

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--------------------------------|-------------------------------|
| 1. Operator Name and Address MARBOB ENERGY CORP PO Box 227 Artesia, NM 88211 | | 2. OGRID Number 14049 |
| | | 3. API Number 30-025-38065 |
| 4. Property Code 35922 | 5. Property Name ITCH STATE | 6. Well No. 001 |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| C | 23 | 18S | 33E | C | 865 | N | 1650 | W | LEA |

8. Pool Information

| | |
|-------------------------------|-------|
| MESCALERO ESCARPE;BONE SPRING | 45793 |
|-------------------------------|-------|

Additional Well Information

| | | | | |
|--|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3893 |
| 14. Multiple N | 15. Proposed Depth 9200 | 16. Formation 2nd Bone Spring Sand | 17. Contractor | 18. Spud Date 9/15/2006 |
| Depth to Ground water 250 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 3000 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 350 | 350 | 0 |
| Int1 | 12.25 | 8.625 | 32 | 1550 | 700 | 0 |
| Int1 | 12.25 | 8.625 | 32 | 3050 | 700 | 0 |
| Prod | 7.875 | 5.5 | 17 | 9200 | 700 | 200 |

Casing/Cement Program: Additional Comments

We propose to drill 17 1/2 inch hole to 300 ft with fresh water, run 48 lb H-40 13 3/8 inch csg and set at 300 ft with 300 sx cmt, circ to surface; drl 12 1/4 inch hole to 1550 ft with fresh water then down to 3050 ft with brine water, run 32 lb J-55 8 5/8 inch csg and set at 3050 ft with 700 sx cmt, circ to surface; drl 7 7/8 inch hole to 9200 ft with cut brine water, run 5 1/2 inch 17 lb J-55/N80 csg and set at 9200 ft with 700 sx cmt, 200' above all oil & gas zones.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 5000 | 5000 | Cameron |

| | | |
|--|---------------------------|----------------------------|
| I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> a general permit <input checked="" type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> . Printed Name: Electronically filed by Diana Briggs Title: Production Analyst Email Address: production@marbob.com Date: 8/15/2006 | OIL CONSERVATION DIVISION | |
| | Approved By: Paul Kautz | |
| | Title: Geologist | |
| | Approved Date: 8/15/2006 | Expiration Date: 8/15/2007 |
| | Phone: 505-748-3303 | |
| Conditions of Approval Attached | | |

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

District II
 1301 W. Grand Ave., Artesia, NM 88210
 Phone:(505) 748-1283 Fax:(505) 748-9720

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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Santa Fe, NM 87505

Form C-102
 Permit 36110

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|--|---|
| 1. API Number 30-025-38065 | 2. Pool Code 45793 | 3. Pool Name MESCALERO ESCARPE;BONE SPRING |
| 4. Property Code 35922 | 5. Property Name ITCH STATE | 6. Well No. 001 |
| 7. OGRID No. 14049 | 8. Operator Name MARBOB ENERGY CORP | 9. Elevation 3893 |

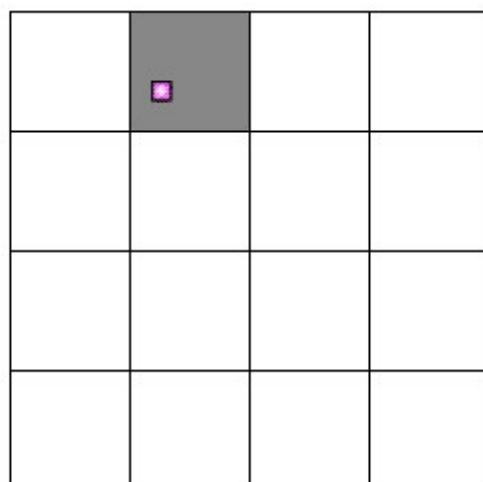
10. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
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11. Bottom Hole Location If Different From Surface

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|------------------------------|---------|---------------------|-------|------------------------|-----------|---------------|-----------|----------|--------|
| 12. Dedicated Acres 40.00 | | 13. Joint or Infill | | 14. Consolidation Code | | 15. 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



OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location(s) or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

E-Signed By: Diana Briggs
 Title: Production Analyst
 Date: 8/15/2006

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

Surveyed By: Ronald Eidson
 Date of Survey: 8/1/2006
 Certificate Number: 12641

Permit Comments

Operator: MARBOB ENERGY CORP , 14049

Well: ITCH STATE #001

API: 30-025-38065

| Created By | Comment | Comment Date |
|------------|--|--------------|
| pkautz | minimum setting depth surface casing in Lea Co is 350' | 8/15/2006 |

Permit Conditions of Approval

Operator: MARBOB ENERGY CORP , 14049

Well: ITCH STATE #001

API: 30-025-38065

| OCD Reviewer | Condition |
|-----------------|---|
| pkautz | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| pkautz | prior to any pit construction notify Gary Wink at 505-393-6161 ext 114 |