Form 3160-3
(September 2001)

0057

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM-0557371

6. If Indian, Allottee or Tribe Name

1a. Type of Work: ☑ DRILL ☐ REENTER

7. If Unit or CA Agreement, Name and No.

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No.
AAO Federal #8

2. Name of Operator
Marbob Energy Corporation

9. API Well No.
30-015-33784

3a. Address
PO Box 227, Artesia, NM 88211-0227

3b. Phone No. *(include area code)*
505-748-3303

RECEIVED
DEC 28 2004
OCD-ARTESIA

10. Field and Pool, or Exploratory
Red Lake; Glorietta Yeso Northwest

4. Location of Well *(Report location clearly and in accordance with any State requirements. *)*
At surface 1650' FNL & 330' FEL, Unit H
At proposed prod. zone

11. Sec., T., R., M., or Blk. and Survey or Area
Section 1-T18S-R27E

14. Distance in miles and direction from nearest town or post office*

12. County or Parish
Eddy

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
		40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth	20. BLM/BIA Bond No. on file
	4000'	585716
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Approximate date work will start*	23. Estimated duration
3649'	11/15/04	8 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature	Name *(Printed Typed)*	Date
Melanie J. Parker	Melanie J. Parker	10/11/04

Title
Land Department

Approved by *(Signature)*	Name *(Printed Typed)*	Date
/s/ Maria Ketson	/s/ Maria Ketson	23 DEC 2004

Title	Office
FOR FIELD MANAGER	CARLSBAD FIELD OFFICE

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, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Instructions on reverse)

ROSWELL CONTROLLED WATER BASIN

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

District I
1625 N. French Dr., 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

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

Form C-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: **Marbob Energy Corporation** Telephone: **505-748-3303** e-mail address: **marbob@marbob.com**

Address: **PO Box 227, Artesia, NM 88211-0227**

Facility or well name: **AAO Federal No. 2** API #: _____ U/L or Qtr/Qtr **SWNE** Sec **1** T **18S** R **27E**

County: **Eddy** Latitude_____ Longitude_____ NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**	
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness **12** mil Clay ☐ Volume _____bbl	Volume: _____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not. _____	RECEIVED OCT 22 2004 OCD-ARTESIA
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points) **0 points**
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points) **0 points**
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points) **0 points**
	Ranking Score (Total Points)	**0 points**

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite ☐ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface_____ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described 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 ☐.**
Date: **October 22, 2004**
Printed Name/Title: **Melanie J. Parker / Land Department** Signature Melanie Parker

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval
Date: OCT 26 2004
Printed Name/Title Field Rep II Signature

Permission to change well # given via phone by Melanie Parker ON 10-26-04

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
	96836	Red Lake; Glorieta Yeso, Northeast

Property Code	Property Name	Well Number
29793	AAO FEDERAL	8

OGRID No.	Operator Name	Elevation
14049	MARBOB ENERGY CORPORATION	3649'

Surface Location

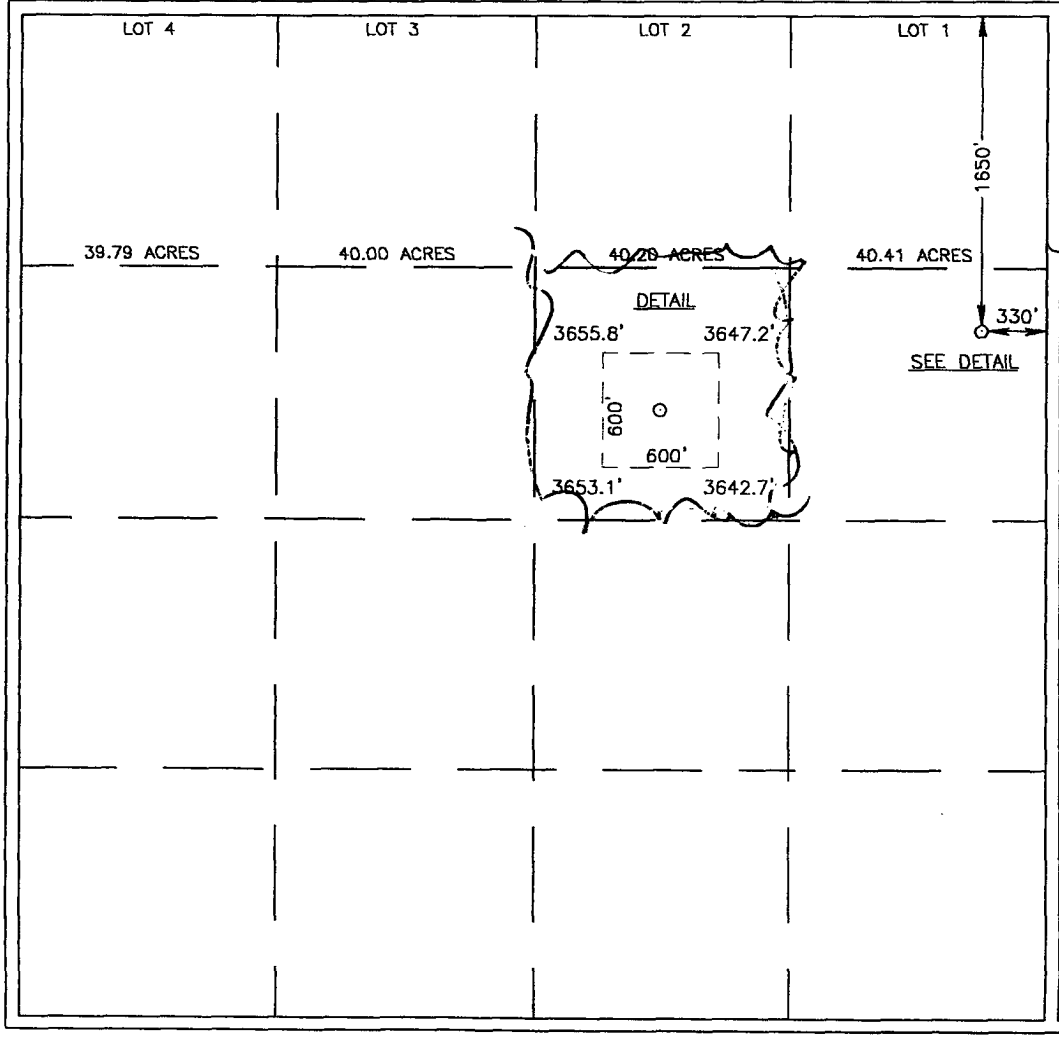
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	1	18 S	27 E		1650	NORTH	330	EAST	EDDY

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

Melanie J. Parker
Printed Name

Land Department
Title

October 1, 2004
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.

JULY 18, 2003
Date Surveyed LMP

Signature & Seal of Professional Surveyor

RONALD J. EIDSON NEW MEXICO REGISTERED PROFESSIONAL

7/22/03

03.11.0665

Certificate No. RONALD J. EIDSON 3239
GARY EIDSON 12641

MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM

AAO Federal No. 8
1650' FNL & 330' FEL
Section 1-T18S-R27E
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill subject well, Marbob Energy Corporation submits the following ten items of pertinent information in accordance with BLM requirements.

1. The geological surface formation is Permian:

2. The estimated tops of geologic markers are as follows:

Permian	Surface	San Andres	1850'
Seven Rivers	450'	Glorietta	3250'
Queen	1050'		

3. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Upper Permian Sands	180'	Fresh Water
Queen	1050'	Oil
San Andres	1850'	Oil
Glorietta	3250'	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 350' 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. Proposed Casing Program:

Hole Size	Interval	OD Casing	Wt	Grade
12 1/4"	0 – 350'	8 5/8"	24#	J-55 LTC New R-3
7 7/8"	350' – TD	5 1/2"	17#	J-55 LTC New R-3

Proposed Cement Program:

8 5/8" Surface Casing: Cement w/ 350 sx Class C. Circulate to surface.

5 ½" Production Casing: Cement w/ 750 sx Class C.

5. Pressure Control Equipment: See Exhibit 1.

6. Mud Program: The applicable depths and properties of this system are as follows:

Depth	Type	Weight (ppg)	Viscosity (sec)	Waterloss (cc)
0 – 350′	Fresh Water	8.5	28	N.C.
350′ – 4000′	Cut Brine	9.8 – 10.2	40 -45	N.C.

7. Auxiliary Equipment: Kelly Cock; Sub with full opening valve on floor; and drill pipe connections.

8. Testing, Logging and Coring Program:

   No drillstem tests are anticipated.
   The electric logging program will consist of Dual Laterolog Micro SFL, Spectral Density Dual Spaced Neutron Csng Log, and Depth Control Log.
   No conventional coring is anticipated.

9. No abnormal pressures or temperatures are anticipated.

10. Anticipated starting date: As soon as possible after approval.

MARBOB ENERGY CORPORATION
MULTI-POINT SURFACE USE AND OPERATIONS PLAN

AAO Federal No. 8
1650' FNL & 330' FEL
Section 1-T18S-R27E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit 2 is a portion of a topo map showing the well and roads in the vicinity of the proposed location. The proposed wellsite and the access route to the location are indicated in red on Exhibit 2.

DIRECTIONS:

From Artesia, proceed east on US82 for 9.5 miles. Turn south on Hilltop Road (CR-204) and proceed to Empire Road (CR-225). Turn south and proceed 1.5 miles to Evans Road (CR-226). Turn east and proceed .3 miles. Turn southeast on lease road and proceed .9 miles. Turn south and proceed .2 miles, turn east and proceed .1 miles to access road and location on north side of lease road.

2. PLANNED ACCESS ROAD:

No new access road is necessary.

3. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. If well is productive, Marbob Energy Corporation will utilize the existing facility located on the AAO Federal #2 well pad.

4. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the lined pit.

B. Drilling fluids will be allowed to evaporate in the lined pit until the pit is dry.

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

D. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained to prevent scattering by the wind.

5. WELLSITE LAYOUT:

A. Exhibit 3 shows the relative location and dimensions of the well pad, the pit.

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

6. PLANS FOR RESTORATION:

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.

B. Reserve pit will be fenced until they have dried and been leveled.

C. All rehabitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

7. SURFACE OWNERSHIP:

The well site and lease are 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.

8. OTHER INFORMATION:

A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.

9. OPERATOR'S REPRESENTATIVE:

A. Through A.P.D. Approval:

Dean Chumbley, Landman
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5988

B. Through Drilling Operations

Sheryl Baker, Drilling Supervisor
Marbob Energy Corporation
P. O. Box 227
Artesia, NM 88211-0227
Phone (505)748-3303
Cell (505)748-5489

10. 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 presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and that 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 terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

10/11/04
Date

Melanie J. Parker
Land Department

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:

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

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

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

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

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

A. 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.

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

C. 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.

A. Well Control Equipment:

Flare line.

Choke manifold.

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

Auxiliary equipment to include: annular preventer, mud-gas separator, rotating head.

B. Protective equipment for essential personnel:

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

C. H_2S detection and monitoring equipment:

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.

D. Visual warning systems:

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.

E. Mud Program:

The mud program has been designed to minimize the volume of H_2S circulated to the surface.

A mud-gas separator will be utilized.

F. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H_2S service.

G. Communication:

Company vehicles equipped with cellular telephone and 2-way radio.

WARNING

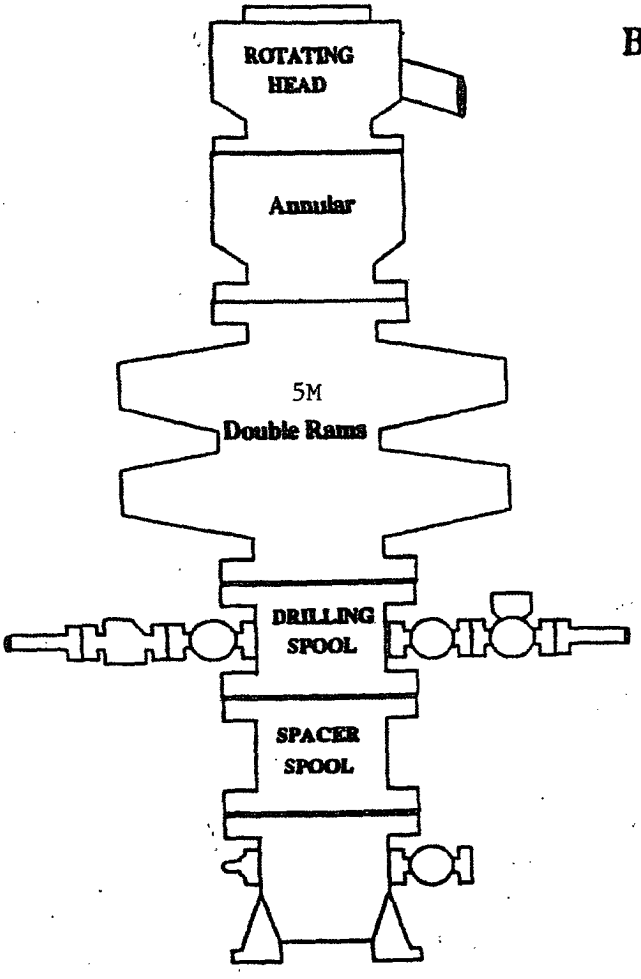
YOU ARE ENTERING AN H_2S AREA
AUTHORIZED PERSONNEL ONLY

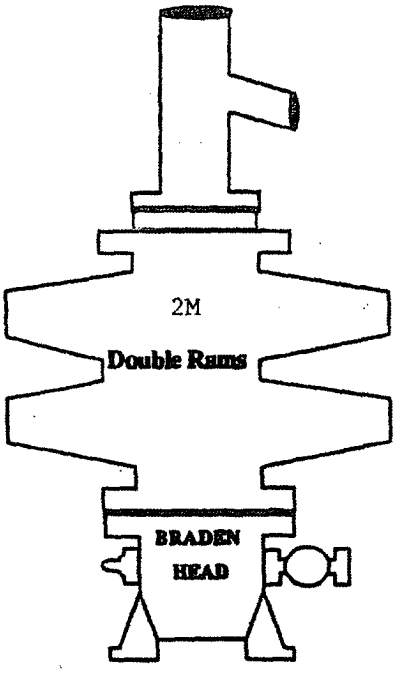
1. ***BEARDS OR CONTACT LENSES NOT ALLOWED***
2. ***HARD HATS REQUIRED***
3. ***SMOKING IN DESIGNATED AREAS ONLY***
4. ***BE WIND CONSCIOUS AT ALL TIMES***
5. ***CK WITH MARBOB FOREMAN AT MAIN OFFICE***

MARBOB ENERGY CORPORATION

1-505-748-3303

BOPE SCHEMATIC





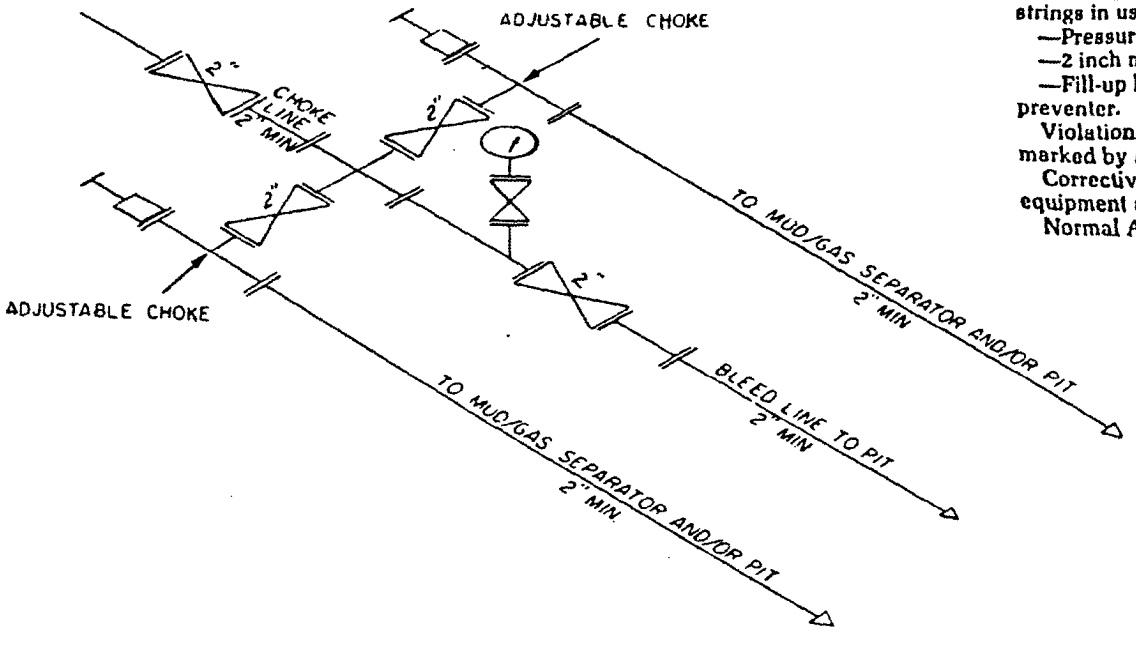
ONSHORE OIL AND GAS ORDER NO. 2

2M system:
—Annular preventer, or, double ram, or two rams with one being blind and one being a pipe ram *
—Kill line (2 inch minimum)
—1 kill line valve (2 inch minimum)
—1 choke line valve
—2 chokes (refer to diagram in Attachment 1)
—Upper kelly cock valve with handle available
—Safety valve and subs to fit all drill strings in use
—Pressure gauge on choke manifold
—2 inch minimum choke line
—Fill-up line above the uppermost preventer.

Violation: Minor (all items unless marked by asterisk).

Corrective Action: Install the equipment as specified.

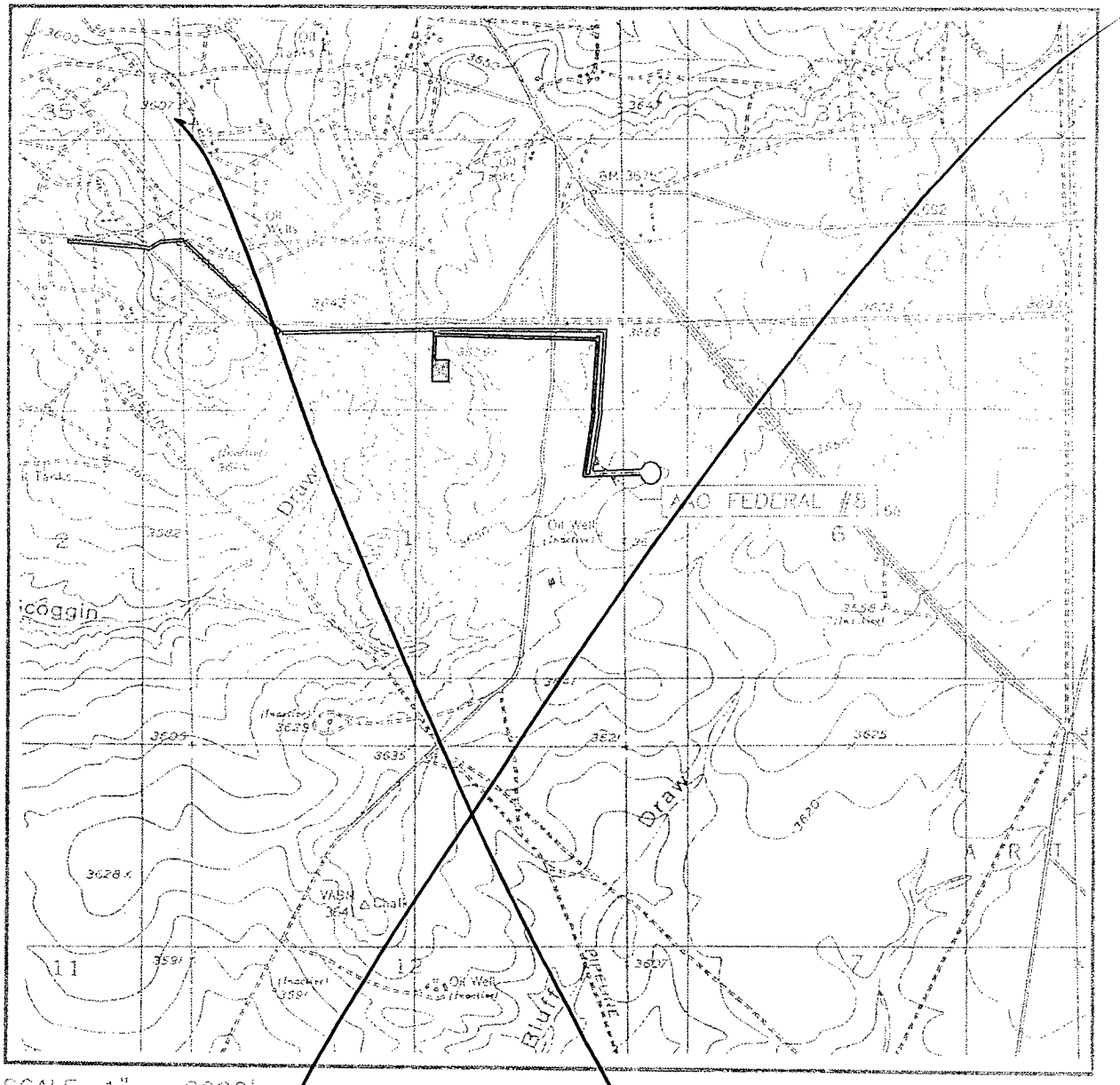
Normal Abatement Period: 24 hours.



2M CHOKE MANIFOLD EQUIPMENT — CONFIGURATION OF CHOKES MAY VARY

Exhibit One

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
RED LAKE, N.M. - 10'

SEC. 1 TWP. 18-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 1650' FNL & 330' FEL

ELEVATION 3649'

OPERATOR MARBOB ENERGY CORPORATION

LEASE AAO FEDERAL

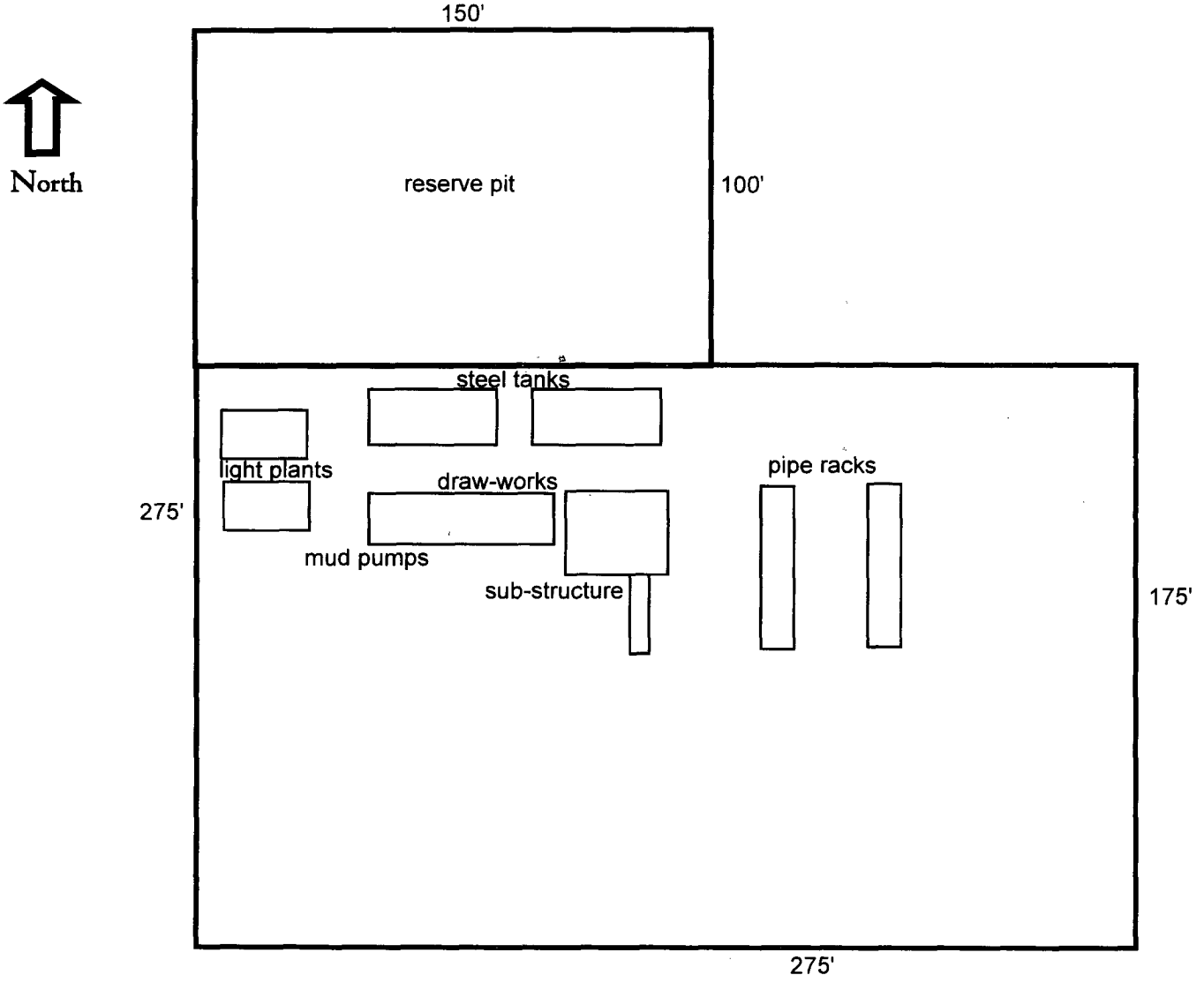
U.S.G.S. TOPOGRAPHIC MAP
RED LAKE, N.M.

Flowline
Road

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

Exhibit Two

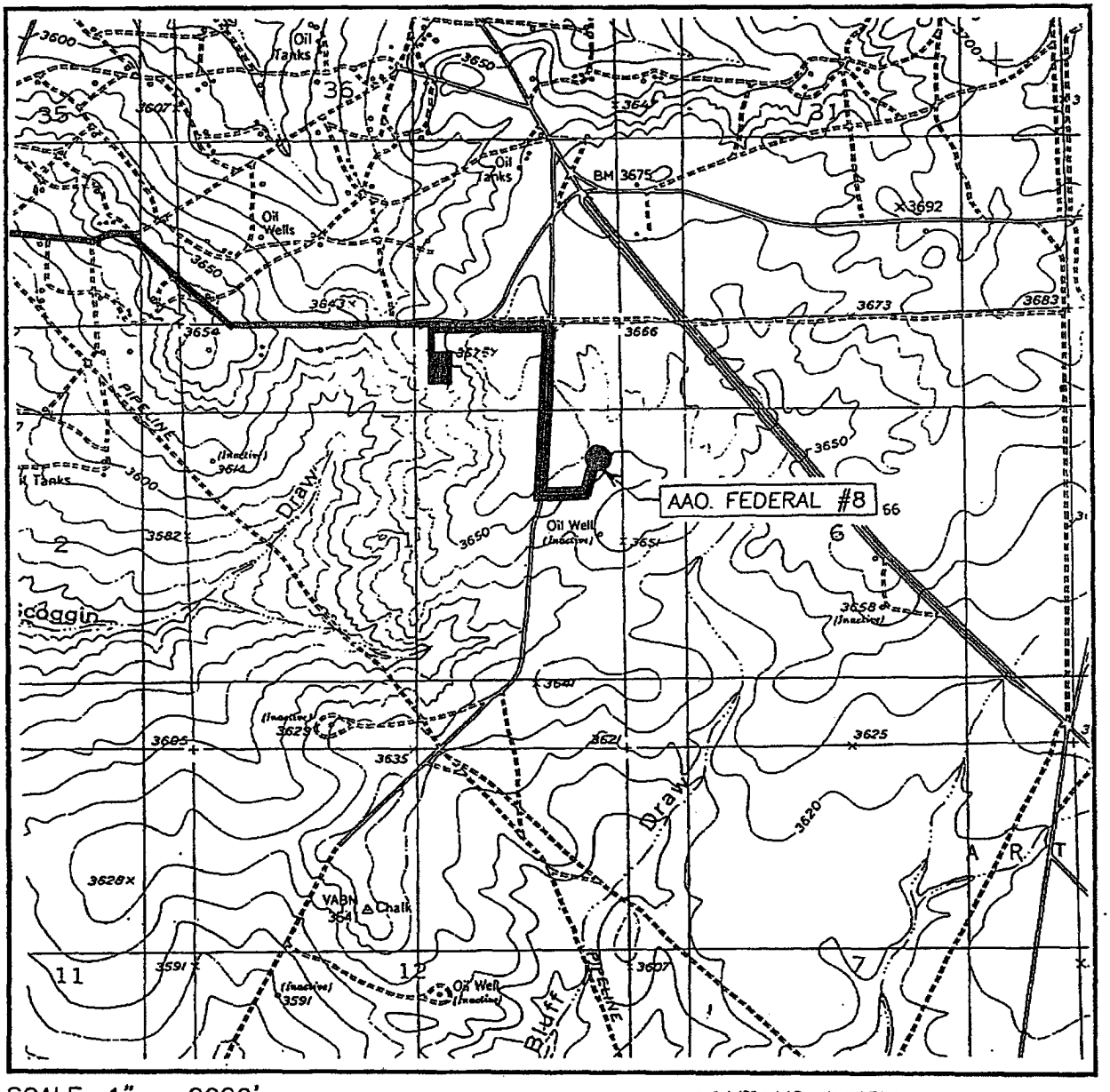
Well Site Lay-Out Plat



AAO Federal No. 8
1650' FNL & 330' FEL
Section 1-T18S-R27E
Eddy County, New Mexico

EXHIBIT THREE

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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SURVEY N.M.P.M.

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DESCRIPTION 1650' FNL & 330' FEL

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OPERATOR MARBOB ENERGY CORPORATION

LEASE AAO FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
RED LAKE, N.M.

Road
Flowline

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

Exhibit Two