N. M. Oil Cons. Division
811 S. 1st St.
ARTESIA, NM 88210-2834

Form 3160-3
(July 1992)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPLICATE* (Other instructions on reverse side)

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

5. LEASE DESIGNATION AND SERIAL NO.: LC-029395A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

1a. TYPE OF WORK: DRILL X DEEPEN

7. UNIT AGREEMENT NAME: 23609

b. TYPE OF WELL: OIL WELL X GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

8. FARM OR LEASE NAME, WELL NO.: TONY FEDERAL #18

2. NAME OF OPERATOR: MARBOB ENERGY CORPORATION 14049

9. API WELL NO.: 30-015-31577

3. ADDRESS AND TELEPHONE NO.: P.O. BOX 227, ARTESIA, NM 88210 505-748-3303

10. FIELD AND POOL, OR WILDCAT: CEDAR LAKE YESO

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
At surface: 205 FSL ~~330~~ 430' FEL
At proposed prod. zone: SAME

SUBJECT TO LIKE APPROVAL BY STATE

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA: SEC. 18-T17S-R31E

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*: SEE SURFACE USE PLAN

12. COUNTY OR PARISH: EDDY

13. STATE: NM

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT (Also to nearest drlg. unit line, if any)	16. NO. OF ACRES IN LEASE	17. NO. OF ACRES ASSIGNED TO THIS WELL
205'	609.33	40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.	19. PROPOSED DEPTH	20. ROTARY OR CABLE TOOLS
	6000'	ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.): 3674' GR

22. APPROX. DATE WORK WILL START*: 05/26/00

23. PROPOSED CASING AND CEMENTING PROGRAM

ROSWELL CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12 1/4"	J-55, 8 5/8"	24#	~~460~~ 1250' Tie Back	300 SX, CIRC WITNESS
7 7/8"	J-55, ~~4 1/2~~ 5 1/2"	17#	6000'	SUFFICIENT TO COVER 200' ABOVE ALL KNOWN O&G HORIZONS
17-1/2"	H-40, 13-3/8"	48#	450'	

PAY ZONE WILL BE SELECTIVELY STIMULATED AND PERFORATED AS NEEDED FOR OPTIMUM PRODUCTION.

ATTACHED ARE:
1. WELL LOCATION AND ACREAGE DEDICATION PLAT
2. SURFACE USE PLAN
3. SUPPLEMENTAL DRILLING DATA

NSL-

RECEIVED
OCD - ARTESIA

APPROVAL SUBJECT TO GENERAL REQUIREMENTS & SPECIAL STIPULATIONS ATTACHED

IN ABOVE SPACE DESCRIBE PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED Robin Cockburn TITLE PRODUCTION ANALYST DATE 04/25/00

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

Acting

APPROVED BY _____ TITLE _____ Manager, Lands DATE 2001

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.


RECEIVED
APR 26 2000
BLM
ROSWELL, NM

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

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

DISTRICT III
1000 Rio Brazos Rd., Aztec, 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	Pool Code	Pool Name
	96831	CEDAR LAKE YESO

Property Code	Property Name	Well Number
23629	TONY FEDERAL	18

OGRID No.	Operator Name	Elevation
14049	YARBOB ENERGY CORPORATION	3676

Surface Location

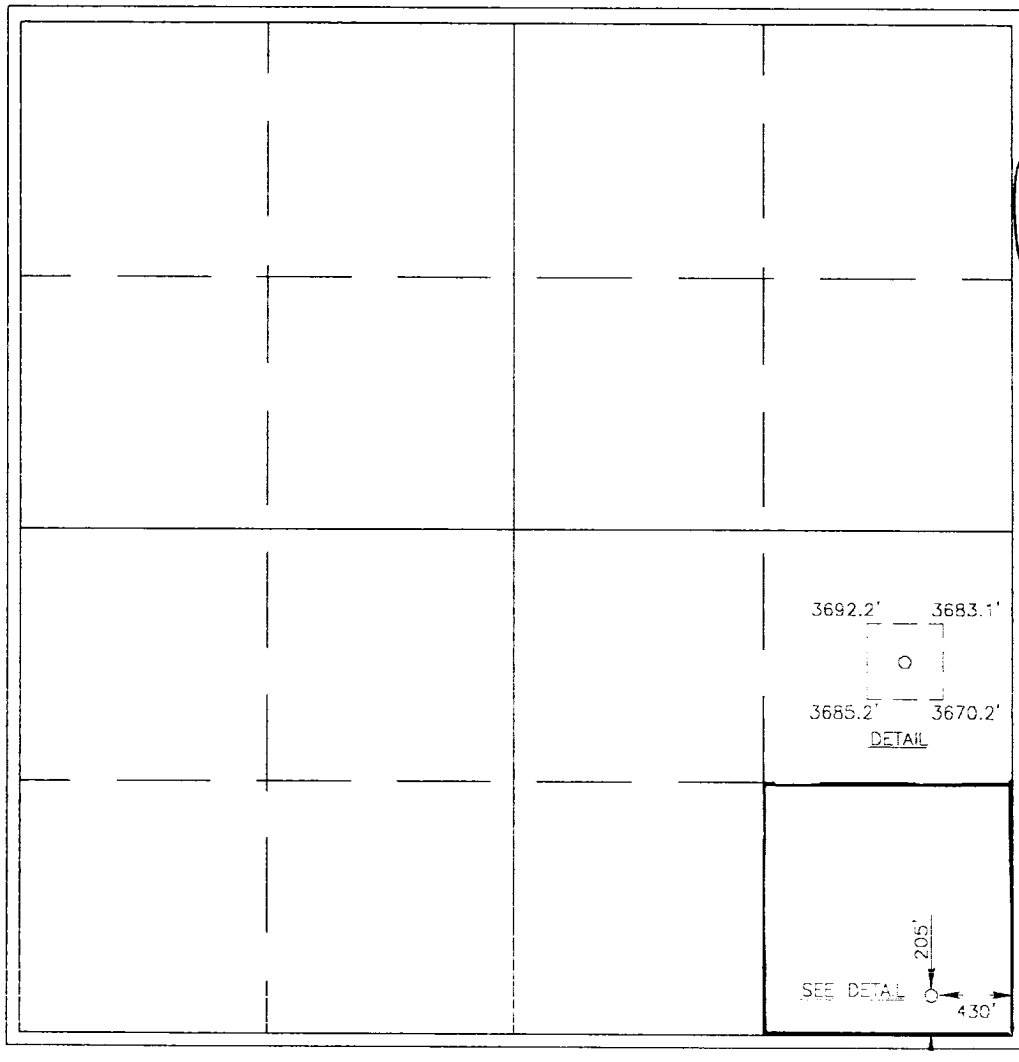
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	18	17 S	31 E		205	SOUTH	430	EAST	EDDY

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



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

Signature

CAIRENE D. SMITH
Printed Name

PRODUCTION ANALYST
Title

5/25/00
Date

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 supervison, and that the same is true and correct to the best of my belief.

MAY 11, 2000
Date Surveyed

Signature & Seal of Professional Surveyor

Ronald J. Eidson 5/15/00

00-11-0601

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641
MACON McDONALD 12185

DRILLING PROGRAM

Attached to Form 3160-3
Marbob Energy Corporation
Tony Federal No. 18
205' FSL and 330' FEL
Section 18-17S-31E
Eddy County, New Mexico

1. Geologic Name of Surface Formation:

   Permian

2. Estimated Tops of Important Geologic Markers:

Permian	Surface	Seven Rivers	1340'
Salt	450'	Queen	2430'
Base of Salt	1100'	Grayburg	2804'
Yates	1225'	San Andres	3134'

3. Estimated Depths of Anticipated Fresh Water, Oil or Gas:

Upper Permian Sands	180'	Fresh Water
Yates	225'	Oil
Seven Rivers	1340'	Oil
Queen	2430'	Oil
Grayburg	2804'	Oil
San Andres	3134'	Oil

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 450' 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.

4. Casing Program:

Hole Size	Interval	OD csg	Weight, Grade, Jt. Cond. Type
12 1/4"	0 - 450"	8 5/8"	24# J-55 LTC NEW R-3
7 7/8"	0 - TD	5 1/2"	17# J-55 LTC NEW R-3

Cement Program:

8 5/8" Surface Casing: Cemented to surface with 300sx of Class C w/2% cc.

5 1/2" Production Casing: Cement string sufficient to cover 200' above all oil and gas horizons.

5. Minimum Specifications for Pressure Control:

The blowout preventer equipment (BOP) shown in Exhibit #1 will consist of a double ram-type (3000 psi wp) preventer. This unit will by hydraulically operated and the ram-type preventer will be equipped with blind rams on top and 4-1/2" drill pipe rams on bottom. This BOP will be nippled up on the 8 5/8" surface csg and used continuously until TD is reached. All BOP's and accessory equipment will be tested to 1000 psi before drilling out of surface casing.

Pipe rams will be operationally checked each 24 hour period. Blind rams will be operationally checked on each trip out of the hole. These checks will be noted on the daily tour sheets. A 2" kill line and a 3" choke line will be included in the drilling spool located below the ram-type BOP. Other accessories to the BOP equipment will include a kelly cock and floor safety valve (inside BOP) and choke lines and choke manifold with 3000 psi WP rating.

6. Types and Characteristics of the Proposed Mud System:

The well will be drilled to TD with cut brine. The applicable depths

and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 - 450'	Fresh Water	8.5	28	N.C.
450'-6000'	Brine	9.8 - 10.2	40 - 45	N.C.

7. Auxiliary Well Control and Monitoring Equipment:
   (A) A kelly cock will be kept in the drill string at all times.
   (B) A full opening drill pipe stabbing valve (inside BOP) with proper drill pipe connections will be on the rig floor at all times.

8. Logging, Testing, and Coring Program:
   (A) No Drillstem tests are anticipated.
   (B) The electric logging program will consist of Dual Laterolog Micro SFL, Spectral Density Dual Spaced Neutron Csng Log, and Depth Control Log.
   (C) No conventional coring is anticipated.
   (D) Further testing procedures will be determined after the 5 1/2" production casing has been cemented at TD based on drill shows, and log evaluation, and drill stem test results.

9. Abnormal Conditions, Pressures, Temperatures, & Potential Hazards:
   No abnormal pressures or temperatures are anticipated. The estimated bottom hole temperature (BHT) at TD is 104' and estimated bottom hole pressure (BHP) is 2225 psig.

10. Anticipated Starting Date and Duration of Operations:
    Location and road work will not begin until approval has been received from the BLM. The anticipated spud date is May 26, 2000. Once commenced, the drilling operation should be finished in approximately 21 days. If the well is productive, an additional 30 to 60 days will be required for completion and testing before a decision is made to install permanent facilities.

SURFACE USE AND OPERATING PLAN

Attached to Form 3160-3
Marbob Energy Corporation
Tony Federal No. 18
205' FSL and 330' FEL
Section 18-17S-31E
Eddy County, New Mexico

1. Existing Roads:

   A. The well site and elevation plat for the proposed well is attached. It was staked by John West Engineering.

   B. All roads to the location are shown in Exhibit #3. The existing roads are illustrated in red and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.

   C. Directions to location: From Loco Hills, NM proceed 4.1 mile to Skelly Road (County Road 221) at NM 136. Turn north and proceed 1 mile. Turn east and go .9 miles on lease road. Turn south on lease road and go .1 mile. Location is on the east side of the lease road.

   D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:
   No new road will be built for this well. Existing roads will be used to access the proposed well.

   A. The average grade will be less than 1%.

B. No turnouts are planned.

C. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary.

D. Surfacing material will consist of native caliche. Caliche will be obtained from the nearest BLM-approved caliche pit. Any additional materials that are required will be purchased from the dirt contractor.

E. The proposed access road as shown in Exhibit #3 has been centerline flagged by John West Engineering.

3. Location of Existing Wells:
Exhibit #2 shows all existing wells within a one-half mile radius of this well.

4. Location of Existing and/or Proposed Facilities:

A. Marbob Energy Corporation has a collection facility located in Unit K of Section 18, Township 17 South, Range 31 East.

B. If the well is productive, a 3" plastic flowline (grade SDR 7 @ 265 psi) will be laid on the surface following the existing lease road Right-of-Way to the tank battery. Anticipated pressures in the flowline should not exceed 75 psi.

C. If the well is productive, power will be obtained from Central Valley Electric. Central Valley Electric will apply for ROW for their power lines.

D. If the well is productive, rehabilitation plans are as follows:

(1) The reserve pit will be back-filled after the contents of the pit are dry (within 10 months after the well is completed).

(2) Topsoil removed from the drill site will be used to recontour

the pit area and any unused portions of the drill pad to the original natural level, as nearly as possible, and reseeded as per BLM specifications.

5. Location and Type of Water Supply:

The well will be drilled with a combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing and proposed access roads shown in Exhibit #3. If a commercial fresh water source is nearby, fasline may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials:
All caliche required for construction of the drill pad and the proposed new access road (approximately 1500 cubic yards) will be obtained from a BLM - approved caliche pit. All roads and pads will be constructed of 6" of rolled and compacted caliche.

7. Methods of Handling Water Disposal:

A. Drill cuttings not retained for evaluation purposes will be disposed into the reserve pit.

B. Drilling fluids will be contained in lined working pits. The reserve pit will contain any excess drilling fluid or flow from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit, approximately 100' X 150' X 6' deep. A dike will be built across the pit, dividing it in half. One-half of the reserve pit will be plastic-lined to minimize loss of drilling fluids and saturation of the ground with brine water. The other half of the reserve pit will be lined with plastic and used only if we encounter a waterflow during drilling operations and find that we need additional space. This portion of the pit is a precautionary measure only. The portion of the pit that will be lined with plastic should be more than adequate for normal

drilling operations. If a water flow in encountered, we should have ample time to line the other half of the pit with plastic before the water encroaches.

C. Water produced from the well during completion may be disposed into the reserve pit.

D. Garbage and trash produced during drilling or completion operations will be hauled off. All waste material will be contained to prevent scattering by the wind. All water and fluids will be disposed of into the reserve pit. Salts and other chemicals produced during drilling or testing will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be produced by this operation.

E. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned-up within 30 days. No adverse materials will be left on location. The reserve pit will be completely fenced until it has dried. When the reserve pit is dry enough to breakout and fill, the reserve pit will be leveled and reseeded as per BLM specifications. In the event of a dry hole, the location will be ripped and seeded, as per BLM Specifications, and a dry hole marker will remain.

8. Ancillary Facilities:
No airstrip, campsite, or other facilities will be built as a result of the operations on this well.

9. Well Site Layout:

A. The drill pad layout is shown in Exhibit #4. Dimensions of the pad and pits are shown. Top soil, if available, will be stockpiled per BLM specifications as determined at the on-site inspection.

B. The reserve pit will be lined with a high-quality plastic sheeting.

10. Plans for Restoration of the Surface:

A. Upon finishing drilling and/or completion operations, all equipment and other material not needed for operations will be removed.

All trash, garbage, and pit lining will be hauled away in order to leave the location in an aesthetically pleasing condition. All pits will be filled and the location leveled within 10 months after abandonment.

B. Three sides of the reserve pit will be fenced prior to and during drilling operations. At the time that the rig is removed, the reserve pit will be fenced on the rig (fourth) side. The fencing will remain in place until the pit area is cleaned-up and leveled. No oil will be left on the surface of the fluid in the pit.

C. Upon completion of the proposed operations, if the well is completed, the reserve pit area will be treated as outlined above within the same prescribed time. Any additional caliche required for facilities will be obtained from a BLM - approved caliche pit. Topsoil removed from the drill site will be used to recontour the pit area to the original natural level and reseeded as per BLM specifications.

11. Surface Ownership:

The wellsite and lease is 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.

12. Lessee's and Operator's Representative:

The Marbob Energy Corporation representative responsible for assuring compliance with the surface use plan is as follows:

Johnny C. Gray
Marbob Energy Corporation
324 W. Main, Suite 103
P. O. Drawer 227
Artesia, New Mexico 88211
Phone: 505/748-3303 (office)
505/885-3879 (home)

Certification:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and 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 provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date: 4-21-00

Signed: John R. Gray
John R. Gray
President

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:

1. The hazards and characteristics of hydrogen sulfide (H_2S).

2. The proper use and maintenance of personal protective equipment and life support systems.

3. The proper use of H_2S detectors, alarms, warning systems, briefing areas, evacuation procedures, and prevailing winds.

4. The proper techniques for first aid and rescue procedures.

In addition, supervisory personnel will be trained in the following areas:

1. The effects of H_2S on metal components. If high tensile tubulars are to be used, personnel will be trained in their special maintenance requirements.

2. Corrective action and shut-in procedures when drilling or reworking a well and blowout prevention and well control procedures.

3. The contents and requirements of the H_2S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H_2S zone (within 3 days or 500 feet) and weekly H_2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H_2S 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. H_2S SAFETY EQUIPMENT AND SYSTEMS

Note: All H_2S 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 H_2S.

1. Well Control Equipment:

   A. Flare line.

   B. Choke manifold.

   C. Blind rams and pipe rams to accommodate all pipe sizes with properly sized closing unit.

   D. Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head, and flare gun with flares.

2. Protective equipment for essential personnel:

   A. Mark II Surviveair 30-minute units located in the dog house and at briefing areas.

3. H_2S detection and monitoring equipment:

   A. 2 - portable H_2S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H_2S levels of 20 ppm are reached.

B. 1 - portable SO2 monitor positioned near flare line.

4. Visual warning systems:

A. Wind direction indicators as shown on well site diagram.

B. 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.

5. Mud Program:

A. The mud program has been designed to minimize the volume of H_2S circulated to the surface. Proper mud weight, safe drilling practices, and the use of H_2S scavengers will minimize hazards when penetrating H_2S bearing zones.

B. A mud-gas separator will be utilized.

6. Communication:

A. Radio communications in company vehicles including cellular telephone and 2-way radio.

B. Land line (telephone) communications at field office.

WARNING

YOU ARE ENTERING AN H_2S 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

OPER OR'S COPY

Form 3160-5
(June 1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

JUN 21 1999

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT-" for such proposals

SUBMIT IN TRIPLICATE

5. Lease Designation and Serial No.

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

1. Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8. Well Name and No.

2. Name of Operator
MARBOB ENERGY CORPORATION

9. API Well No.

3. Address and Telephone No.
P.O. BOX 227, ARTESIA, NM 88210 505-748-3303

10. Field and Pool, or Exploratory Area

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
T17S-R29E
T17S-R30E
T17S-R31E

11. County or Parish, State
EDDY CO., NM

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

TYPE OF SUBMISSION	TYPE OF ACTION	
☐ Notice of Intent	☐ Abandonment	☐ Change of Plans
☐ Subsequent Report	☐ Recompletion	☐ New Construction
☐ Final Abandonment Notice	☐ Plugging Back	☐ Non-Routine Fracturing
	☐ Casing Repair	☐ Water Shut-Off
	☐ Altering Casing	☐ Conversion to Injection
	☒ Other TEST BOPS	☐ Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinet details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markders and zones pertinent to this work.)*

DUE TO THE LOW BOTTOM HOLE PRESSURE OF FORMATIONS ABOVE 6000', WE ARE REQUESTING BLANKET APPROVAL FOR WELLS IN THE ABOVE LOCATIONS TO TEST BOPS ON SURFACE CASING TO 1000#

THIS SUNDRY IS APPROVED FOR MARBOB TO HAVE A BLANKET APPROVAL FOR TESTING BOPS. HOWEVER, THE OPERATOR WILL STATE ON EACH APD THIS APPLIES TO IN ORDER TO REMIND AND/OR BRING NOTICE TO THE BLM OFFICE AND ENGINEER REVIEWING THE APD THAT THE WELL'S BOPE TESTING IS COVERED BY A BLANKET APPROVAL FOR THESE LOCATIONS

14. I hereby certify that the foregoing is true and correct
Signed Robin Cochrum Title PRODUCTION ANALYST Date 05/25/99

(This space for Federal or State office use)
Approved by Title PETROLEUM ENGINEER Date JUN 16 1999
Conditions of approval, if any:

Title 18 U.S.C. Section 1001, makes 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.

SEP 09 1999

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second St.
Roswell, New Mexico 88201
www.nm.blm.gov

IN REPLY REFER TO:
NMNM-88525X
3180 (06200)

SEP 07 1999

Marbob Energy Corporation
Attention: Johnny Gray
P. O. Box 227
Artesia, NM 88210

Gentlemen:

With regard to our telephone conversation of September 2, 1999, a review of our records has found discrepancies in the casing requirements section of the conditions of approval for your APD's. As per our meeting on July 7, 1999, our office had agreed with your recommended casing procedures for shallow wells of 6000 ft. or less in T. 17 S., Rgs. 29, 30 and 31 E., NMPM. In order to correct the discrepancies, this letter states the langauage to be used for the conditions of approval casing requirements for all your existing APD's

Conditions of Approval-Drilling amended as follows:

II. Casing requirements in T. 17 S., Rgs. 29, 30 and 31 E. for shallow wells less than 6,000 ft.

1. 8-5/8 inch surface casing should be set at approximately ____ ft. in 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 annulus. If cement does not circulate to surface the operator may then use ready mix cement to fill the remaining annulus.

2. The minimum required fill of cement behind the 5½ inch production casing is to place the top of the cement 200 ft. above the top of the uppermost hydrocarbon bearing interval or to the base of the salt.

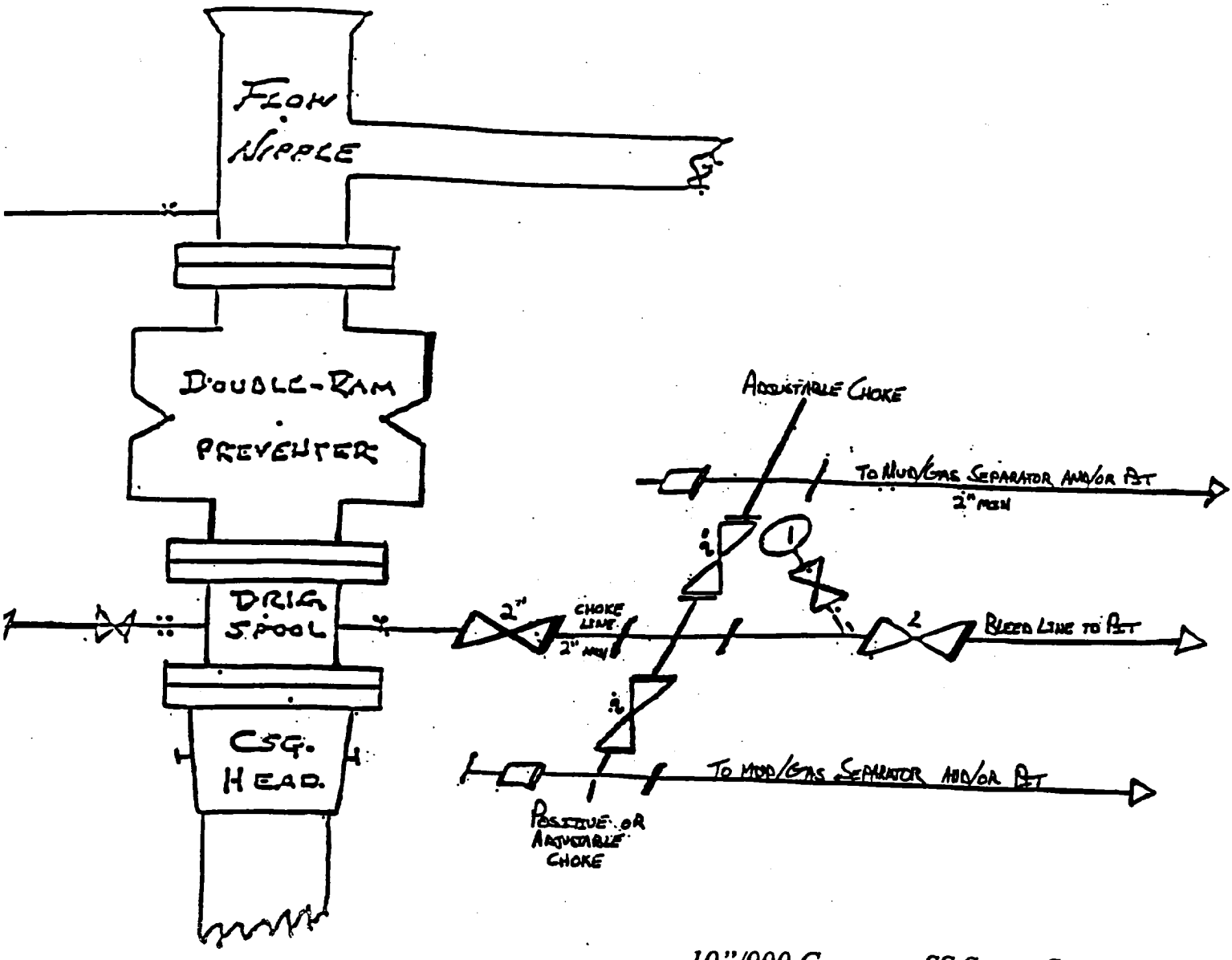
These requirements supercede those issued in your existing, approved APD's for the shallow wells located in T. 17 S., Rgs. 29, 30 and 31 E., NMPM. If you have any question regarding this matter please call John S. Simitz at (505) 627-0288 or Armando A. Lopez at (505) 627-0248.

Sincerely,

Larry D. Bray

Larry D. Bray
Acting Assistant Field Office Manager,
Lands and Minerals

BLOWOUT PREVENTER
AND
CHOKE MANIFOLD



10"/900 Cameron SS Space Saver
3000# Working Pressure
3000# Working Pressure Choke Manifold

Exhibit One

Attachment to Exhibit #1
NOTES REGARDING THE BLOWOUT PREVENTERS

1. Drilling nipple to be so constructed that it can be removed without use of a welder through rotary table opening, with minimum I.D. equal to preventer bore.

2. Wear ring to be properly installed in head.

3. Blow out preventer and all fittings must be in good condition, 3000 psi W.P. minimum.

4. All fittings to be flanged.

5. Safety valve must be available on rig floor at all times with proper connections, valve to be full bore 3000 psi W.P. minimum.

6. All choke and fill lines to be securely anchored, especially ends of choke lines.

7. Equipment through which bit must pass shall be at least as large as the diameter of the casing being drilled through.

8. Kelly cock on kelly.

9. Extension wrenches and hand wheels to be properly installed.

10. Blow out preventer control to be located as close to driller's position as feasible.

11. Blow out preventer closing equipment to include minimum 40 gallon accumulator, two independent sources of pump power on each closing unit installation, and meet all API specifications.

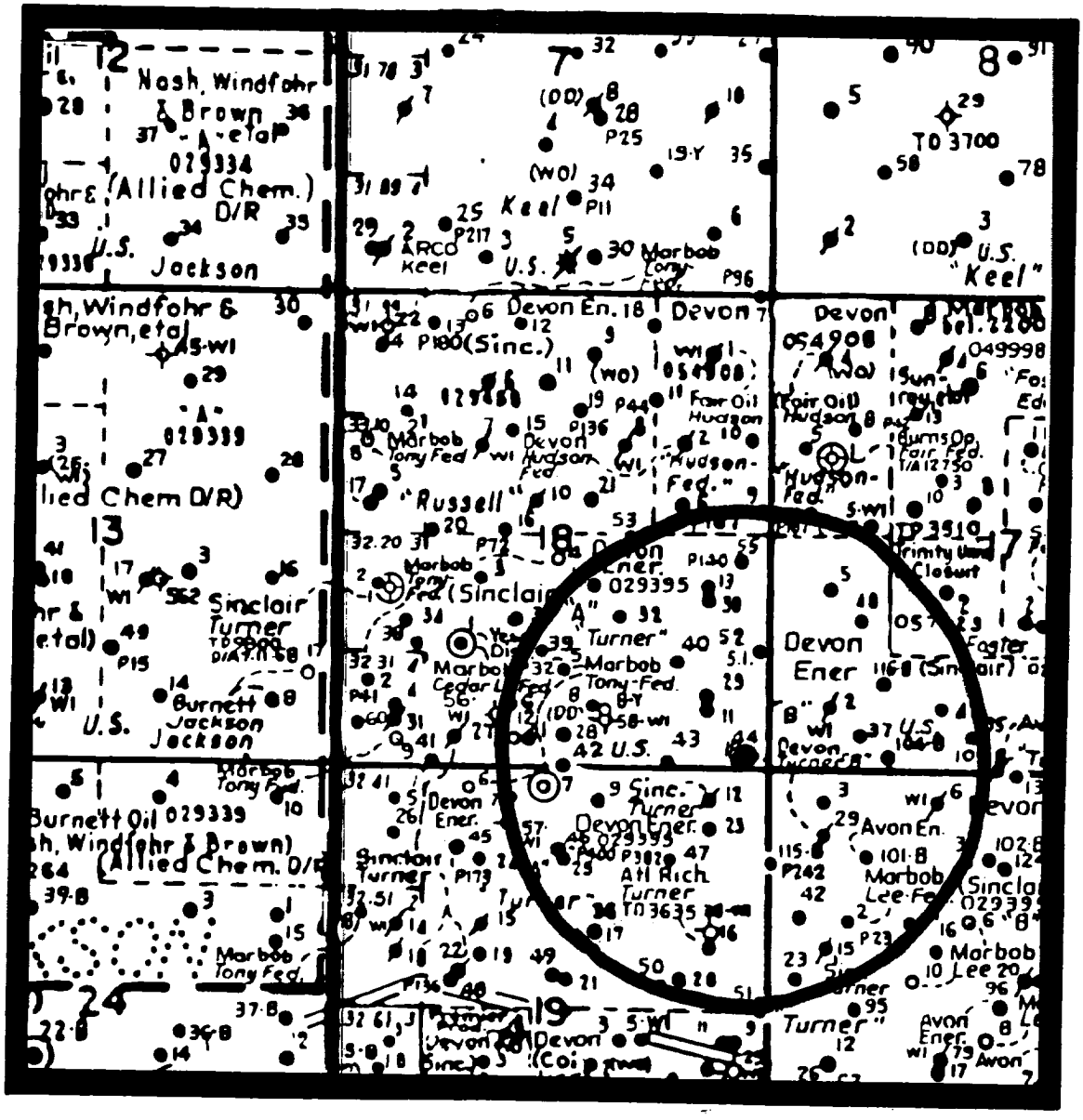
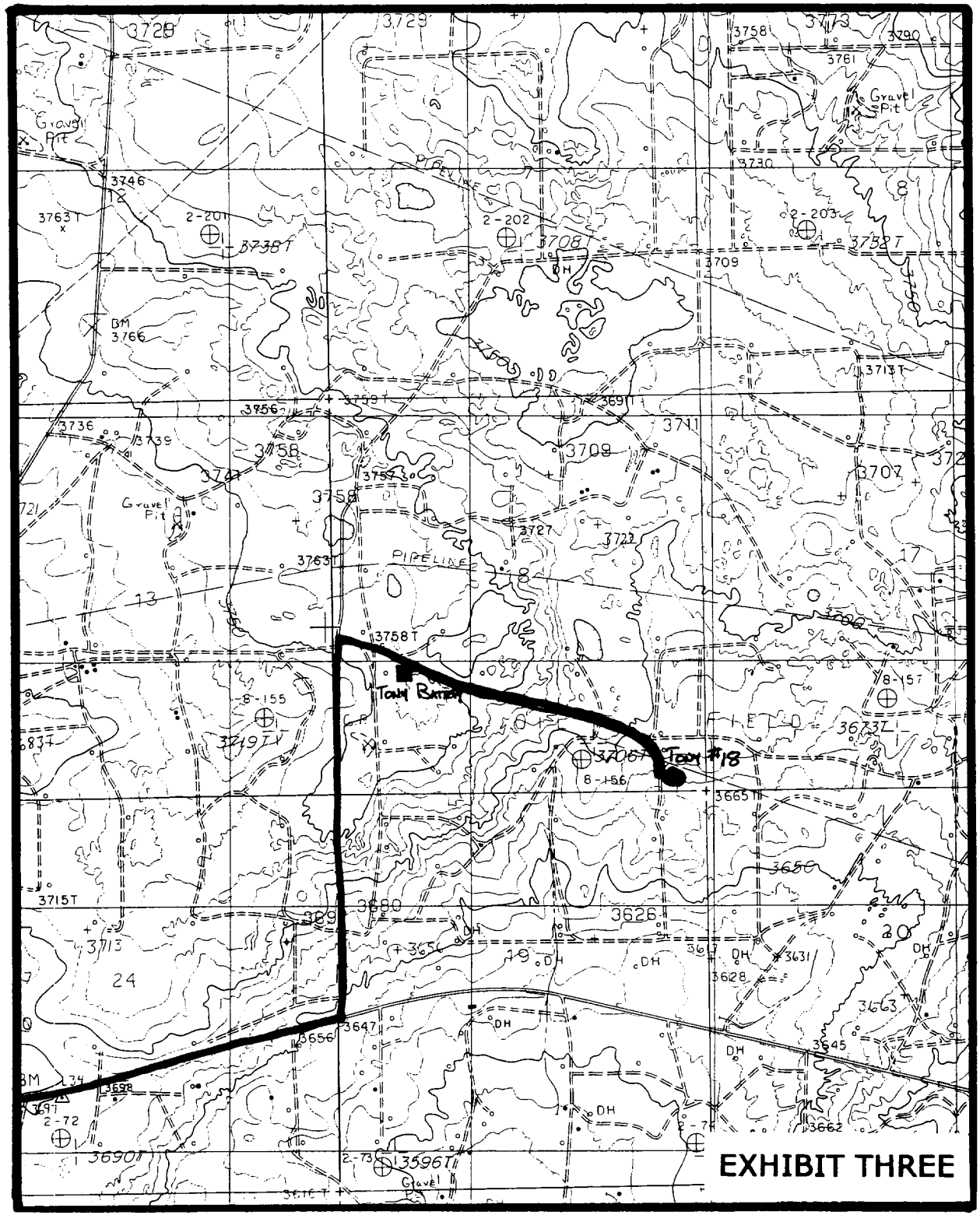
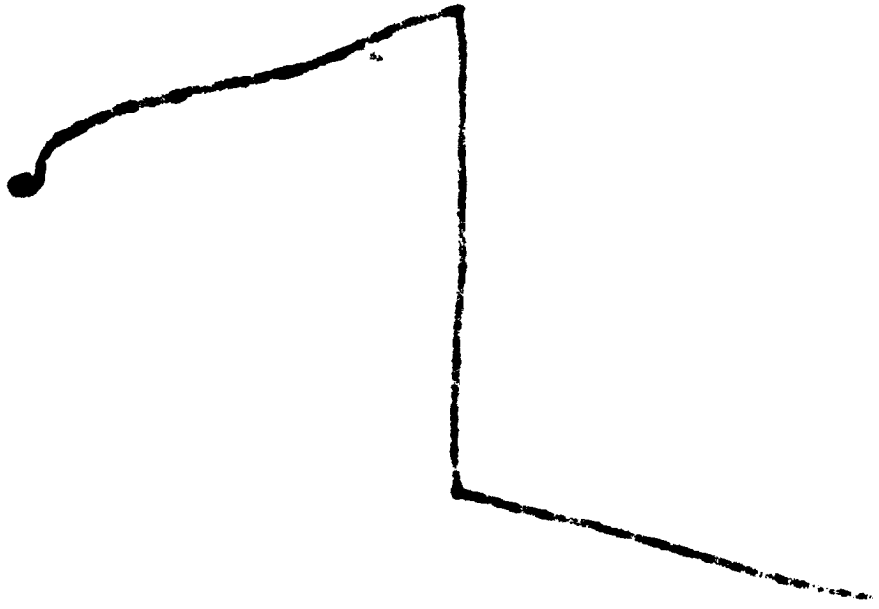


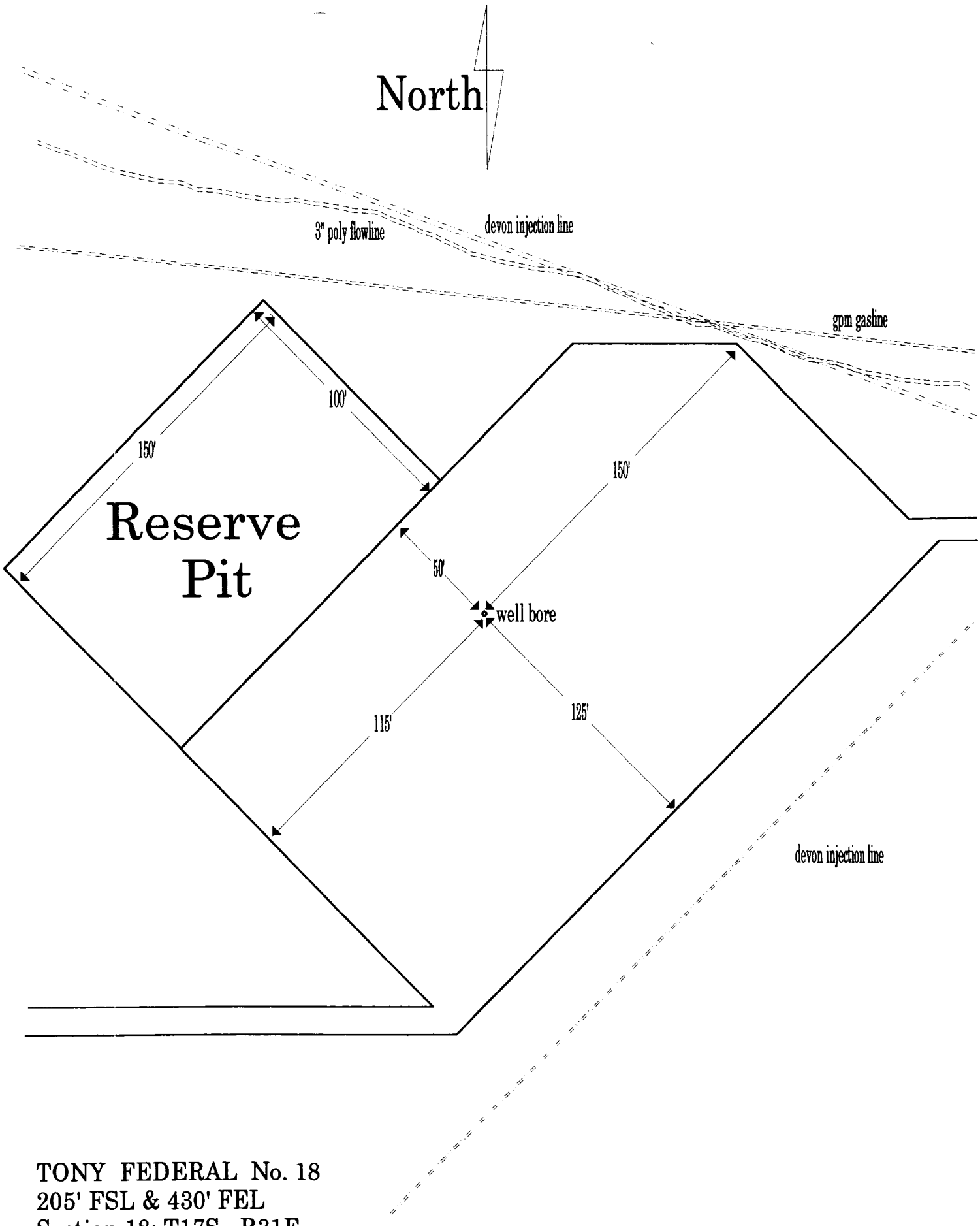
EXHIBIT TWO

TONY FEDERAL No. 18
205' FSL & 330' FEL
Section 18; T17S - R31E
Eddy County, New Mexico



TONY FEDERAL No. 18
205' FSL & 330' FEL
Section 18; T17S - R31E
Eddy County, New Mexico





TONY FEDERAL No. 18
205' FSL & 430' FEL
Section 18; T17S - R31E
Eddy County, New Mexico

Exhibit Four

LOCATION VERIFICATION MAP

SCALE: 1" = 2000'

CONTOUR INTERVAL:
LOCO HILLS – 10'

SEC. 18 TWP. 17-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 205' FSL & 330' FEL

ELEVATION 3674

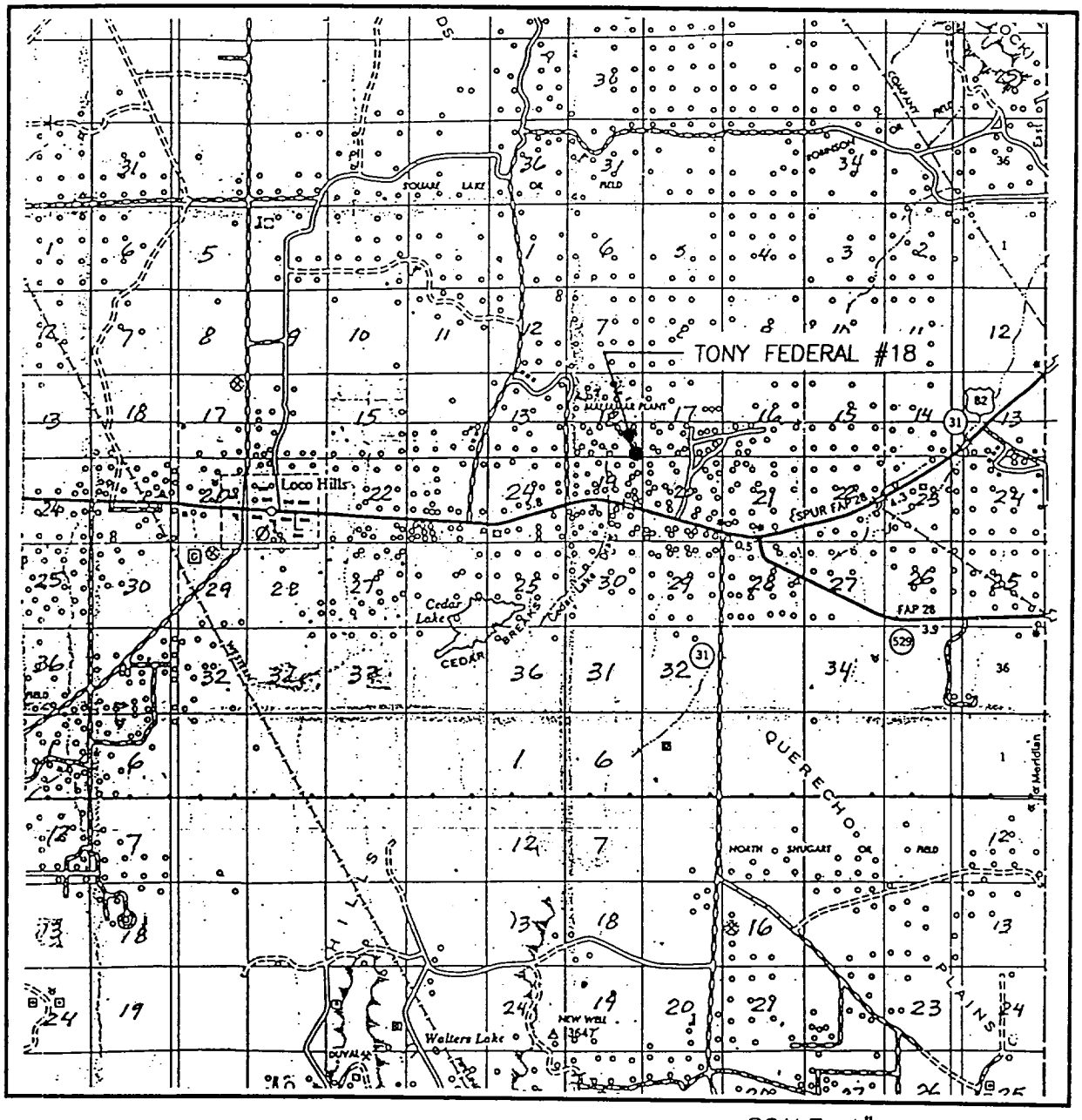
OPERATOR MARBOB ENERGY CORP.

LEASE TONY FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
LOCO HILLS, N.M.

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505 393-3117

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 18 TWP. 17-S RGE. 31-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 205' FSL & 330' FEL

ELEVATION 3674

OPERATOR MARBOB ENERGY CORP.

LEASE TONY FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505 393-3117