[redacted]

Form 3160-3
(September 2001)

OPERATOR'S COPY

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.: 97113

6. If Indian, Allottee or Tribe Name:

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

1a. Type of Work: ☑ DRILL ☐ REENTER

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

8. Lease Name and Well No.: Hot Seat Federal #1

2. Name of Operator: Marbob Energy Corporation

9. API Well No.: 30-015-35009

3a. Address: P.O. Box 227, Artesia, NM 88211-0227

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

10. Field and Pool, or Exploratory: Chosa Draw; Morrow (Gas)

4. Location of Well *(Report location clearly and in accordance with any State requirements. *)*
At surface ~~1980~~ 840' FSL & ~~660~~ 810' FEL
At proposed prod. zone per attached SN dated

11. Sec., T., R., M., or Blk. and Survey or Area: Section 35, T24S - R25E

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

12. County or Parish: Eddy County

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: 320

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth: 12000

20. BLM/BIA Bond No. on file: NM 2056

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3596'

22. Approximate date work will start*: May 18, 2006

23. Estimated duration: 30 Days

Carlsbad Controlled Water Basin

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: Nancy T. Bratcher | Name *(Printed/Typed)*: Nancy T. Bratcher | Date: 4/18/06

Title: Land Department

Approved by *(Signature)*: Russ Sorensen | Name *(Printed/Typed)*: Russ Sorensen | Date: 7/10/06

Title: Acting FIELD MANAGER | Office: 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)

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

Salt > 8.5

Form 3160-5
(September 2001)

0878

OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

5. Lease Serial No.
97113

6. If Indian, Allottee or Tribe Name

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

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

8. Well Name and No.
Hot Seat Federal #1

2. Name of Operator
Marbob Energy Corporation

9. API Well No.

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

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

10. Field and Pool, or Exploratory Area
Chosa Draw, Morrow (Gas)

4. Location of Well *(Footage, Sec., T. R., M., or Survey Description)*
840' FSL & 810' FEL
Sec 35, T24S - R25E

11. County or Parish, State
Eddy County, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Change footage location
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Marbob Energy respectfully requests the following footage location change:

From: 1980' FSL & 660' FEL
Sec 35, T-24S R-25E
Eddy County, New Mexico

To: 840' FSL & 810' FEL
Sec 35, T-24S R-25E
Eddy County, New Mexico

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Nancy T. Bratcher — Title Land Department

Signature Nancy T. Bratcher — Date 5/30/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

ACTING

Approved by *(Signature)* /S/ Russell E. Sorensen — Name *(Printed/Typed)* /S/ Russell E. Sorensen — Title FIELD MANAGER

Conditions of approval, if any, are attached. Approval of this notice 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.

Office CARLSBAD FIELD OFFICE — Date JUL 10 2006

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.

(Continued on next page)

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I
1625 N. FRENCH DR., HOBBS, NM 88240

DISTRICT II
1301 W. GRAND AVENUE, ARTESIA, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code	Pool Name
	74900	Chosa Draw; Morrow (Gas)

Property Code	Property Name	Well Number
	HOT SEAT FEDERAL	1

OGRID No.	Operator Name	Elevation
14049	MARBOB ENERGY CORPORATION	3592'

Surface Location

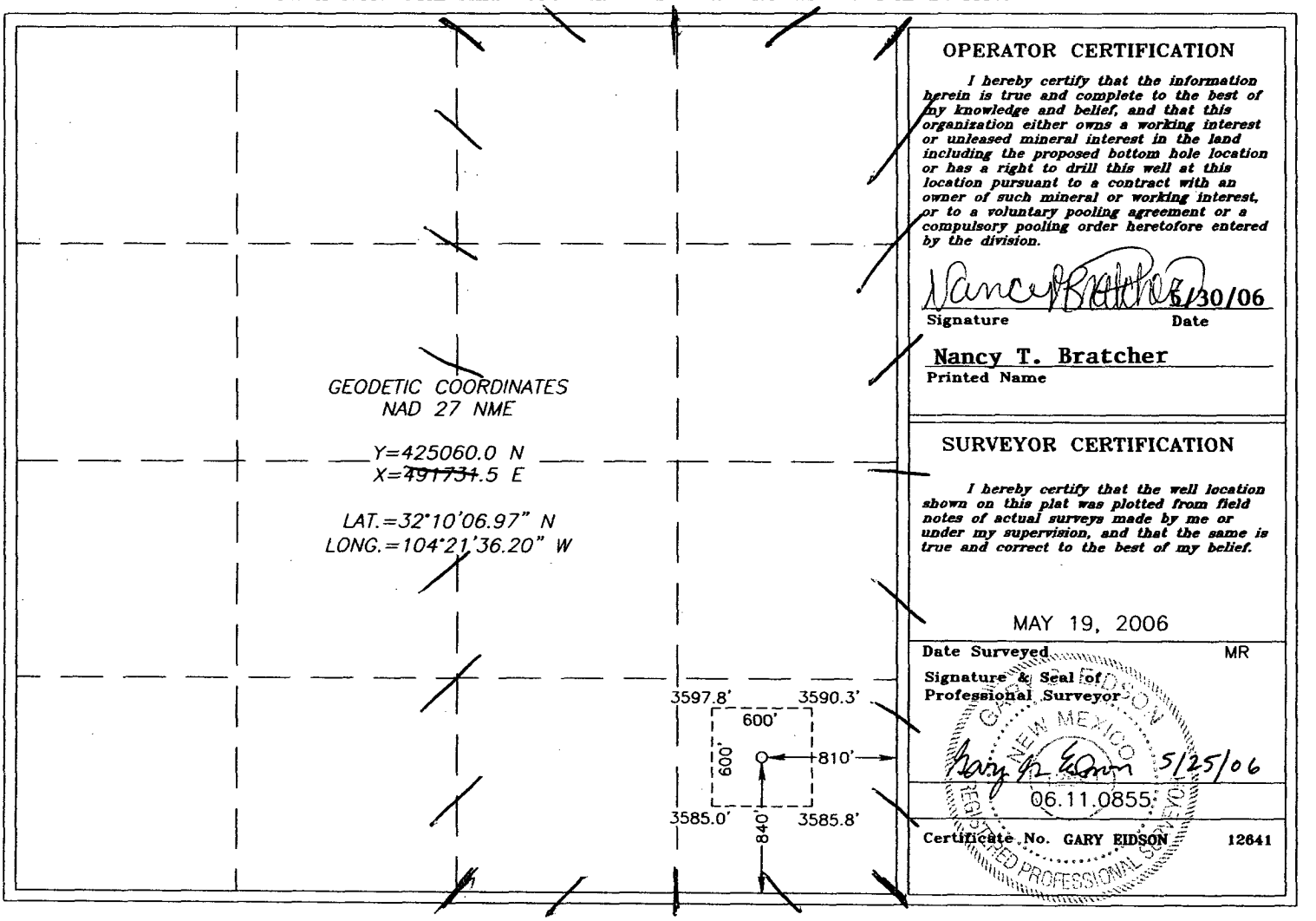
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	35	24-S	25-E		840	SOUTH	810	EAST	EDDY

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.
320			

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 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 or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Nancy T. Bratcher 5/30/06
Signature Date

Nancy T. Bratcher
Printed Name

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.

MAY 19, 2006
Date Surveyed MR

Signature & Seal of Professional Surveyor

GARY L. EIDSON NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR

Gary L. Eidson 5/25/06

06.11.0855

Certificate No. GARY EIDSON 12641

MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM

Hot Seat Federal #1
1980' FSL & 660' FEL
Section 35, T24S, R25E
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:

Top of Salt	450'	Strawn	10400'
Base of Salt	1250'	Atoka	10800'
Delaware	1650'	Morrow	11350'
Bone Spring	5300'	TD	12000'
Wolfcamp	8500'		

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

Base of Salt	1250'	Water
Delaware	1650'	Oil
Wolfcamp	8500'	
Strawn	10400'	Gas
Atoka	10800'	
Morrow	11350'	

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 13 3/8" casing at 250' 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 to sufficiently cover all known oil and gas horizons above 200'.

4. Proposed Casing Program:

Hole Size	Interval	OD Casing	Wt	Grade
17 1/2"	0 – 250'	13 3/8"	48#	H-40
12 1/4"	0 – 1700'	9 5/8"	36#	J-55
8 3/4"	0 – 12000'	5 1/2"	17#	S95/P110

Proposed Cement Program:

13 3/8" Surface Casing: Cement w/ 250 sx cmt. Circulate to surface.

9 5/8" Intermediate Casing: Cement w/ 800 sx cmt. Circulate to surface.

5 1/2" Production Casing: Cement w/ 1800 sx cmt. 200' above all oil & gas zones.

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 – 250'	Fresh Wtr	8.4 – 9.2	32 – 36	N.C.
250 – 1700'	Brine	9.9 – 10.2	28 – 32	N.C.
1700 – 12000'	Cut Brine	8.4 – 8.6	28 – 32	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

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

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Date: April 18, 2006

Lease #: 97113
Hot Seat Federal #1

Legal Description: Section 35: NESE
Township 24S – Range 25E
Eddy County, New Mexico

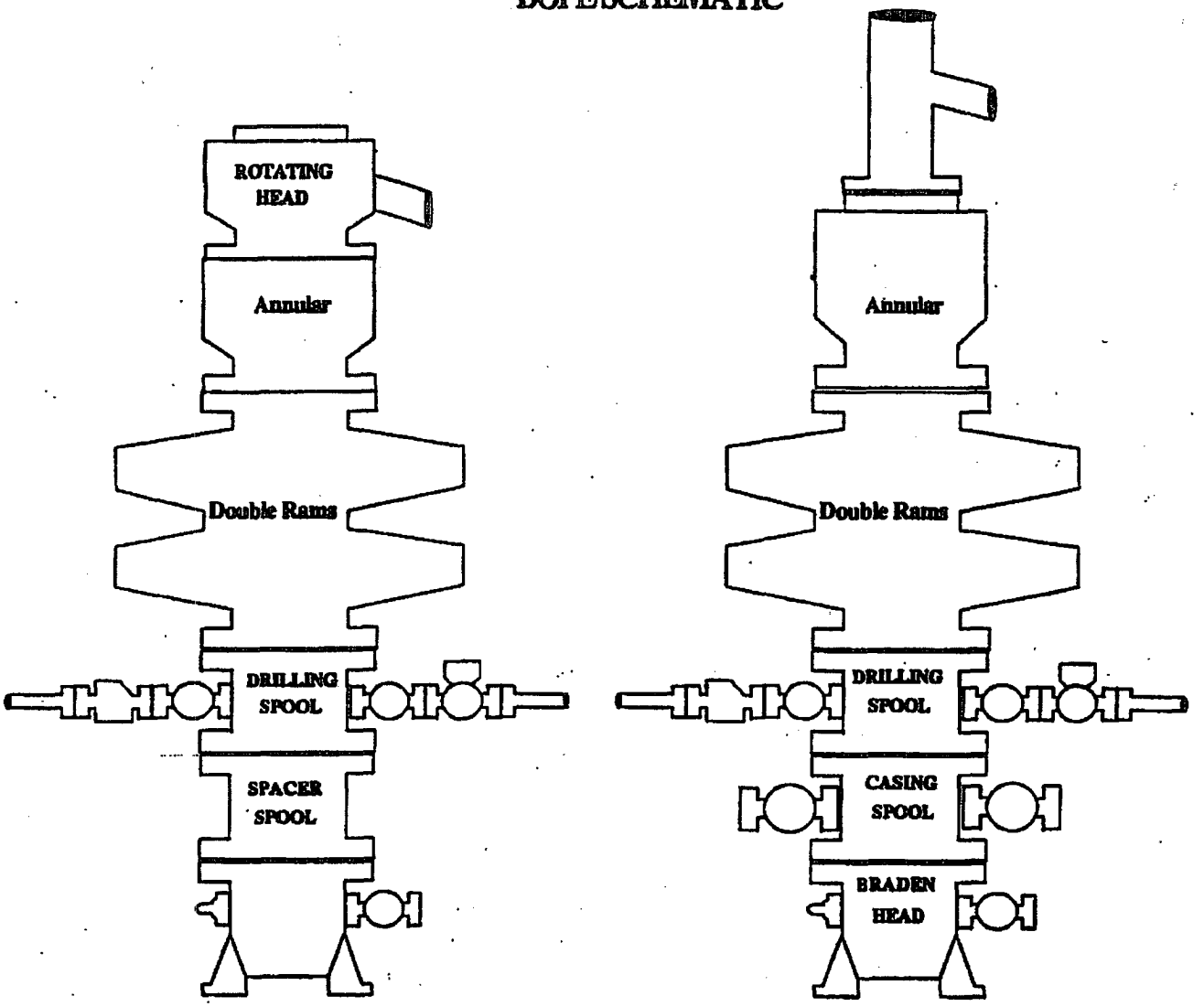
Formation(s): Morrow

Bond Coverage: Statewide

BLM Bond File #: NM 2056

Nancy T. Bratcher
Land Department

BOPE SCHEMATIC



Choke Manifold

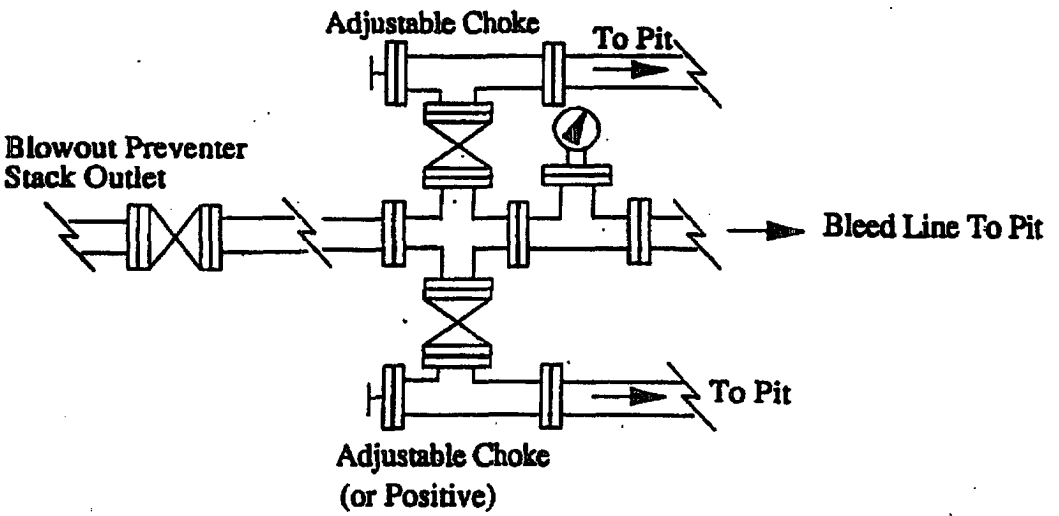


Exhibit One

Conditions of Approval
Cave and Karst
Hot Seat Fed #1

Cave/Karst Surface Mitigation
The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:
Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Cuttings Pit:
A 60X60 foot surface interval cuttings pit will be utilized for this location. The cuttings pit will be lined with 4 oz. felt and a layer of 20 mil. plastic. Upon well completion all excess fluids will be vacuumed off and the cuttings and liner will be hauled off for disposal.

Closed Mud System with Cuttings Removed:
No reserve pits will be allowed. A closed mud system or steel tanks will be utilized to drill the well. All fluids and cuttings will be hauled off site for disposal.

Pad size will be limited to a maximum disturbance of 270 X 300 feet.

Cave/Karst Subsurface Mitigation
The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

Florescene Dye (Acid Yellow 73):
Sixteen ounces of Yellow Green (Acid Yellow 73) Florescene dye will be added to the drilling fluid during the drilling of the first 750 feet of the well.

Florescene Dye Orange (Eosin Y):
Sixteen ounces of Orange (Eosin Y) Florescene dye will be added to the drilling fluid during the drilling of the first 2,500 feet of the well.

Casing:

All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Cementing:
All casing strings will be cemented to the surface.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:
Any blasting will be a phased and time delayed.

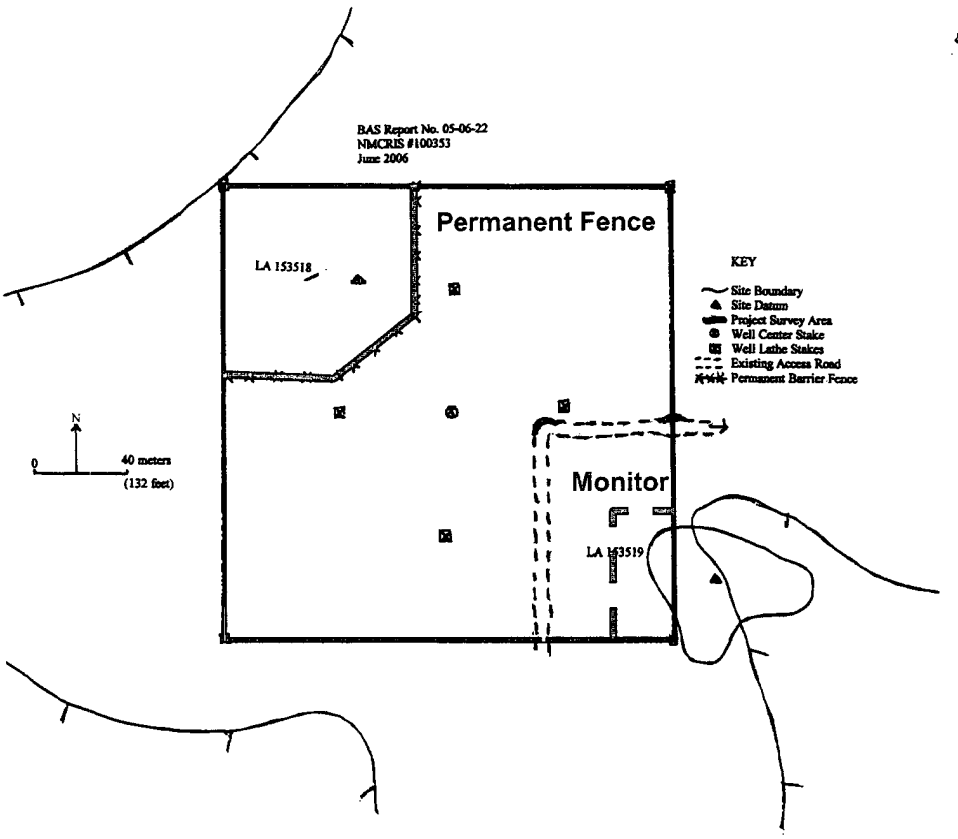
Abandonment Cementing:
Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Pressure Tests:
Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

Differential Shut-off Systems:
A leak detection system and differential shut off systems will be installed for pipelines and tanks used in production or drilling.

Record Keeping:
The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

Exhibit 1A



Permanent Fence & Monitor

Monitor

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Marbob Energy Corporation
Well Name & No: Hot Seat Fed No 01
Location: Surface 840' FSL & 810' FEL, Sec.35, T. 24 S., R. 25 E.
Lease: NMNM 97113
Eddy County, New Mexico

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13 ⅜ inch; 9 ⅝ inch; 5 ½ inch.

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan is not required for this well bore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A communitization agreement shall be submitted to this office for approval prior to any sales from this well.

II. CASING:

1. The 13 ⅜ inch shall be set at **approximately 200 Feet** with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string. Note: the operator is allowed to drill out of surface casing using brine water. If lost circulation is encountered, the operator will immediately switch to fresh water for the remainder of the intermediate hole section.

2. The minimum required fill of cement behind the 9 ⅝ inch Intermediate casing is to **circulate to surface.**

3. The minimum required fill of cement behind the 5 ½ inch Production casing is to **place TOC at least 200 ft above the top of the Wolfcamp formation estimated to be at 8500 ft in depth.**

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 ⅜ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13 ⅝ inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

(III Cont):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3 M **psi.**

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

-The test shall be done by an independent service company
-The results of the test shall be reported to the appropriate BLM office.
-Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
-Use of drilling mud for testing is not permitted since it can mask small leaks.
-Testing must be done in safe workman-like manner. Hard line connections shall be required.

-Both low pressure and high pressure testing of BOPE is required.

***G. Gourley* RFO 07/07/2006**

Form 3160-5
(September 2001)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

FORM APPROVED
OMB No. 1004-0135
Expires: January 31, 2004

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

RECEIVED
JUL 12 2006
OCD-ARTESIA

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

2. Name of Operator
Marbob Energy Corporation

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

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

4. Location of Well *(Footage, Sec., T. R., M., or Survey Description)*
840' FSL & 810' FEL, Sec 35, T24S - R25E

5. Lease Serial No.
NM-97113, NM-116016

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.
Hot Seat Federal Com #1

9. API Well No.

10. Field and Pool, or Exploratory Area
Chosa Draw; Morrow (Gas)

11. County or Parish, State
Eddy County, New Mexico

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☑ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☑ Other Change Well Name
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

3. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Marbob Energy Corporation respectfully requests that the above referenced well name be changed to the following: Hot Seat Federal Com #1

Was: Hot Seat Federal #1

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Nancy T. Bratcher — Title Land Department

Signature Nancy T. Bratcher — Date June 27, 2006

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

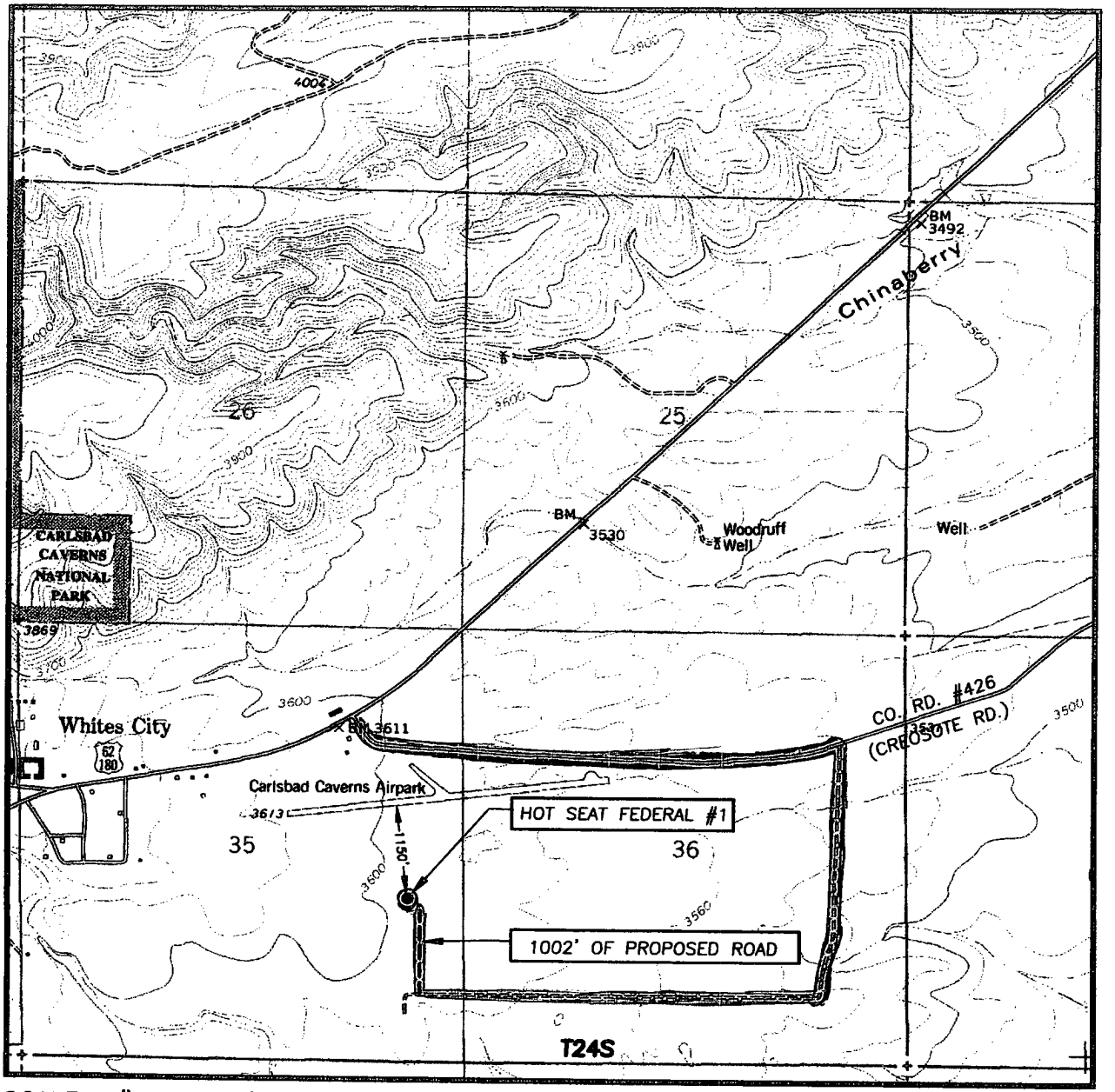
Approved by *(Signature)* Russ Sorensen — Name *(Printed Typed)* Russ Sorensen — Title FIELD MANAGER — Date 7/10/06

Conditions of approval, if any, are attached. Approval of this notice 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. — Office CARLSBAD FIELD OFFICE

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.

Continued on next page)

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BLACK RIVER VILLAGE, N.M. – 20'

SEC. 35 TWP. 24-S RGE. 25-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 1980' FSL & 660' FEL

ELEVATION 3596'

OPERATOR MARBOB ENERGY CORPORATION

LEASE HOT SEAT FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
BLACK RIVER VILLAGE, N.M.

EXISTING ROADS

PROVIDING SURVEYING SERVICES SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117

EXHIBIT TWO

MARBOB ENERGY CORPORATION

HYDROGEN SULFIDE (H_2S) CONTINGENCY PLAN
FOR DRILLING/COMPLETING/WORKOVER/FACILITY
WITH THE EXPECTATION OF H_2S IN EXCESS OF 100 PPM

Hot Seat Federal #1
NEW WELL DRILL
840' FSL & 810' FEL
SECTION 35-T24S-R25E
EDDY COUNTY, NEW MEXICO

This well/facility is not expected to have H_2S, but due to the sensitive location, the following is submitted as requested.

TABLE OF CONTENTS

GENERAL H_2S EMERGENCY ACTIONS

In the event of an H_2S emergency, the following plan will be initiated:

1) All personnel will immediately evacuate to an up-wind and if possible up-hill "safe area".

2) If for any reason a person must enter the hazardous area, they must wear a SCBA (self contained breathing apparatus).

3) Always us the "buddy system".

4) Isolate the well/problem if possible.

5) Account for all personnel.

6) Display the proper colors warning all unsuspecting personnel of the danger at hand.

7) Contact the company representative as soon as possible if not at the location (use the enclosed call list as instructed).

At this point the company representative will evaluate the situation and coordinate the necessary duties to bring the situation under control, and if necessary, the notification of emergency response agencies and residents.

EMERGENCY PROCEDURES FOR AN UNCONTROLLABLE RELEASE OF H_2S

1) All personnel will don the self contained breathing apparatus.

2) Remove all personnel to the "safe area" (always use the "buddy system").

3) Contact company representative if not on location.

4) Set in motion the steps to protect and/or remove the general public to any upwind "safe area". Maintain strict security and safety procedures while dealing with the source.

5) No entry to any unauthorized personnel.

6) Notify the appropriate agencies:
   City Police – City streets
   State Police – State Roads
   County Sheriff – County Roads

7) Call the NMOCD.

If at this time the supervising person determines the release of H_2S cannot be contained to the site location and the general public is in harms way, he will immediately notify public safety personnel.

EMERGENCY CALL LIST

	Office	Mobile	Home
Marbob Energy Corp.	505-748-3303		
Sheryl Baker	505-748-3303	505-748-5489	505-748-2396
Johnny C. Gray	505-748-3303	505-748-5983	505-885-3879
Raye Miller	505-748-3303	505-513-0176	505-746-9577
Dean Chumbley	505-748-3303	505-748-5988	505-748-2426

EMERGENCY RESPONSE NUMBERS
Eddy County, New Mexico

State Police	505-748-9718
Eddy County Sheriff	505-746-2701
Emergency Medical Services (Ambulance)	911 or 505-746-2701
Eddy County Emergency Management (Harry Burgess)	505-887-9511
State Emergency Response Center (SERC)	505-476-9620
Carlsbad Police Department	505-885-2111
Carlsbad Fire Department	505-885-3125
New Mexico Oil Conservation Division	505-748-1283
Indian Fire & Safety	800-530-8693
Halliburton Services	800-844-8451

PROTECTION OF THE GENERAL PUBLIC/ROE

In the event greater than 100 ppg H_2S is present, the ROE (Radius of Exposure) calculations will be done to determine if the following is warranted:

- 100 ppm at any public area (any place not associated with this site)
- 500 ppm at any public road (any road which the general public may travel)
- 100 ppm radius of 3000' will be assumed if there is insufficient data to do the calculations, and there is a reasonable expectation that H_2S could be present in concentrations greater than 100 ppm in the gas mixture.

Calculation for the 100 ppm ROE:

$X = [(1.589)(concentration)(Q)]$ (0.6258)

Calculation for the 500 ppm ROE:

$X = [(0.4546)(concentration)(Q)]$ (.06258)

(H_2S concentrations in decimal form)
10,000 ppm + = .01
1,000 ppm + = .001
100 ppm + = .0001
10 ppm + = .00001

EXAMPLE: If a well/facility has been determined to have 150 ppm H_2S in the gas mixture and the well/facility is producing at a gas rate of 200 MCFD then:

ROE for 100 ppm X=[(1.589)(.00010)(200,000)] (0.6258)
X=8.8'

ROE for 500 ppm X=[(.4546)(.00050)(200,000)] (0.6258)
X=10.9'

These calculations will be forwarded to the appropriate NMOCD district office when applicable.

PUBLIC EVACUATION PLAN

When the supervisor has determined that the general public will be involved, the following plan will be implemented.

1) Notification of the emergency response agencies of the hazardous condition and implement evacuation procedures.

2) A trained person in H_2S safety shall monitor with detection equipment the H_2S concentration, wind and area of exposure. This person will determine the outer perimeter of the hazardous area. The extent of the evacuation area will be determined from the data being collected. Monitoring shall continue until the situation has been resolved. All monitoring equipment shall be UL approved for use in Class I Groups A, B, C & D, Division I hazardous locations. All monitors will have a minimum capability of measuring H_2S, oxygen, and flammable values.

3) Law enforcement shall be notified to set up necessary barriers and maintain such for the duration of the situation as well as aid in the evacuation procedure.

4) The company representative shall stay in communication with all agencies throughout the duration of the situation and inform such agencies when the situation has been contained and the effected area is safe to enter.

PROCEDURE FOR IGNITING AN UNCONTROLLABLE CONDITION

The decision to ignite a well should be a last resort and one, if not both, of the following pertain:

1) Human life and/or property are in danger.

2) There is no hope of bringing the situation under control with the prevailing conditions at the site.

INSTRUCTIONS FOR IGNITION

1) Two people are required. They must be equipped with positive pressure, self contained breathing apparatus and a "D"-ring style, full body, OSHA approved safety harness. Non-flammable rope will be attached.

2) One of the people will be a qualified safety person who will test the atmosphere for H_2S, oxygen and LFL. The other person will be the company representative.

3) Ignite up-wind from a distance no closer than necessary. Make sure that where you ignite from has the maximum escape avenue available. A 25 mm flare gun shall be used, with a +-500' range to ignite the gas.

4) Prior to ignition, make a final check for combustible gases.

5) Following ignition, continue with the emergency actions and procedures as before.

REQUIRED EMERGENCY EQUIPMENT

1) Breathing Apparatus

- Rescue Packs (SCBA) – 1 unit shall be placed at each breathing area, 2 shall be stored in the safety trailer.
- Work/Escape Packs – 4 packs shall be stored on the rig floor with sufficient air hose not to restrict work activity.
- Emergency Escape Packs – 4 packs shall be stored in the doghouse for emergency evacuation.

2) Signage and Flagging

- One Color Code Condition Sign will be placed at the entrance to the site reflecting the possible conditions at the site.
- A Colored Condition flag will be on display reflecting the condition at the site at that time.

3) Briefing Area

- Two perpendicular areas will be designated by signs and readily accessible.

4) Wind Socks

- Two windsocks will be placed in strategic locations, visible from all angles.

5) H_2S Detectors and Alarm

- The stationary detector with three (3) sensors will be placed in the upper dog house if equipped, set to visually alarm @ 10 ppm and audible alarm @ 15 ppm. Calibrate a minimum of every 30 days or as needed. The three sensors will be placed in the following places: (Gas sample tubes will be stored in the safety trailer)

  - Rig floor
  - Bell nipple
  - End of flow line or where well bore fluid is being discharged

6) Auxiliary Rescue Equipment

- Stretcher
- Two OSHA full body harnesses
- 100' of 5/8" OSHA approved rope
- One 20 lb. Class ABC fire extinguisher
- Communication via cell phones on location and vehicles on location

USING SELF-CONTAINED BREATHING AIR EQUIPMENT (SCBA)

1) SCBA should be worn when any of the following are performed:

- Working near the top or on top of a tank.
- Disconnecting any line where H_2S can reasonably be expected.
- Sampling air in the area to determine if toxic concentrations of H_2S exist.
- Working in areas where over 10 ppm of H_2S has been detected.
- At any time there is a doubt of the level of H_2S in the area.

2) All personnel shall be trained in the use of SCBA prior to working in a potentially hazardous location.

3) Facial hair and standard eyeglasses are not allowed with SCBA.

4) Contact lenses are never allowed with SCBA.

5) Air quality shall be continuously checked during the entire operation.

6) After each use, the SCBA unit shall be cleaned, disinfected, serviced and inspected.

7) All SCBA shall be inspected monthly.

RESCUE & FIRST AID FOR VICTIMS OF H_2S POISONING

- Do not panic.
- Remain calm & think.
- Get on the breathing apparatus.
- Remove the victim to the safe breathing area as quickly as possible, upwind and uphill from source or cross wind to achieve upwind.
- Notify emergency response personnel.
- Provide artificial respiration and/or CPR as necessary.
- Remove all contaminated clothing to avoid further exposure.
- A minimum of two (2) personnel on location shall be trained in CPR and First Aid.

H_2S TOXIC EFFECTS

H_2S is extremely toxic. The acceptable ceiling for eight hours of exposure is 10 ppm, which is .001% by volume. H_2S is approximately 20% heavier than air (Sp.Gr=1.19 / Air=1) and colorless. It forms an explosive mixture with air between 4.3% and 46.0%. By volume hydrogen sulfide (H_2S) is almost as toxic as hydrogen cyanide and is 5-6 times more toxic than carbon monoxide.

Various Gases

Common Name	Chemical Abbrev.	Sp. Gr.	Threshold Limits	Hazardous Limits	Lethal Concentration
Hydrogen Sulfide	H_2S	1.19	10 ppm 15 ppm	100 ppm/hr	600 ppm
Hydrogen Cyanide	HCN	0.94	10 ppm	150 ppm/hr	300 ppm
Sulfur Dioxide	SO_2	2.21	2 ppm	N/A	1000 ppm
Chlorine	CL_2	2.45	1 ppm	4 ppm/hr	1000 ppm
Carbon Monoxide	CO	0.97	50 ppm	400 ppm/hr	1000 ppm
Carbon Dioxide	CO_2	1.52	5000 ppm	5%	10%
Methane	CH_4	0.55	90,000	Combustible @ 5%	N/A

1 Threshold limit – Concentrations at which it is believed that all workers may be repeatedly exposed, day after day, without adverse effects
2 Hazardous limit – Concentration that may cause death
3 Lethal concentration – Concentration that will cause death with short-term exposure
4 Threshold limit – 10 ppm – NIOSH guide to chemical hazards
5 Short-term threshold limit

PHYSICAL EFFECTS OF HYDROGEN SULFIDE (H_2S)

CONCENTRATIONS		PHYSICAL EFFECTS
.001%	10 ppm	Obvious and unpleasant odor. Safe for 8 hr. exposure
.005%	50 ppm	Can cause some flu-like symptoms and can cause pneumonia
.01%	100 ppm	Kills the sense of smell in 3-15 minutes. May irritate eyes and throat
.02%	200 ppm	Kills the sense of smell rapidly. Severely irritates eyes and throat. Severe flu-like symptoms after 4 or more hrs. May cause lung damage and/or death.
.06%	600 ppm	Loss of consciousness quickly, death will result if not rescued promptly.