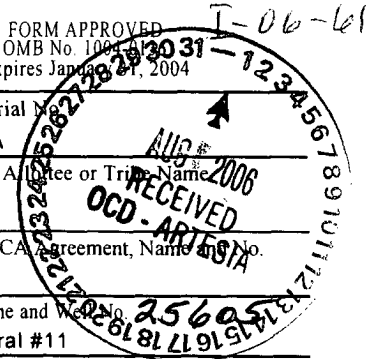


OCD-ARTESIA

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0130
Expires January 31, 2004



1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-029548-A
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Trust Name
2. Name of Operator Marbob Energy Corporation		7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 227, Artesia, NM 88211-0227		8. Lease Name and Well No. Coffee Federal #11
3b. Phone No. (include area code) 505-748-3303		9. API Well No. 30-015-35056
4. Location of Well (Report location clearly and in accordance with any State requirements) At surface 430' FNL & 1390' FWL At proposed prod. zone BHL: 350' FNL & 1660' FEL		10. Field and Pool, or Exploratory Cedar Lake Yeso
14. Distance in miles and direction from nearest town or post office*		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 18, T17S - R31E
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	12. County or Parish Eddy County
17. Spacing Unit dedicated to this well 80	13. State NM	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 6853'	20. BLM/BIA Bond No. on file NM 2056
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3736'	22. Approximate date work will start* July 26, 2006	23. Estimated duration 20 Days

24. Attachments Roswell Controlled Water Basin

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Nancy T. Bratcher</i>	Name (Printed Typed) Nancy T. Bratcher	Date 6/26/06
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Land Department Approved by (Signature) <i>/s/ Tony J. Herrell</i>	Name (Printed Typed) <i>/s/ Tony J. Herrell</i>	Date JUL 28 2006
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Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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)

DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/4"
CASING MUST BE CIRCULATED

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

Sc 17
29.5

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

	<div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p align="center">OPERATOR CERTIFICATION</p> <p><i>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.</i></p> <p><u>Nancy T. Bratcher</u> 6/23/06</p> <p>Signature Date</p> <p>Nancy T. Bratcher</p> <p>Printed Name</p> </div> <div style="border: 1px solid black; padding: 5px; margin-bottom: 10px;"> <p align="center">SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p align="center">MAY 26, 2006</p> <p>Date Surveyed MR</p> <p>Signature & Seal of Professional Surveyor</p> <p align="center"><u>Gary E. Edson</u> 6/9/06</p> <p align="center">06.11.0882</p> <p>Certificate No. GARY EDSON 12641</p> </div>
<p align="center"> POW: Another irregular section! location of existing wellhead (collectors) Maintain Subsec at C-1090. </p>	

MARBOB ENERGY CORPORATION
DRILLING AND OPERATIONS PROGRAM

Coffee Federal #11
430' FNL & 1390' FWL
BHL: 350' FNL & 1660' FEL
Section 18, T17S, R31E
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:

Yates	1225'
Seven Rivers	1340'
Queen	2430'
Grayburg	2804'
San Andres	3134'
Glorieta	4524'

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

Yates	1225'	Water
Seven Rivers	1340'	Oil
Queen	2430'	
Grayburg	2804'	Gas
San Andres	3134'	
Glorieta	4524'	

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 200' 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 - 200'	13 3/8"	48#	H-40
12 1/4"	0 - 1400'	8 5/8"	36#	J-55
8 3/4"	0 - 6853'	5 1/2"	17#	J-55



Proposed Cement Program:

- 13 3/8" Surface Casing: Cement w/ 250 sx cmt. Circulate to surface.
- 8 5/8" Intermediate Casing: Cement w/ 800 sx cmt. Circulate to surface.
- 5 1/2" Production Casing: Cement w/ 800 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 - 300 325'	Fresh Wtr	8.4 - 9.2	32 - 36	N.C.
325' - 1400'	Brine	9.9 - 10.2	28 - 32	N.C.
1400 - 6853'	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 Csg 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

Coffee Federal #11
430' FNL & 1390' FWL
BHL: 350' FNL & 1660' FEL
Section 18, T17S, R31E
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 the intersection of U.S. HWY. #82 and Co. Rd. #221 (Skelly Rd.), go North on Skelly Rd. approx. 1.5 miles. Turn right and go East approx. 0.1 miles to existing Coffee Federal #10 well. This location is approx. 100 feet South.

2. PLANNED ACCESS ROAD:

An existing access road is already in place.

- A. The maximum width of the running surface will be 10'. The road will be crowned and ditched and constructed of 6" of rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns. BLM may specify any additions or changes during the onsite inspection.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low-water crossings, or fence cuts are necessary.
- E. 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.



- F. The proposed access road as shown in Exhibit 2 has been centerline flagged by John West Engineering.

3. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. Marbob Energy Corporation proposes a collection facility, if well is productive, to be located on Coffee Federal #11 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 rehabilitation 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.

- F. The proposed access road as shown in Exhibit 2 has been centerline flagged by John West Engineering.



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- C. All rehabilitation 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 private surface. A surface agreement will complete before construction begins.

Federal 6/28/06 C.A.H.

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.

6/26/06
Date

Marbob Energy Corporation

Nancy T. Bratcher
Nancy T. Bratcher
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 (H₂S).
- B. The proper use and maintenance of personal protective equipment and life support systems.
- C. The proper use of H₂S 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 H₂S 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 H₂S Drilling Operations Plan and the Public Protection Plan.

There will be an initial training session just prior to encountering a known or probable H₂S zone (within 3 days or 500 feet) and weekly H₂S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H₂S 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. H₂S SAFETY EQUIPMENT AND SYSTEMS

Note: All H₂S 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 H₂S.



A. Well Control Equipment:

Choke manifold.

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

B. Protective equipment for essential personnel:

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

C. H₂S detection and monitoring equipment:

2 - portable H₂S monitor positioned on location for best coverage and response. These units have warning lights and audible sirens when H₂S 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 H₂S circulated to the surface.



F. Metallurgy:

All drill strings, casings, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifold and lines, and valves shall be suitable for H₂S service.

G. Communication:

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

W A R N I N G

**YOU ARE ENTERING AN H₂S 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: June 26, 2006

Lease #: LC-029548-A
Coffee Federal #11

Legal Description: Section 18: NENW
Township 17S – Range 31E
Eddy County, New Mexico

Formation(s): Morrow

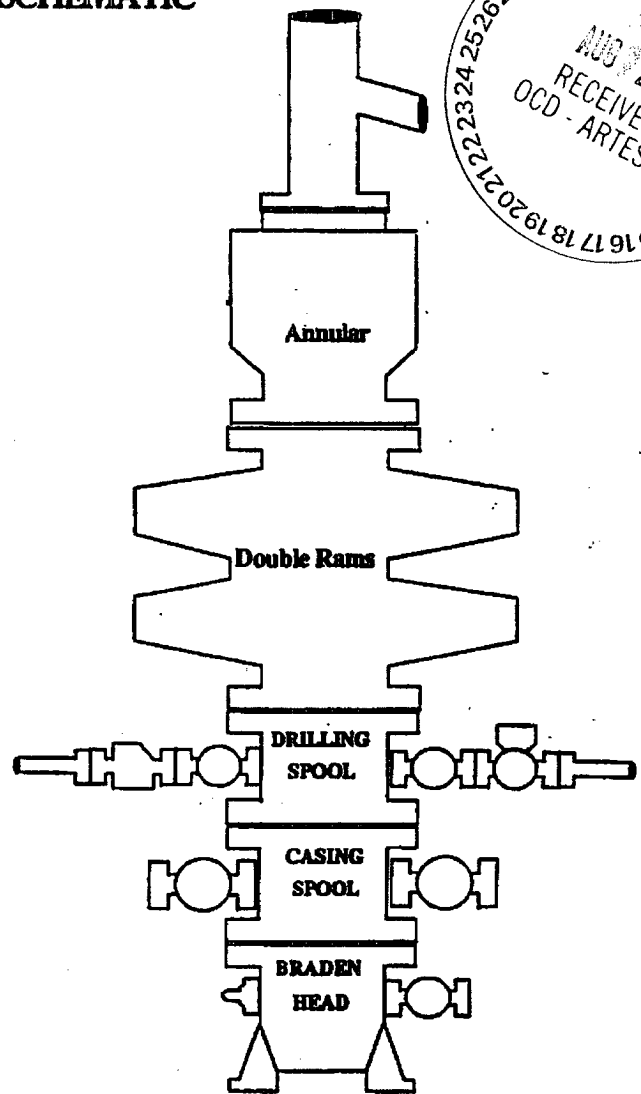
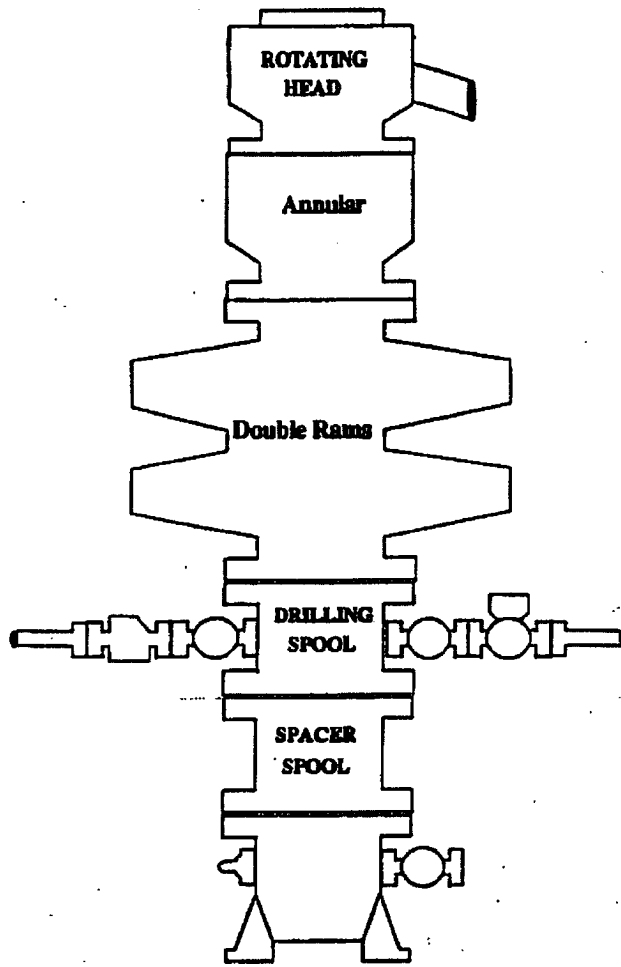
Bond Coverage: Statewide

BLM Bond File #: NM 2056

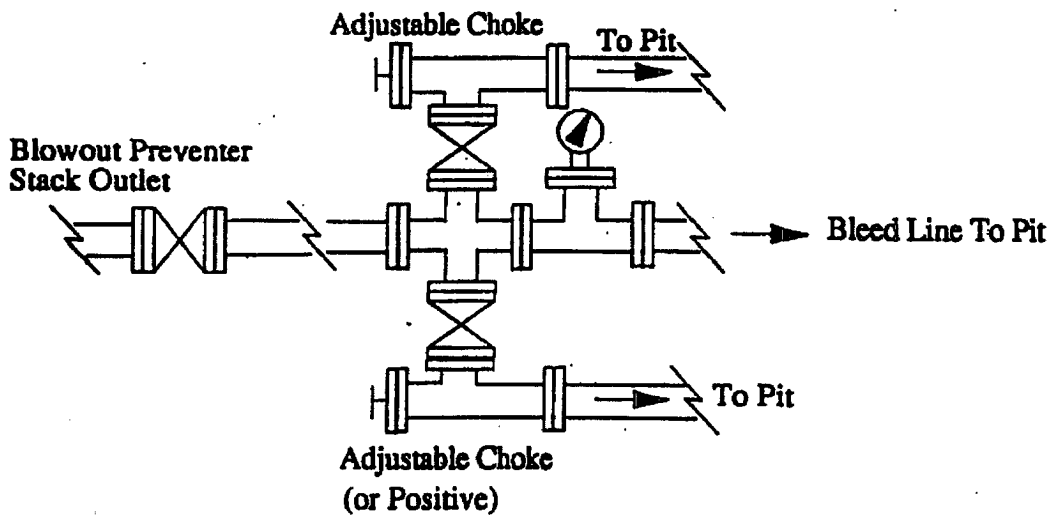
Marbob Energy Corporation

Nancy T. Bratcher
Land Department

BOPE SCHEMATIC




Choke Manifold





CONTOUR INTERVAL:
LOCO HILLS, N.M. - 10'

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



**412 N. DAL PASO
HOBBS, N.M. 88240
(505) 393-3117**

EXHIBIT "2"

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Marbob Energy Corporation Well No. 11 - Coffee Federal

Location: SH: 430' FNL & 1390' FWL BH: 350' FNL & 1660' FEL sec. 18, T. 17 S., R. 31 E.

Lease: LC-029548(a)



I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 361-2822 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

2. A Hydrogen Sulfide Contingency Plan should be activated prior to drilling in the Queen formation. A copy of the plan shall be posted at the drilling site.

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. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

II. CASING:

1. 13-3/8 inch surface casing should be set at approximately 325 feet in the Rustler Anhydrite above the top of the Salt, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field 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.

2. Minimum required fill of cement behind the 8-5/8 inch intermediate casing is sufficient to circulate to the surface.

3. Minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 200 feet into the 8-5/8 inch intermediate casing set at approximately 1400 feet.

III. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. After setting the 8-5/8 inch intermediate casing string and before drilling into the Queen formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

B. 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.

C. Testing must be done in a safe workman like manner. Hard line connections shall be required.