

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1100 Rio Brazos Road, Aztec, NM 87410  
District IV  
1270 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-107A  
Revised June 10, 2003

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

APPLICATION TYPE  
☒ Single Well  
☐ Establish Pre-Approved Pools  
EXISTING WELLBORE  
☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

MARBOB ENERGY CORPORATION P. O. BOX 227 ARTESIA, NM 88211-0227  
Operator Address  
MILKY WAY FEE #1 A-9-22S-27E EDDY COUNTY, NM  
Lease Well No. Unit Lease-Section-Township-Range County  
OGRID No. 14049 Property Code 29890 API No. 30-015-32350 Lease Type: ☐ Federal ☐ State ☒ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	TANSILL DAM ATOKA		CARLSBAD SOUTH MORROW
Pool Code	85900		73960
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	10757-10966' PERF		11149-11463' PERF
Method of Production (Flowing or Artificial Lift)	FLOWING	RECEIVED	FLOWING
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	EST. 500 PSI PRODUCING BHP	FEB 08 2005 OCD-ARTESIA	EST. 500 PSI PRODUCING BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	N/A		N/A
Producing, Shut-In or New Zone	NEW ZONE		PRODUCING
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data.)	Date: N/A Rates: EST. 50 MCFD	Date: Rates:	Date: JANUARY 2005 Rates: AVG 100 MCFD
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.)	Oil Gas 11 % 11 %	Oil Gas % %	Oil Gas 89 % 89 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐  
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? Yes ☐ No ☐  
Are all produced fluids from all commingled zones compatible with each other? Yes ☒ No ☐  
Will commingling decrease the value of production? Yes ☐ No ☒  
If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application? Yes ☒ No ☐  
NMOCD Reference Case No. applicable to this well: \_\_\_\_\_

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Brian Collins TITLE ENGINEER DATE 02/04/05  
TYPE OR PRINT NAME BRIAN COLLINS TELEPHONE NO. ( 505 ) 748-3303  
E-MAIL ADDRESS engineering@marbob.com

DISTRICT I  
P.O. Box 1000, Hobbs, NM 88241-1000

DISTRICT II  
P.O. Drawer DD, Artesia, NM 88211-0710

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

DISTRICT IV  
P.O. Box 2080, Santa Fe, N.M. 87504-2080

State of New Mexico  
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

P.O. Box 2088  
Santa Fe, New Mexico 87504-2088

Form C-102  
Revised February 10, 1994  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number 30-015-32350	Pool Code 73800	Pool Name CARLSBAD; ATOKA, SOUTH (GAS)
Property Code 29890	Property Name MILKY WAY FEE	Well Number 1
OGRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3085'

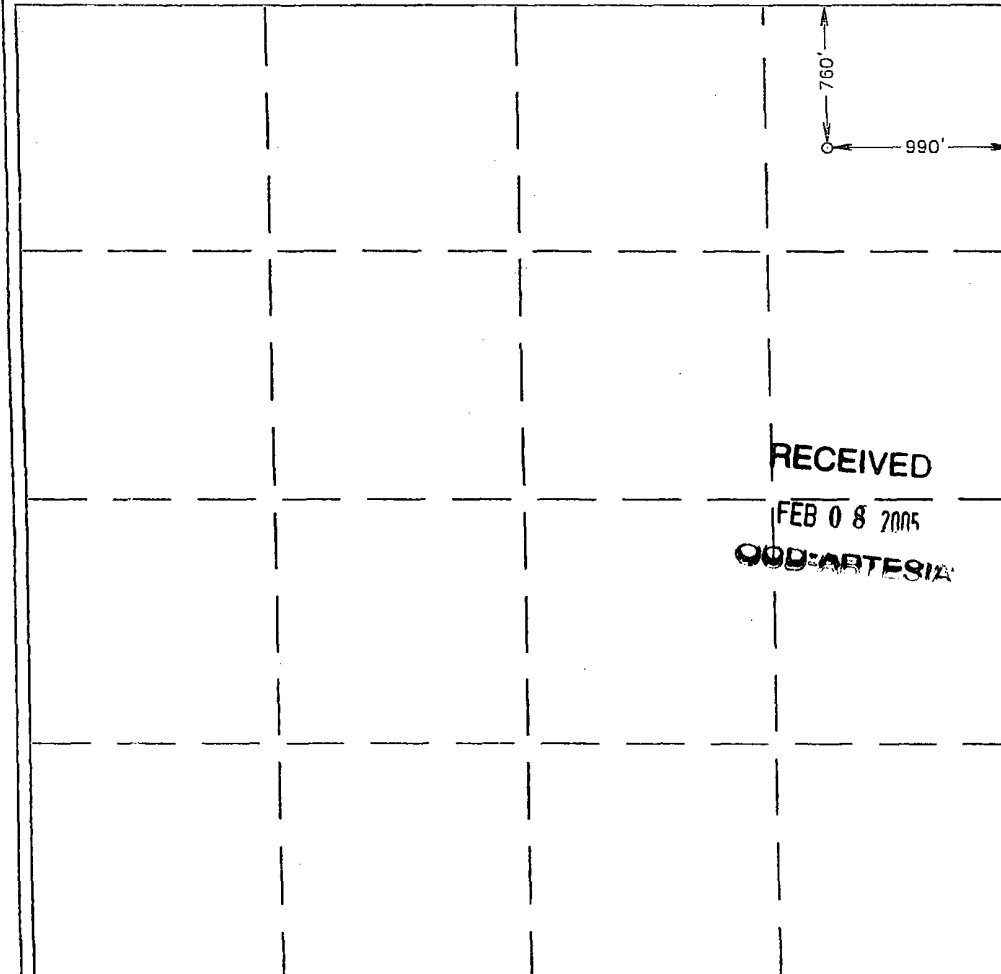

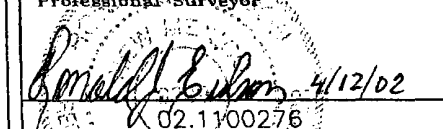
Surface Location

UL or lot No. A	Section 9	Township 22-S	Range 27-E	Lot Idn	Feet from the 760	North/South line NORTH	Feet from the 990	East/West line EAST	County 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 320	Joint or Infill	Consolidation Code	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

	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature</p> <p>DIANA J. CANNON Printed Name</p> <p>PRODUCTION ANALYST Title</p> <p>FEBRUARY 7, 2005 Date</p>
	<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>APRIL 10, 2002</p> <p>Date Surveyed</p> <p>AWB</p> <p> Signature &amp; Seal of Professional Surveyor</p> <p>02.1100276</p>
	<p>Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641</p>
	<p>RECEIVED FEB 08 2005 OCD-ARTESIA</p>

**Engineering Summary**  
**Form C-107A**  
**Application for Downhole Commingling**  
**Marbob Energy Corporation**  
**Milky Way Fee No. 1 (A-9-22S-27E)**

Marbob Energy proposes to downhole commingle the Morrow and Atoka zones. No crossflow will occur because this well will be produced into a low pressure pipeline at maximum drawdown. Also, the Atoka is expected to be a limited reservoir and will deplete rapidly to match the Morrow bottomhole pressure.

The attached decline curve contains the calculations of the Morrow gas reserves (remaining ultimate recovery = 97 MMCF gas). The Atoka reserves are calculated as follows:

$Q_i = 50$  MCFD (best engineering estimate based on Atoka production in nearby Milky Way Fee No. 2)

$Q_{el} = 5$  MCFD

Decline = 75%/year

Reserves =  $\frac{-365 (5-50)}{\ln (1-.75)} = 11848$  MCF (12 MMCF) gas

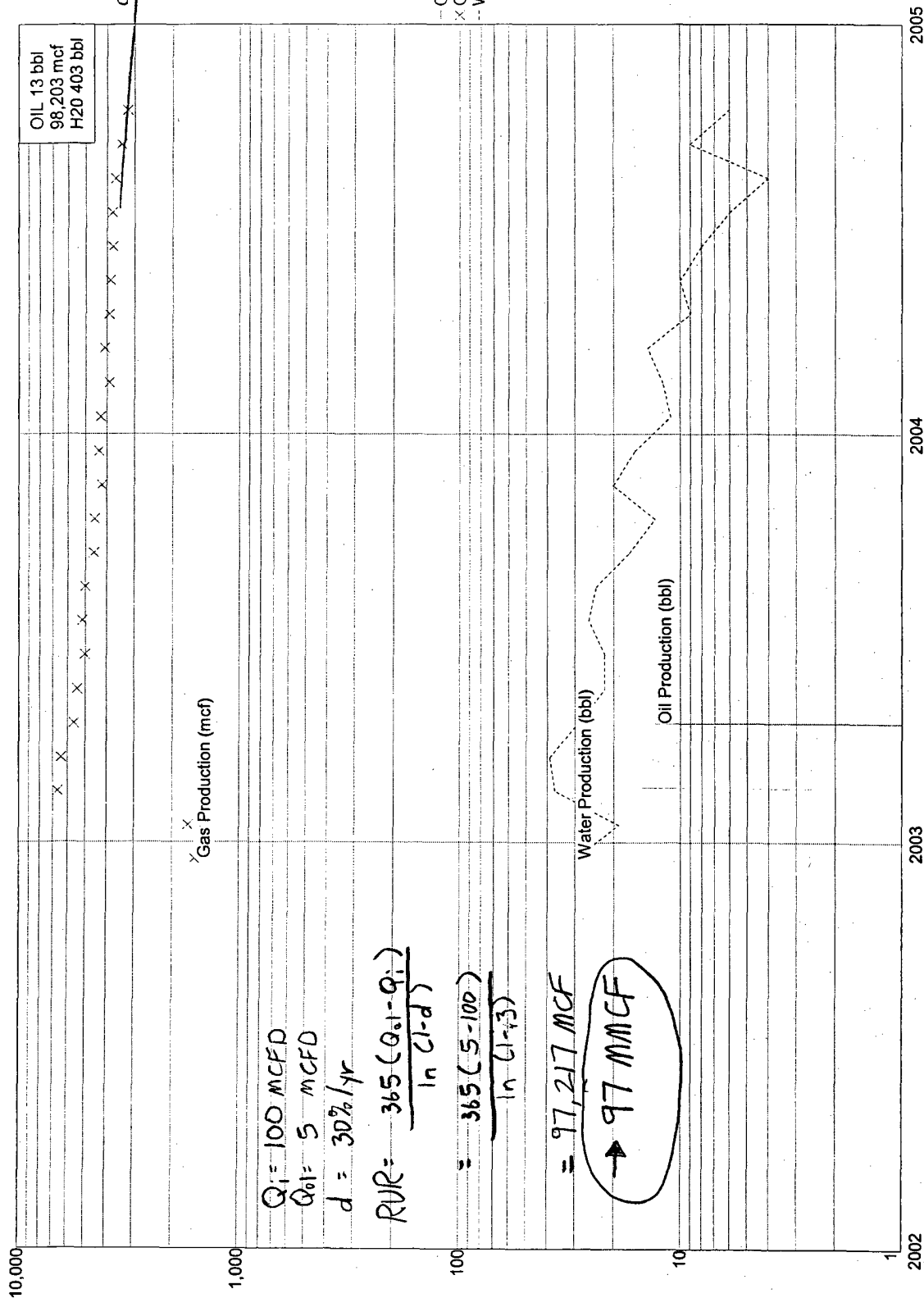
The proposed allocation follows. These zones don't produce oil/condensate, therefore, the allocation for oil will be the same as the gas allocation.

Morrow Gas/Oil =  $\frac{97 \text{ MMCF}}{97 + 12 \text{ MMCF}} = 89\%$

Atoka Gas/Oil =  $1 - .89 = 11\%$

Lease Name: MILKY WAY FEE  
 County, State: EDDY, NM  
 Operator: MARBOB ENERGY CORPORATION  
 Field: CARLSBAD SOUTH  
 Reservoir: MORROW  
 Location: 9 22S 27E SW NE NE

MILKY WAY FEE - [1 MORROW



Oil Production (bbl)  
 X Gas Production (mcf)  
 Water Production (bbl)

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

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

Form C-103

May 27, 2004

WELL API NO. 30-015-32350
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name MILKY WAY FEE
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat CARLSBAD SOUTH MORROW

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 A : 760 feet from the NORTH line and 990 feet from the EAST line  
Section 9 Township 22S Range 27E NMPM EDDY County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)  
3085' GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit type \_\_\_\_\_ Depth to Groundwater \_\_\_\_\_ Distance from nearest fresh water well \_\_\_\_\_ Distance from nearest surface water \_\_\_\_\_

Pit Liner Thickness: \_\_\_\_\_ mil Below-Grade Tank: Volume \_\_\_\_\_ bbls; Construction Material \_\_\_\_\_

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 ☐

OTHER: DOWNHOLE COMMINGLING ☒

SUBSEQUENT REPORT OF:

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

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.

SEE ATTACHED C-107A APPLICATION FOR DOWNHOLE COMMINGLING

THE PROPOSED ALLOCATION IS: CARLSBAD SOUTH MORROW 73960 - OIL 89% - GAS 89%  
TANSILL DAM ATOKA 85900 - OIL 11% - GAS 11%  
NEW ALLOCATIONS WILL BE SUBMITTED IF ACTUAL WELL PRODUCTION IS SIGNIFICANTLY DIFFERENT THAN THAT ABOVE.

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

SIGNATURE Brian Collins TITLE ENGINEER DATE 02/04/05

Type or print name BRIAN COLLINS  
For State Use Only

E-mail address: engineering@marbob.com Telephone No. 505-748-3303

APPROVED BY: \_\_\_\_\_ TITLE \_\_\_\_\_ DATE \_\_\_\_\_  
Conditions of Approval (if any):