



marbob
energy corporation

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CERTIFIED RETURN RECEIPT

7 August 2007

Jones

Darrell Lujan
State of New Mexico
Taxation and Revenue Department
P.O. Box 25126
Santa Fe, New Mexico 87504

RE: State of New Mexico Ownership Tax Lien
Approx. ½ acre in the SW/4SE/4NW/4
Section 14, T-22S, R-26E
Eddy County, New Mexico

Dear Mr. Lujan:

Marbob Energy Corporation ("Marbob") has been granted approval by the State of New Mexico Oil Conservation Division to pool the captioned minerals owned by the State of New Mexico to be dedicated to its Commode Hugger Fee Com. #1. Pursuant to the terms of Pooling Order No. R-12764 (Enclosed) Marbob is providing you with its Authority for Expenditure ("AFE") which shows its estimated cost of drilling, completing, and equipping said well. Your share of the estimated well cost is .15625% of the total well cost shown on the AFE. You have the right to pay your share of the estimated well costs to Marbob within 30 days of receipt of this letter. If you pay your estimated well costs as provided in the AFE you shall be liable for ongoing operating costs over the life of the well. If you decide to not pay your share of the estimated well costs within the 30 day time limit you will be referred to as a non-consent working interest owner.

Please let me know if you have any questions at (505) 748-3303 or rduncan@marbob.com.

Sincerely,

Ross Duncan
Landman

Enclosures

Cc: Mark E. Fesmire
NMOCD
1220 St. Francis Drive
Santa Fe, NM 87504

AUTHORITY FOR EXPENDITURE

AFE NO.	2007-012	LEASE	Commode Hugger Fee Com	WELL NO.	1
DESCRIPTION	660' FSL & 1850' FWL, Section 14 T-22S R-26E	COUNTY	Eddy		
STATE	NM	OPERATOR	Marbob Energy Corporation		
FORMATION	Morrow	PREPARED BY	Sheryl Baker		
TOTAL DEPTH	11,800'	DATE	March 1, 2007		

DRILLING INTANGIBLES	SUB	DRY HOLE W/O PIPE	COMPLETED WELL	ACTUAL COST	OVER UNDER
STAKING PERMITS LEGAL FEES ROW	100	10,000			
SITE PREPARATION ROADS & LOC	110	60,000	4,500		
DRILLING FOOTAGE CONTRACT	200				
DRILLING DAYWORK/MOBILIZATION	210	770,000			
EQUIP RNTL MACHINERY/MAN HIRE	220	70,000			
DRILLING WATER, HAULING FUEL	250	140,000			
DRILING MUD & CHEMICALS	260	48,000			
CEMENT SURFACE CASING	280	105,000			
FISHING TOOL SERVICES	295				
OTHER DRILLING COSTS/MATERIALS	299	210,000			
CORING & FORMATION TESTING	300	9,500			
MUD LOGGING & GEOLOGICAL SVCS	310	27,250			
ELEC LOGGING, WIRELINE, PERF	350	36,000	28,000		
DRILLING OVERHEAD CHARGE	950	5,000			
DRILLING WELLSITE SUPERVISION	955	28,000			
RECLAMATION	920	35,000			
CONTINGENCY 5%		77,688	1,625		
TOTAL DRILLING		1,631,438	34,125		

COMPLETION INTANGIBLES					
CEMENT PRODUCTION CASING	400		40,000		
FORMATION FRACTURING	410		150,000		
FORMATION ACIDIZING	420		22,000		
COMPLETION UNIT	450		32,000		
CONTRACT LABOR/PROFESSIONAL SVCS	500		28,000		
COMPLETION WATER, POWER, FUEL	905		7,500		
BATTERY CONST/SER/MATERIALS	910		52,500		
COMPLETION EQUIP RNTS/SERVICES	915		52,500		
COMPLETION OVERHEAD CHARGE	960		5,000		
COMPLETION SUPERVISION CHARGE	965		7,700		
MISCELLANEOUS IDC EXPENSES	900		7,500		
CONTINGENCY 5%		0	20,235		
TOTAL COMPLETION		0	424,935		
TOTAL INTANGIBLES		1,631,438	459,060		

DRILLING AND COMPLETION TANGIBLES					
SURFACE & INTERMEDIATE CASING	200	280,000	155,000		
PRODUCTION CASING	250		64,500		
TUBING & ATTACHMENTS	300				
PUMPING WELL HOOK UP	350	18,000	18,000		
WELLHEAD EQUIPMENT	400				
PUMP JACKS & PUMPS	500		52,500		
TREATER, SEPAR, EQ, METER/ELEC	600		52,500		
TANKS & STORAGE FACILITIES	700		7,500		
MISCELLANEOUS L&W EQUIPMENT	900				
CONTINGENCY 5%		14,900	17,500		
TOTAL EQUIPMENT COST		312,900	367,500		

TOTAL WELL COST		1,944,338	826,560		
LEASE	ACRES @	PER ACRE			
TOTAL WELL COST			2,770,898		

APPROVALS:					
This AFE is only an estimate. By signing you agree to pay your share of the actual costs incurred.					
OPERATOR	Marbob Energy Corporation	BY	<i>R Miller</i>	WI	DATE 03/01/07
COMPANY		BY		WI	DATE
PRINT NAME		TITLE			