

District I
1625 N. French Drive, 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 Department

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

Form C-107A
Revised June 10, 2003

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

APPLICATION FOR DOWNHOLE COMMINGLING

MARBOB ENERGY CORPORATION P O BOX 227 ARTESIA, NM 88211-0027
Operator Address
DAD STATE #41 J-25-T17S-R28E EDDY, NM
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 34109 API No. 30-015-33455 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Artesia Qn-GB-SA		Artesia Glorieta/Yesp
Pool Code	3230		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2827-3008' Perforated		3925-4170' 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)	50 psi producing BHP	RECEIVED MAR 24 2006 OOU-ARTESIA	100 psi producing BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	36°		39°
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: 03/01/06 Rates: 90 BOPD 217 MCFPD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 29 % 48 %	Oil Gas % %	Oil Gas 71 % 52 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
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: Administrative Order DHC-2906

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 03/22/06
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
D State No. 21 (I-25-T17S-R28E)
D State No. 22 (P-25-T17S-R28E)
D State No. 28 (O-25-T17S-R28E)
D State No. 29 (P-25-T17S-R28E)
DAD State No. 41 (J-25-T17S-R28E)
DAD State No. 42 (I-25-T17S-R28E)

As shown on the attached production plots, the estimated EUR for the Yeso is 42 MBO/56 MMCF and for the San Andres is 17 MBO/51 MMCF. The proposed zonal allocation is:

Oil: Yeso = $\frac{42 \text{ MBO}}{42+17}$ = 71%

San Andres 1-.71 = 29%

Gas: Yeso = $\frac{26 \text{ MMCF}}{56+51}$ = 52%

San Andres 1-.52 = 48%

DISTRICT I
P.O. Box 1988, Hobbs, NM 88241-1988

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III
1000 Rio Brazos Rd., Axtec, NM 87410

DISTRICT IV
P.O. Box 2088, Santa Fe, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-33455	Pool Code 96830	Pool Name ARTESIA; GLORIETA/YESO (OIL)
Property Code 34109	Property Name DAD STATE	Well Number 41
GRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3677'

Surface Location

UL or lot No. J	Section 25	Township 17 S	Range 28 E	Lot Idn	Feet from the 2410'	North/South line SOUTH	Feet from the 1650'	East/West line EAST	County EDDY
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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.						

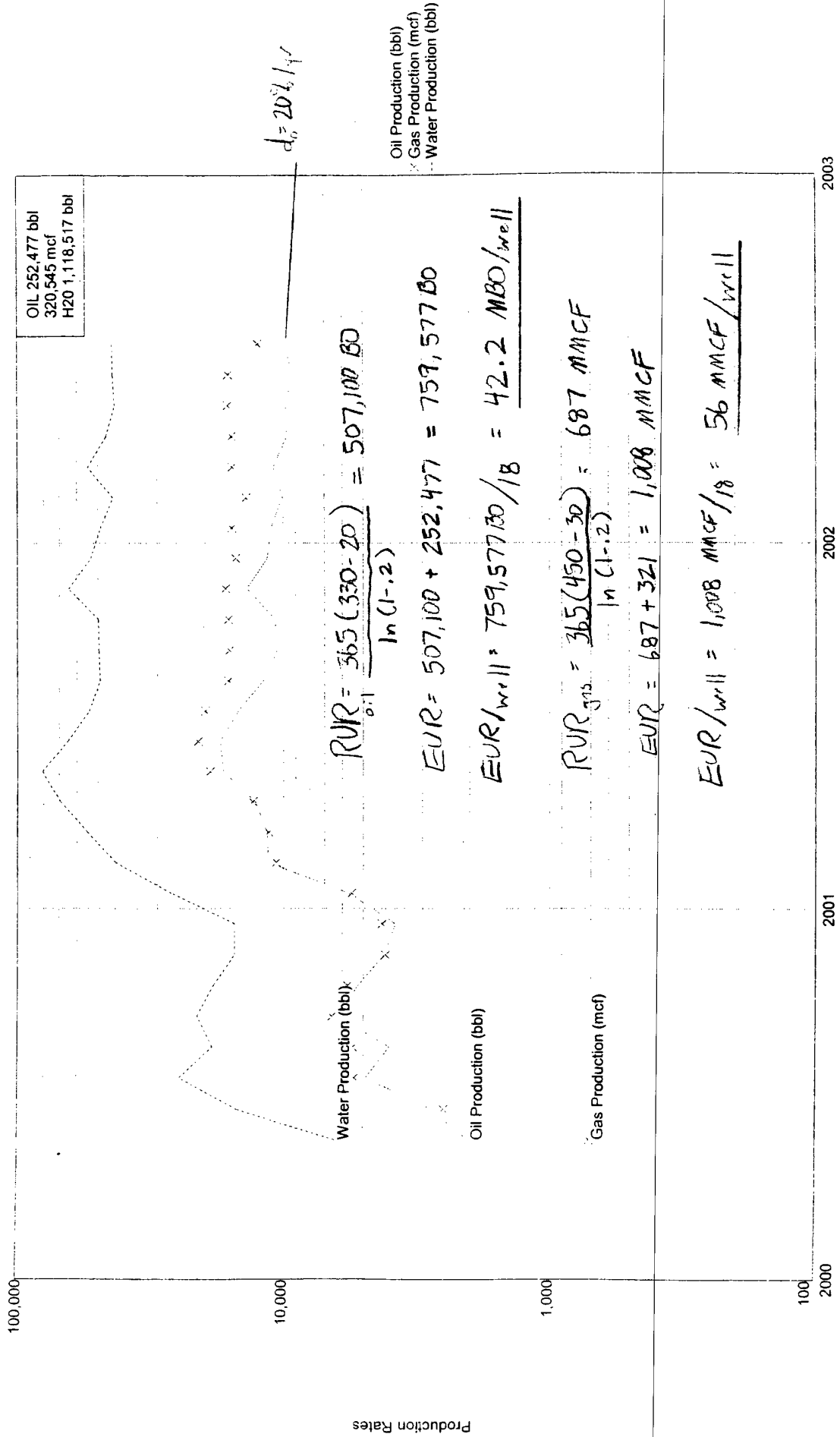
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<div><p>GEODETIC COORDINATES NAD 27 NME</p><p>Y=656955.1 N X=563597.6 E</p><p>LAT. 32°48'21.19" N LONG. 104°07'34.84" W</p></div> <div><p>1650'</p><p>2410'</p></div>	<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>Signature _____</p> <p>Printed Name _____</p> <p>Title _____</p> <p>Date _____</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>APRIL 6, 2004</p> <p>Date Surveyed _____ LMP</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary A. Edson</i> 5/11/04</p> <p>04.11.0393</p> <p>Certificate No. GARY EDSON 12841</p>
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18 wells Yeso Production

Lease Name: D STATE
 County, State: EDDY, Unknown
 Operator: MARBOB ENERGY CORPORATION
 Field: ARTESIA
 Reservoir: MULTIPLE
 Location:

D STATE - [MULTIPLE



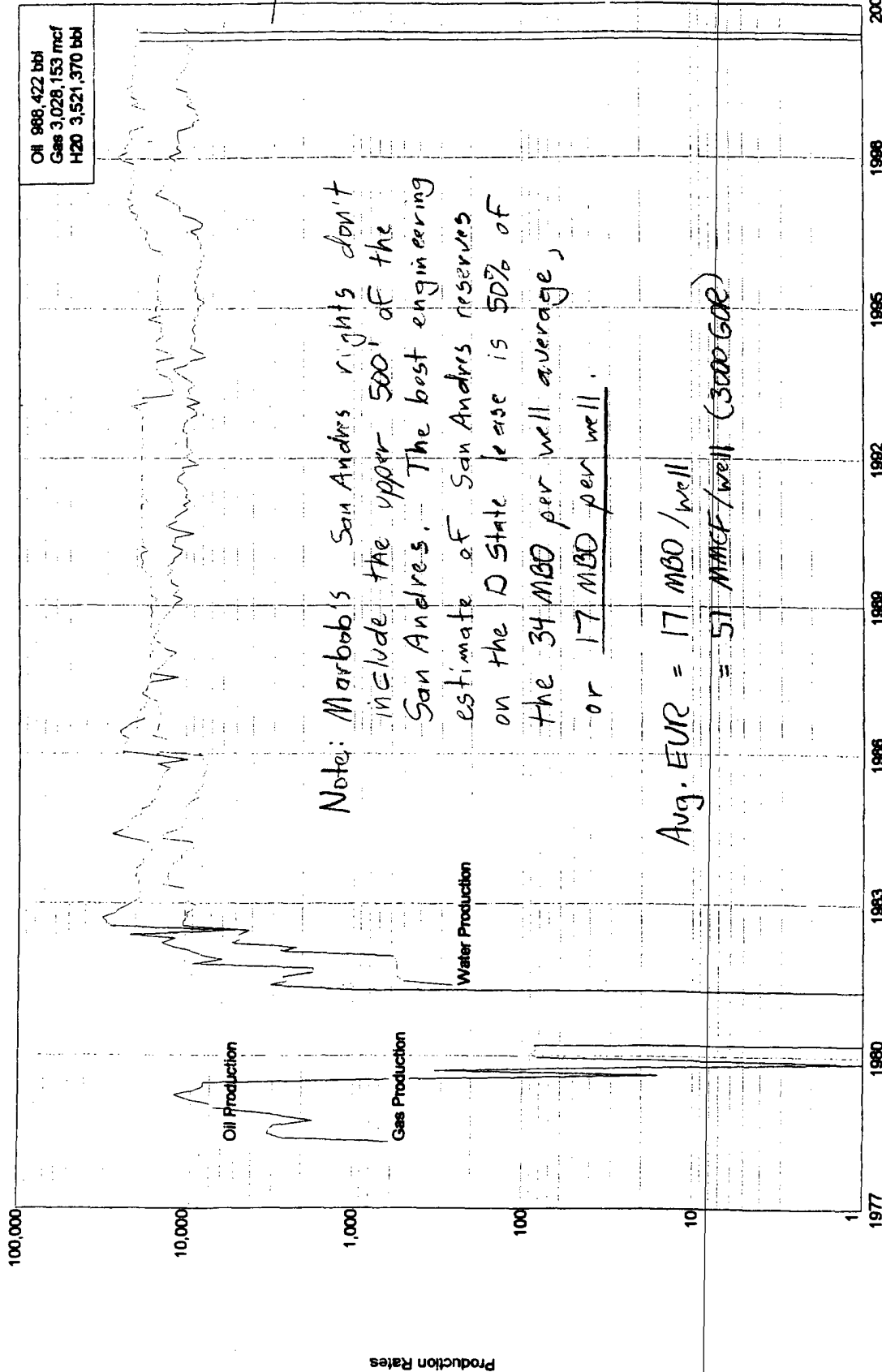
Sec. 26, 27, 34 - 17s-28e
Eddy, NM

Lessee Name: MULTIPLE
County, State: EDDY, UNKNOWN
Operator: MARBOB ENERGY CORPORATION
Field: MULTIPLE
Reservoir: QUEEN-GRAYBURG-SAN A
Location:

Avg. EUR per well = 33.9 MBO
San Andres

Avg. GOR = 3000 (Avg 101.7 MMCF/w)

MULTIPLE - MULTIPLE



depr = 13%/yr.

Oil Production
Gas Production
Water Production

$$RUR = \frac{-365(Q_1 - Q_2)}{\ln(1 - d)}$$

$$Q_1 = 110 \text{ bopd}$$

$$Q_2 = 60 \text{ bopd (33\%)}$$

$$d = 13\%/\text{yr}$$

$$RUR = \frac{-365(110 - 60)}{\ln(1 - .13)}$$

$$= 131,048 \text{ bo}$$

$$EUR = 988,422 + 131,048$$

$$1,119,470 \text{ BO}$$

$$EUR/\text{well} =$$

$$\frac{1,119,470 \text{ BO}}{33}$$

$$= 33,923 \text{ BO}$$

Time

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. 30-015-33455
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 DAD STATE
8. Well Number 41
9. OGRID Number 14049
10. Pool name or Wildcat ARTESIA GLORIETA/YESO

11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3677' GR
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Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>
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 _____

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 228
ARTESIA, NM 88211-0228

4. Well Location
Unit Letter J : 2410 feet from the SOUTH line and 1650 feet from the EAST line
Section 25 Township 17S Range 28E NMPM EDDY County NM

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

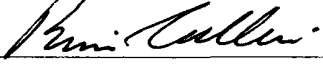
13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

SEE ATTACHED C-107A APPLICATION FOR DOWNHOLE COMMINGLING
ADMINISTRATIVE ORDER DHC-2906

THE PROPOSED ALLOCATION IS: ARTESIA QN-GB-SA - OIL 29% - GAS 48%
ARTESIA GLORIETA/YESO - OIL 71% - GAS 52%

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 	TITLE ENGINEER	DATE 03/22/06
Type or print name BRIAN COLLINS For State Use Only	E-mail address: engineering@marbob.com	Telephone No. 505-748-3303
APPROVED BY: _____	FOR RECORDS ONLY TITLE _____	DATE _____
Conditions of Approval (if any): _____		

MAR 24 2006