

OCD-ARTESIA

Month - Year

FEB 20 2007

OCD - ARTESIA, NM

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL☐ REENTER1b. Type of Well: ☒ Oil Well ☐ Gas Well ☐ Other☒ Single Zone ☐ Multiple Zone

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 (Report location clearly and in accordance with any State requirements. *)

At surface 330' FNL & 1850' FWL

At proposed prod. zone

CARLSBAD CONTROLLED WATER BASIN

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

5. Lease Serial No.

NMLC-028784-A

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Burch Keely Unit # 981

9. API Well No.

30-015-35246

10. Field and Pool, or Exploratory

Grayburg Jackson SR Q Grbg SA

11. Sec., T., R., M., or Blk. and Survey or Area

Sec 24, T17S - R29E

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

40

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

4800'

20. BLM/BIA Bond No. on file

NM 2056

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

3601'

22. Approximate date work will start*

February 3, 2006

23. Estimated duration

14 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

Nancy T. Agnew

Name (Printed/Typed)

Nancy T. Agnew

Date

1/3/07

Title

Land Department

Approved by (Signature)

T/s/ James Stovall

Name (Printed/Typed)

T/s/ James Stovall

Date

FEB 15 2007

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)

SEE ATTACHED FOR
CONDITIONS OF APPROVALAPPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHEDIf earthen pits are used in
association with the drilling of this
well, an OCD pit permit must be
obtained prior to pit construction.

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 28509	Pool Name GRBG JACKSON SR Q GRBG SA
Property Code	Property Name BURCH KEELY UNIT	Well Number 981
OGRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3601'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	24	17-S	29-E		330	NORTH	1850	WEST	EDDY

Bottom Hole Location If Different From Surface

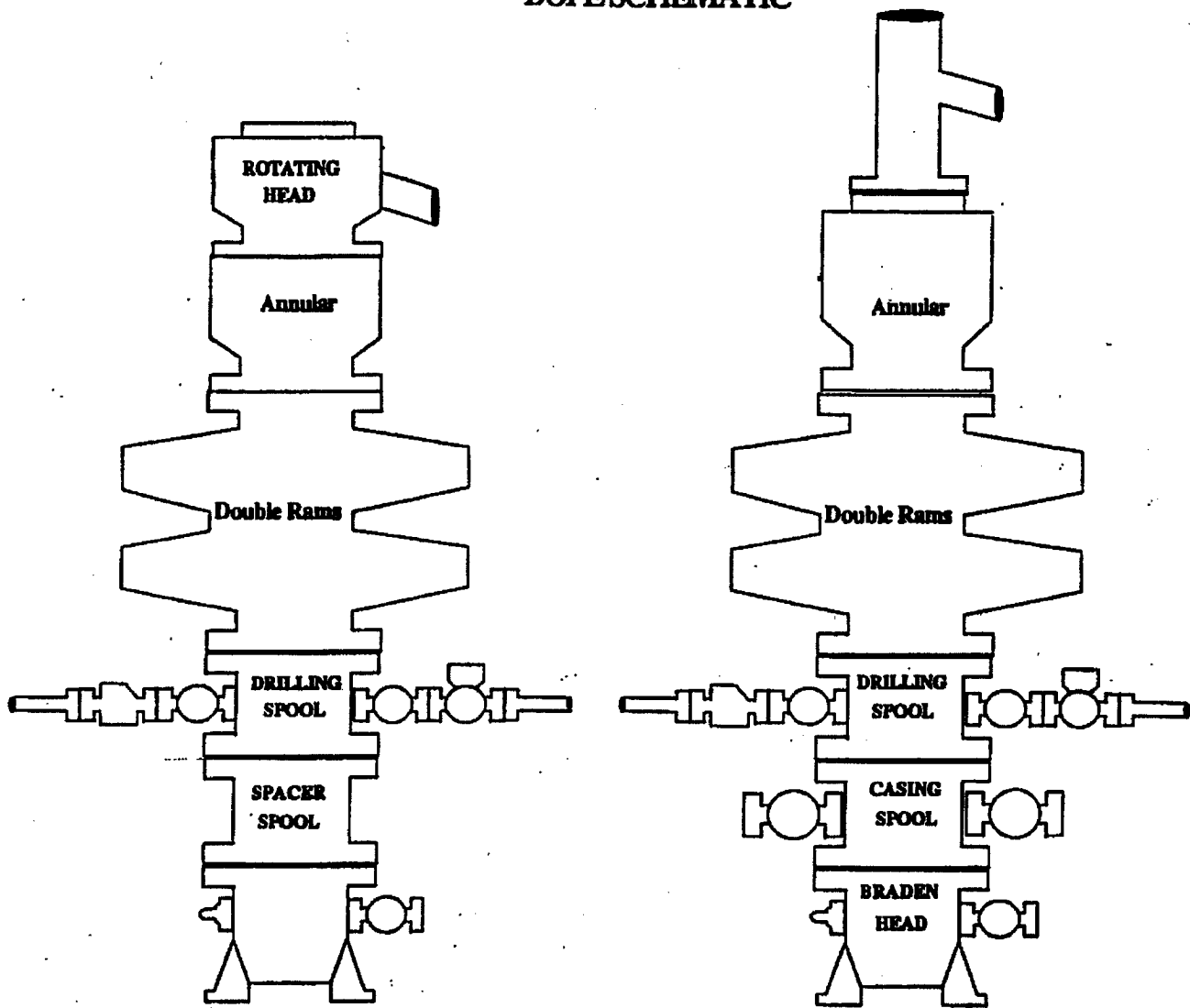
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.
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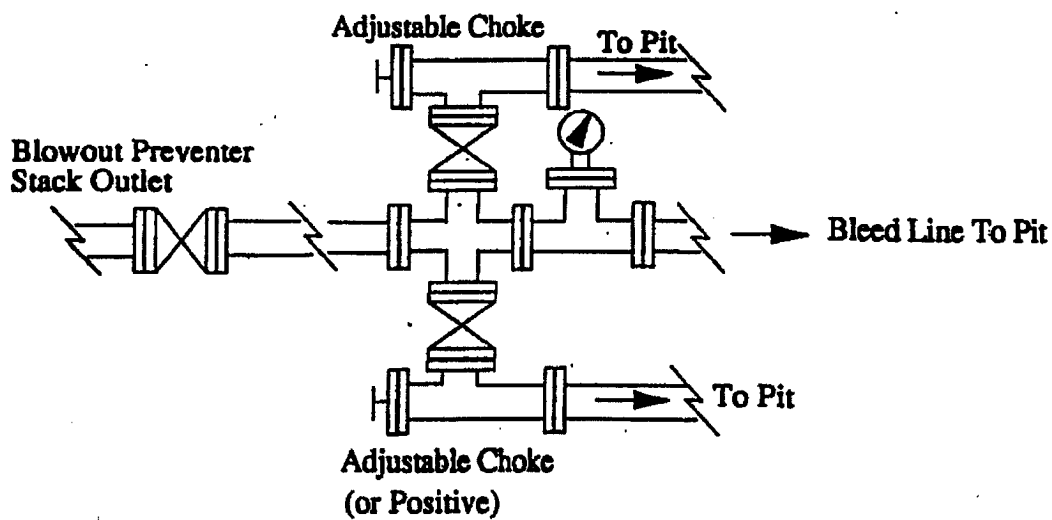
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>GEODETIC COORDINATES NAD 27 NME</p> <p>Y=664439.3 N X=593079.2 E</p> <p>LAT.=32.826264° N LONG.=104.030325° W</p>	<p>OPERATOR CERTIFICATION</p> <p>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.</p> <p><i>Nancy T. Agnew</i> 3/2007 Signature Date</p> <p>Nancy T. Agnew Printed Name</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>NOVEMBER 09, 2006</p> <p>Date Surveyed DSR</p> <p>Signature & Seal of Professional Surveyor</p> <p><i>Gary E. Eidsen</i> 12/5/06 06.11.1767</p> <p>Certificate No. GARY EIDSON 12641</p>
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BOPE SCHEMATIC



Choke Manifold

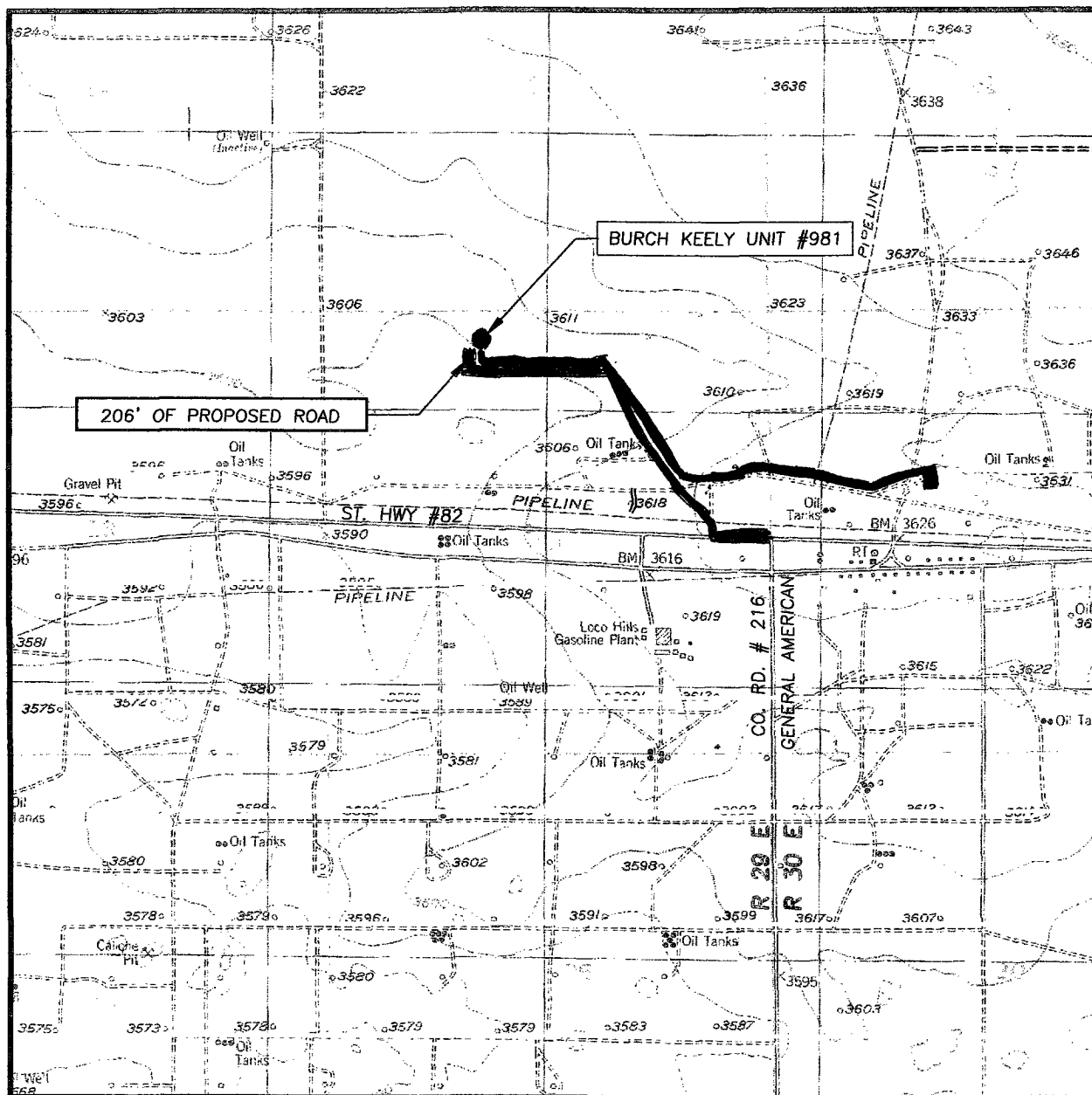


SURFACE USE AND OPERATING PLAN

**Burch Keely Unit No. 981
330' FNL & 1850' FWL
Section 24-17S-29E
Eddy County, New Mexico**

- 1. (c) Directions to Locations: From the intersection of St. Hwy #82 and Co. Rd #216 (General American Rd.) go West on St. Hwy. #82 approx. 0.1 mile. Turn right and go North approx. 100 feet to a "Y" intersection. Turn left and go Northwest approx. 0.4 miles. Turn left and go West approx. 0.3 miles to a begin road survey. Follow road survey North approx. 355 feet to this location.**
- 2. There will be 206' of proposed access road.**
- 4. (a) If productive, this well will use Satellite "B".**

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

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

SEC. 24 TWP. 17-S RGE. 29-E

SURVEY N.M.P.M.

COUNTY EDDY STATE NEW MEXICO

DESCRIPTION 330' FNL & 1850' FWL

ELEVATION 3601'

OPERATOR MARBOB ENERGY CORPORATION

LEASE BURCH KEELY UNIT

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

EXISTING ROADS
PROPOSED FLOWLINE ROUTE

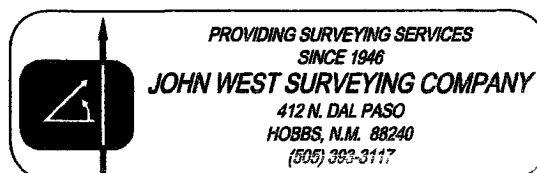


EXHIBIT #2

CONDITIONS OF APPROVAL - DRILLING

Well Name & No. Burch Keely Unit # 981
Operator's Name: Marbob Energy Corp.
Location: 330'FNL, 1850'FWL, SEC24, T17S, R29E, Eddy County, NM
Lease: LC-028784A

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at 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: 8.625 inch, 5.5 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the Seven Rivers 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. 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 covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 8.625 inch surface casing shall be set AT LEAST 25 feet INTO THE RUSTLER ANHYDRITE @ APPROXIMATELY 350 FEET or in the case that the salt occurs at a shallower depth, above the salt, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified. Remedial cementing shall be completed prior to drilling out that string. The well bore for this string will be drilled with a fresh water based mud. Possible flows in the Salado and Artesia Groups.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall be BROUGHT UP TO at least 200 feet above the shoe of the 8.625" surface casing.
3. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

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 8.625 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.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) is 2000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - A variance to test the BOP SYSTEM to the reduced pressure of 1000 psi with the rig pumps is approved.
 - The tests 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 a safe workman-like manner. Hard line connections shall be required.

Engineers can be reached at 505-706-2779 for any variances that might be necessary.

F Wright 2/6/07

Marbob Energy Corporation
Burch Keely Unit

HYDROGEN SULFIDE PUBLIC PROTECTION PLAN

The purpose of this plan is to safeguard the lives of the public and company personnel in the event of a component failure or natural disaster while oil and gas production operations are in progress.

A copy of this plan shall be available at the Burch Keely Central Tank Battery and Burch Keely Satellite E Battery as well as all the satellites.

I. Responsibilities and Duties of Key Personnel

The Foreman shall be responsible for overall oil and gas operations, on-site safety, training programs, and for implementing the procedures contained in this plan. In his absence the Assistant Foreman is in charge.

II. Emergency Call-out Procedures

During normal operations, the unit is controlled by a central alarm that monitors all batteries and satellites. In the event of an H₂S emergency, Nova Monitoring Systems, Inc. will immediately contact Marbob personnel. In order, persons contacted are as follows:

Doyle Davis	Office	(505) 748-3303
Production Foreman	Cellular	(505) 748-5975
	Home	(505) 746-6550
Adam Olguin	Office	(505) 748-3303
Asst. Production Foreman	Cellular	(505) 748-4868
	Home	(505) 748-3138
John Bilberry	Office	(505) 748-3303
Field Foreman	Cellular	(505) 748-5992
	Home	(505) 365-2636
Randy Dutton	Office	(505) 748-3303
Field Foreman	Cellular	(505) 748-5973
	Home	(505) 887-5409
Eddy County Sheriff's Office		(505) 746-9888
Emergency Calls		911

The Eddy County Sheriff's office will contact:

Local emergency personnel (fire and medical) will be put on alert (see Appendix I & II).

The following information is to be given to all persons contacted:

1. Nature of emergency, especially noting the presence of H₂S and concentrations of any H₂S.
2. Whether the emergency is under control or not.
3. Estimated flow rate of hazardous gas.
4. Whether hazardous gas is being flared.
5. Wind direction and velocity
6. Casualties and damage.

The foreman on duty will then notify:

Johnny C. Gray President	Office	(505) 748-3303
	Cellular	(505) 748-5983
	Home	(505) 885-3879
Doug Chandler Vice-President	Office	(505) 748-3303
	Cellular	(505) 748-5985
	Home	(505) 887-6934
Shane Gray	Office	(505) 748-3303
	Cellular	(505) 748-5959
	Home	(505) 746-0860

One of the officers of Marbob will notify all necessary federal, state, and local government agencies as specified in Appendix III of this plan.

