

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

Form C-107A
Revised June 10, 2003

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

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
MILKY WAY FEE #1 A-9-22S-27E EDDY COUNTY, NM
Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 14049 Property Code 29890 API No. 30-015-32350 Lease Type: ☐ Federal ☐ State ☒ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	CARLSBAD STRAWN	TANSILL DAM ATOKA	CARLSBAD SOUTH, MORROW
Pool Code	74040	85900	73960
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10129-10638' PERF	10757-10966' PERF	11149-11463' PERF
Method of Production (Flowing or Artificial Lift)	FLOWING	FLOWING	FLOWING
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. 500 PSI PRODUCING BHP	EST 500 PSI PRODUCING BHP	EST 500 PSI PRODUCING BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	N/A	N/A	N/A
Producing, Shut-In or New Zone	NEW ZONE	PRODUCING	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: JUNE 26, 2005 Rates: EST. 900 MCFD	Date: JUNE 15, 2004 Rates: EST. 6 MCFD	Date: JUNE 15, 2005 Rates: EST. 49 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 Gas 73 % 73 %	Oil Gas 3 % 3 %	Oil Gas 24 % 24 %

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 ☐
NMOCD 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.

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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 07/01/05
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
Milky Way Fee No. 1 (A-9-22S-27E)

Marbob Energy proposes to downhole commingle the Morrow, Atoka and Strawn zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown.

The Morrow, Atoka and Strawn reserves are calculated as follows:

Morrow:

Reserve estimate Morrow + Atoka = 109 MMCF, in February 2005
Production since February 2005 = 12.5 MMCF, yielding RUR = 96.5 MMCF
Reserves = (96.5 MMCF)(.89 DHC allocation ratio) = 86 MMCF

Atoka:

See comments above on Morrow
RUR Morrow + Atoka = 96.5 MMCF
Reserves = (96.5 MMCF)(.11 DHC allocation ratio) = 10.5 MMCF

Strawn:

Strawn sold 900 MCF to sales 26 June 2005
 $Q_i = 900$ MCFD Year 1, $Q_i = 180$ MCFD Year 2
 $Q_{el} = 5$ MCFD
Decline 80%/year (best engineering estimate) 1st year, 50%/year thereafter
Reserves = $\frac{365 (180 - 900)}{\ln (1 - .80)} + \frac{365 (5 - 180)}{\ln (1 - .5)} = 163.3 \text{ MMCF} + 92.2 \text{ MMCF} = 255.5 \text{ MMCF}$

The proposed allocation follows. These zones don't produce oil/condensate, therefore the allocation for oil will be the same as the gas allocation.

$$\text{Morrow Gas/Oil} \quad \frac{86 \text{ MMCF}}{86 + 10.5 + 255.5 \text{ MMCF}} = 24\%$$

$$\text{Atoka Gas/Oil} \quad \frac{10.5 \text{ MMCF}}{86 + 10.5 + 255.5 \text{ MMCF}} = 03\%$$

$$\text{Strawn Gas/Oil} \quad 100 - 24 - 3 = 73\%$$

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OCU-ARTESIA

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

DISTRICT I

P.O. Box 2080, Hobbs, NM 88241-1980

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0710

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

P.O. Box 2080, Santa Fe, N.M. 87504-2080

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-32350	Pool Code 73800	Pool Name CARLSBAD; ATOKA, SOUTH (GAS)
Property Code 29890	Property Name MILKY WAY FEE	Well Number 1
OGRIID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3085'

Surface Location

UL or lot No. A	Section 9	Township 22-S	Range 27-E	Lot Idn	Feet from the 760	North/South line NORTH	Feet from the 990	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 320	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

	<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>[Signature]</i> Signature DIANA J. CANNON Printed Name PRODUCTION ANALYST Title FEBRUARY 7, 2005 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 10, 2002</p> <p>Date Surveyed Signature & Seal of Professional Surveyor <i>[Signature]</i> 02.1100276</p>
	<p>RECEIVED</p> <p>FEB 08 2005</p> <p>ODD-ARTESIA</p>
	<p>Certificate No. RONALD J. EDSON 3239 GARY EDSON 12841</p>

Submit 3 Copies To Appropriate District Office
District I
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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. 30-015-32350
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name MILKY WAY FEE
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat CARLSBAD SOUTH MORROW

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 <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	RECEIVED JUL 05 2005 OCU-ATOKA
2. Name of Operator MARBOB ENERGY CORPORATION	
3. Address of Operator P O BOX 227 ARTESIA, NM 88211-0227	
4. Well Location Unit Letter A : 760 feet from the NORTH line and 990 feet from the EAST line Section 9 Township 22S Range 27E NMPM EDDY County NM	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3085' GR	
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 _____	

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

THE PROPOSED ALLOCATION IS: CARLSBAD SOUTH MORROW 73960 - OIL 24% - GAS 24%
TANSILL DAM ATOKA 85900 - OIL 3% - GAS 3%
CARLSBAD STRAWN 74040 - OIL 73% - GAS 73%

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 ENGINEER DATE 07/01/05

Type or print name BRIAN COLLINS E-mail address: engineering@marbob.com Telephone No. 505-748-3303

For State Use Only **FOR RECORDS ONLY**

APPROVED BY: _____ TITLE _____ DATE JUL 06 2005

Conditions of Approval (if any):