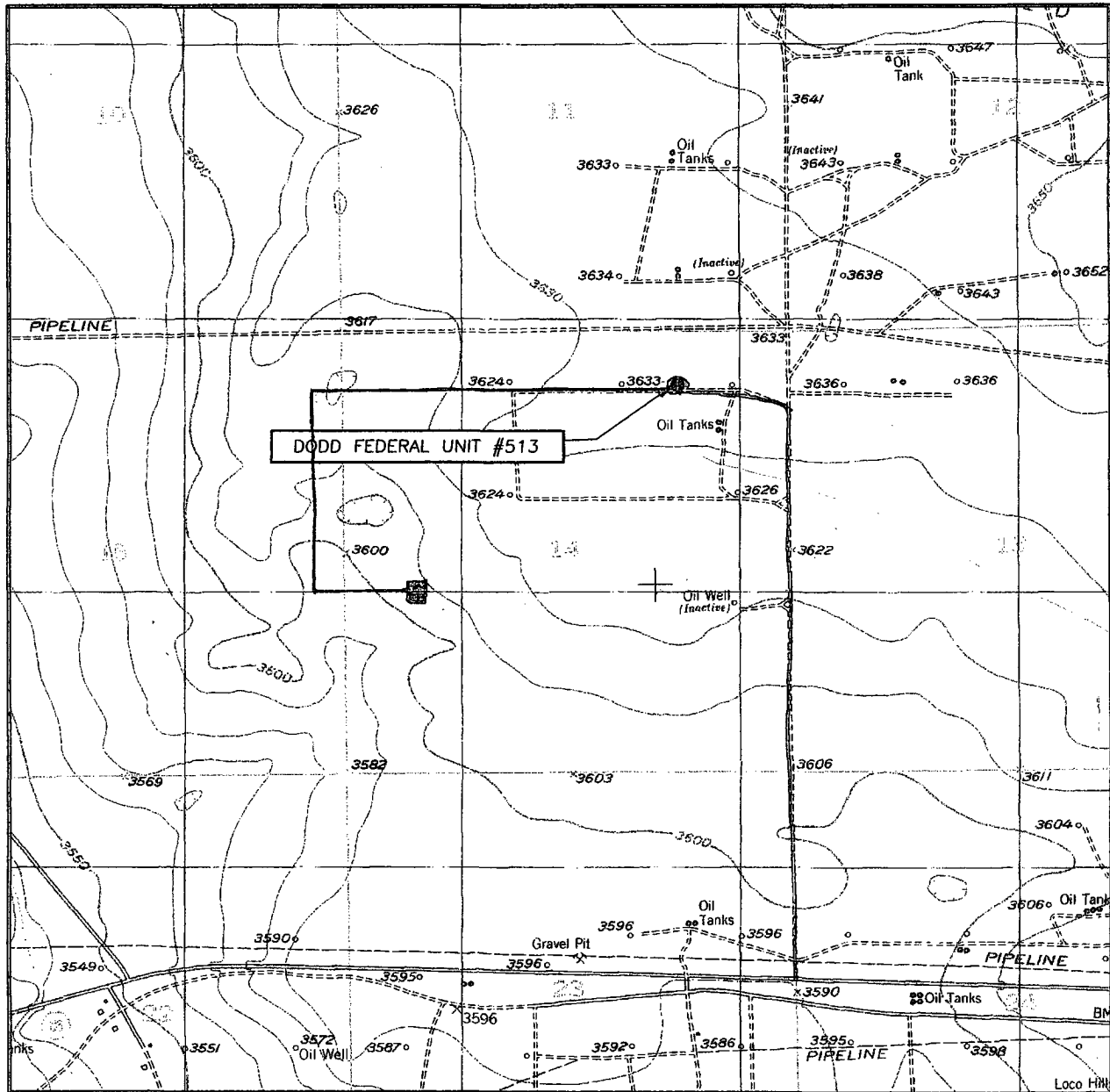
BOPE SCHEMATIC



Choke Manifold



LOCATION VERIFICATION MAP



SCALE: 1" = 2000' RED - ACCESS ROAD

CONTOUR INTERVAL:
RED LAKE SE, N.M. - 10'

SEC. 14 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 660' FNL & 1320' FEL

ELEVATION 3630'

OPERATOR MARBOB ENERGY CORPORATION

LEASE DODD FEDERAL UNIT

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE SE, N.M.

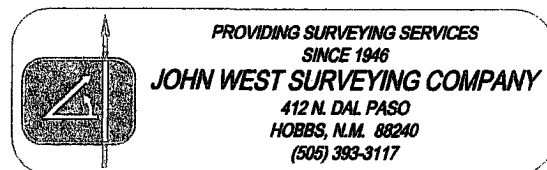


EXHIBIT TWO

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Marbob Energy Corporation
Well Name & No. Dodd Federal Unit #513
Location: 660' FNL, 1320' FEL, Section 14, T. 17 S., R. 29 E., Eddy County, New Mexico
Lease: LC-028731-B

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Resource Area Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 8-5/8 inch 5-1/2 inch.

C. BOP testing

2. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

3. A Hydrogen Sulfide (H₂S) Drilling Operation Contingency Plan shall be activated prior to drilling into the Queen formation. A copy of the plan shall be posted at the drilling site.

4. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

II. CASING:

1. The 8-5/8 inch surface casing shall be set at approximately 375 feet or 25 feet into the Rustler Anhydrite or in the case the salt occurs at a shallower depth, above the top of the salt. The surface casing shoe shall be set in the anhydrite to ensure adequate sealing. The operator is required to use an excess of 100% cement volume to fill the annulus. If cement does not circulate to the surface the operator may then use ready-mix cement to fill the remaining annulus.

2. The minimum required fill of cement behind the 5-1/2 inch production casing is to be sufficient to place the top of the cement 500 feet above the top of the uppermost hydrocarbon bearing interval or to the base of the salt.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 8-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The requested variance to test the BOPE to the reduced pressure of 1000 psi using the rig mud pumps is approved. (Sundry Notice dated 5/25/99 and approved 6/16/99.)

4. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

5. Testing must be done in a safe workman-like manner. Hard line connections shall be required.

The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

6/28/2005

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