

Submit 3 Copies To Appropriate District Office
 District I
 1625 N French Dr., Hobbs, NM 88240
 District II
 1301 W. Grand Ave., Artesia, NM 88210
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
 Energy, Minerals and Natural Resources

Form C-103
 June 19, 2008

OIL CONSERVATION DIVISION
 1220 South St. Francis Dr.
 Santa Fe, NM 87505

WELL API NO. 30-015-36814
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name Infiniti State
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat WC; Morrow (Gas)

SUNDRY NOTICES AND REPORTS ON WELLS
 (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

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

2. Name of Operator

Marbob Energy Corporation

3. Address of Operator

P.O. Box 227, Artesia, NM 88211-0227

4. Well Location

Unit Letter **F**; **1980** feet from the **North** line and **1980** feet from the **West** line
 Section **16** Township **21S** Range **31E** NMPM County: **Eddy**

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3519'

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
 TEMPORARILY ABANDON ☐ CHANGE PLANS ☐
 PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐
 DOWNHOLE COMMINGLE ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
 COMMENCE DRILLING OPNS. ☐ P AND A ☐
 CASING/CEMENT JOB ☐

OTHER: **Cancellation Letter Due to Error of Approval** ☒

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Marbob Energy Corporation respectfully requests immediate cancellation on the above referenced APD due to it being approved in error.

PLEASE SEE ATTACHED LETTER FROM INTREPID POTASH

Spud Date:

Rig Release Date:

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

SIGNATURE Nancy T. Agnew TITLE Land Department DATE 1/28/09

Type or print name Nancy T. Agnew E-mail address: landtech@marbob.com PHONE: 575-748-3303

For State Use Only

APPROVED BY: Accepted for record - NMOCD TITLE DATE

Conditions of Approval (if any):



Intrepid Potash, Inc.
700 17th Street, Suite 1700
Denver, CO 80202
303.296.3006
303.296.7502 fax

January 28, 2009

Via Fax 505-476-3462 and Federal Express - Airbill No. 8667 9481 8414

Mr. Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 S. St. Francis Dr.
Santa Fe, N.M. 87505

Via Fax 575-748-9720 and Federal Express - Airbill No. 8667 9481 8425

Mr. Tim Gum
District Supervisor
New Mexico Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210

Re: Application for Permit to Drill
Infiniti State No. 1
1980' FNL, 1980' FWL
Section 16, T21S-R31E
Eddy County, New Mexico

Gentlemen:

Intrepid Potash-New Mexico, LLC ("Intrepid") recently ran across a location staked by Marbob Energy Corporation ("Marbob") for its Infiniti State No. 1 well (the "Infiniti Well") on New Mexico Oil & Gas Lease KO-4475-0001, located in Township 21 South, Range 31 East, Section 16, Unit F, Eddy County, New Mexico. The proposed location is 1980' FNL, 1980' FWL, and the well is intended to be drilled to the Morrow formation at a proposed depth of 14,000 feet. Intrepid received no written notice from Marbob or the Oil Conservation Division concerning this APD as required under New Mexico Oil Conservation Commission Rule R-111-P. The APD was apparently approved by the OCD on December 10, 2008 without seeking Intrepid's consent as potash lessee in this section.

Intrepid objects to OCD's approval of this APD and does not consent to the drilling of the Infiniti Well, or any other well, in Section 16. Intrepid is the lessee of State of New Mexico potash lease M-19393-2 covering this section, and all of Section 16 constitutes commercial potash and is within Intrepid's Life of Mine Reserve (LMR) approved by the New Mexico State Land Office under Rule R-111-P. This high pressure, deep gas well is literally in the middle of Intrepid's East Mine and poses a safety threat to underground miners due to the extensive, active mine workings located throughout Section 16 and adjacent sections. The proposed location would also waste potash resources in Section 16 and in Intrepid's adjacent potash federal leases in adjacent sections. The OCD should immediately rescind its approval of this APD.

Mr. Mark E. Fesmire, P.E.
Mr. Tim Gurn
January 28, 2009

The Infiniti Well is located directly over open mine workings in Intrepid's East Mine, as depicted on the attached map. The well is less than 1-½ miles from Intrepid's East Mine shafts in an area that has been extensively mined and is subject to ongoing underground mining operations. Any well drilled in Section 16 poses a significant safety hazard. The proposed well is a gas well targeting the Morrow formation. Deeper formations such as the Morrow characteristically contain much larger volumes of gas at substantially higher pressures than shallower formations. Due to the nature of underground mining, mine employees are particularly vulnerable to potential hazards created by concurrent development of potash and oil and gas resources and potential release of highly combustible gas into underground mine workings. The risks posed by producing from these deep formations directly over open mine workings are obvious, and Rule R-111-P prohibits drilling in or within ½ mile of open mine workings. The Bureau of Land Management (BLM) studied the similar risks posed by oil and gas and drilling to underground trona mining in Wyoming, and banned further drilling within miles of the trona deposits after considerable study.

Intrepid's federal potash leases NMNM-06859, located in Section 9, and NMNM-033696-A, located in Section 17, Township 21 South, Range 31 East, are both less than ½ mile from the proposed Infiniti Well. The impacted federal leases are defined as "potash enclave" by the BLM under its 1986 Secretarial Order. The ½ mile safety buffer around the proposed well would thus waste federal potash as well as the State of New Mexico's commercial potash.

For the foregoing reasons, Intrepid requests that you rescind immediately the approval of the APD for the Marbob Infiniti Well. Intrepid would also appreciate an explanation of how this APD was approved in the center of Intrepid's mining operations without notice to Intrepid, so that similar mistakes can be avoided in the future.

Sincerely,

Intrepid Potash-New Mexico, LLC



Martin D. Litt, Executive Vice President and General Counsel

cc: Raye Miller, Marbob Energy Corporation

Fax sent by :

01-28-09 14:02

Pg: 4

