

District I
1625 N. French Drive, Hobbs, NM 88240

District II
1301 W. Grand Avenue, Artesia, NM 88210

District III
1000 Rio Brazos Road, Artesia, NM 87410

District IV
1220 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 88211-0027
Operator Address

A STATE #1 D-34-17S-28E EDDY, NM
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 14049 Property Code 35985 API No. 30-015-34394 Lease Type: ☐ Federal ☒ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Artesia Qn-GB-SA		Artesia Glorieta/Yes
Pool Code	3230		96830
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	2250-2700' PERFORATED		3686-3929' PERFORATED
Method of Production (Flowing or Artificial Lift)	Artificial Lift		Artificial Lift
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)	50 psi producing BHP		100 psi producing BHP
Oil Gravity or Gas BTU (Degree API or Gas BTU)	38.5°		41.8°
Producing, Shut-In or New Zone	New Zone		Completion Underway
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:	Date: Rates:	Date: Rates:
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 69 % 50 %	Oil Gas % %	Oil Gas 31 % 50 %

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 09/22/06

TYPE OR PRINT NAME BRIAN COLLINS TELEPHONE NO. (505) 748-3303

E-MAIL ADDRESS engineering@marbob.com

Engineering Summary
Form C-107A
Application for Downhole Commingling

Marbob Energy Corporation
A State #1 (Unit D, Sec. 34-T17S-R28E)

Marbob Energy proposes to downhole commingle the San Andres (Artesia Q-GB-SA 3230) and the Yeso (Artesia Glorieta Yeso 96830) in the captioned well.

No crossflow will occur because this well will be rod pumped in a pumped down condition. The proposed zonal allocation is described below. A nearby San Andres well, the Moore State #3 (attached), will be used as an analog for decline behavior over time. The best engineering estimate is that the Yeso decline behavior over time will approximate the San Andres decline behavior

Yeso: Best engineering estimate is that Yeso will come in at 20 bopd/150 mcf like the nearby Moore State #4. As shown on the attached production plot for the nearby Moore State #3, the best engineering estimate is that the oil will decline 45%/yr for 2 years, 20%/yr for 4 years, followed by 8%/yr thereafter. The gas will decline 70%/yr for first year, 15%/yr for 6 years, followed by 7%/yr thereafter.

Qioil = 20 bopd.
Q2yr = 6 bopd
Q6yr = 2.5 bopd
Qel = 1 bopd

$$\begin{aligned} \text{EUR} &= \frac{-365 (20-6)}{\ln (1-.45)} + \frac{-365 (6-2.5)}{\ln (1-.2)} + \frac{-365 (2.5-1)}{\ln (1-.08)} \\ &= 8547 + 5725 + 6566 \text{ BO} \\ &= 20838 \text{ BO} \end{aligned}$$

Qigas = 150 mcf
Q1yr = 45 mcf
Q6yr = 17 mcf
Qel = 3 mcf

$$\begin{aligned} \text{EUR gas} &= \frac{-365 (150-45)}{\ln (1-.70)} + \frac{-365 (45-17)}{\ln (1-.15)} + \frac{-365 (17-3)}{\ln (1-.07)} \\ &= 31832 + 62885 + 70414 \\ &= 165131 \text{ MCF} \end{aligned}$$

San Andres: Best engineering estimate is that San Andres will start out at 40 bopd/150 mcfd and will decline as described previously.

Qioil = 40 bopd
Q2yr = 12 bopd
Q6yr = 5 bopd
Qel = 1 bopd

$$\begin{aligned} \text{EUR} &= \frac{-365 (40-12)}{\ln (1-.45)} + \frac{-365 (12-5)}{\ln (1-.2)} + \frac{-365 (5-1)}{\ln (1-.08)} \\ &= 17094 + 11450 + 17510 \\ &= 46054 \text{ BO} \end{aligned}$$

Qi = 150 mcfd
Q1yr = 45 mcfd
Q7yr = 17 mcfd
Qel = 3 mcfd

EUR = See Yeso calculations
= 165131 MCF

Zonal Allocation

$$\text{Yeso Oil} = \frac{20838 \text{ BO}}{20838 + 46054 \text{ BO}} = 31.15\% \text{ Say } 31\%$$

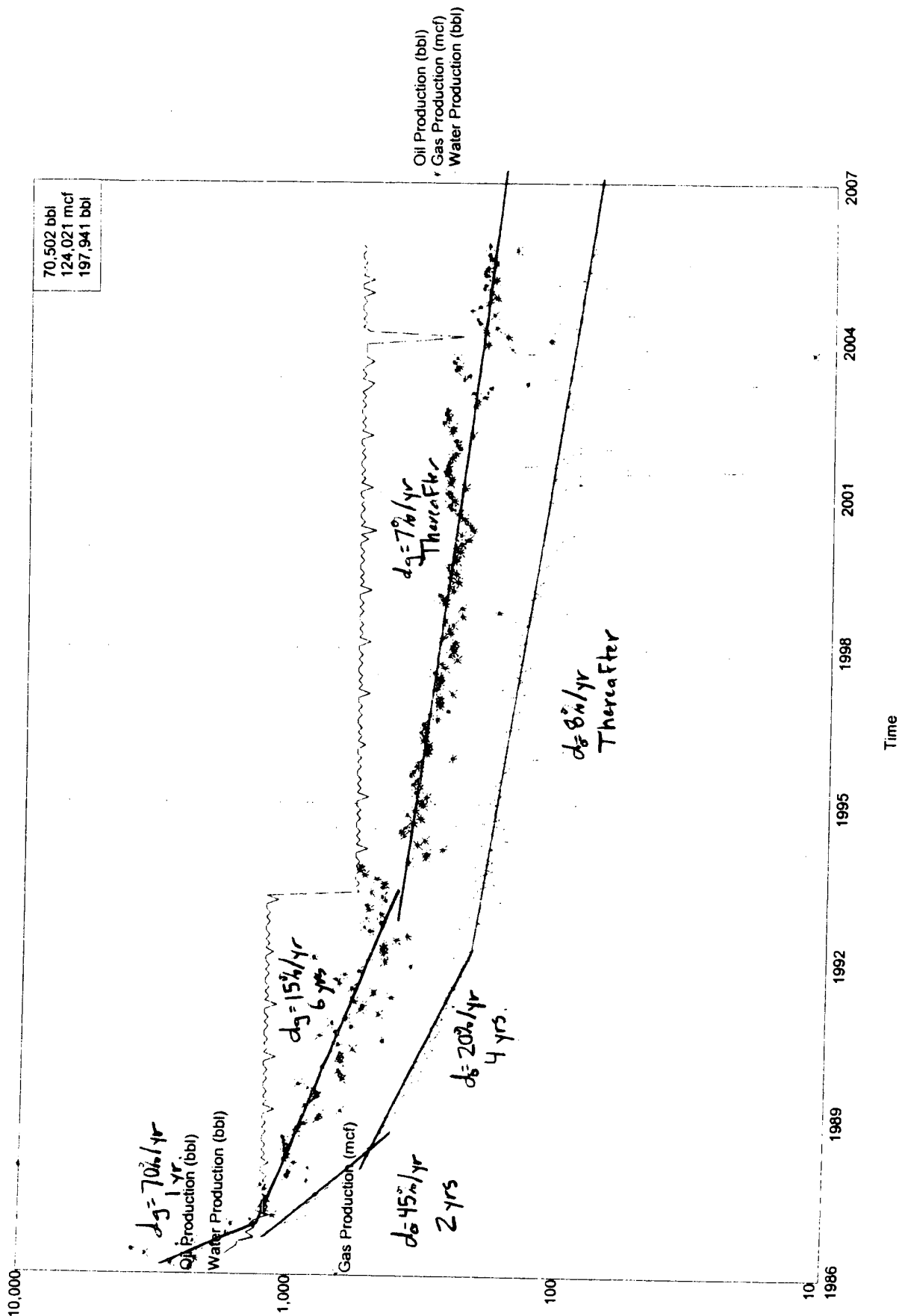
Yeso Gas = San Andres Gas = 50%

San Andres Oil = 100 - 31% = 69%

San Andres Gas = 50%

Lease Name: MOORE STATE
 County, State: EDDY, NM
 Operator: MARBOB ENERGY CORPORATION
 Field: ARTESIA
 Reservoir: QUEEN-GRAYBURG-SAN A
 Location: 34 17S 28E SE NE

MOORE STATE 3



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State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
 Permit 17479

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-34394	2. Pool Code 96830	3. Pool Name ARTESIA: GLORIETA-YESO (O)
4. Property Code 35184	5. Property Name ARCO STATE	6. Well No 001
7. OGRID No 14049	8. Operator Name MARBOB ENERGY CORP	9. Elevation 3681

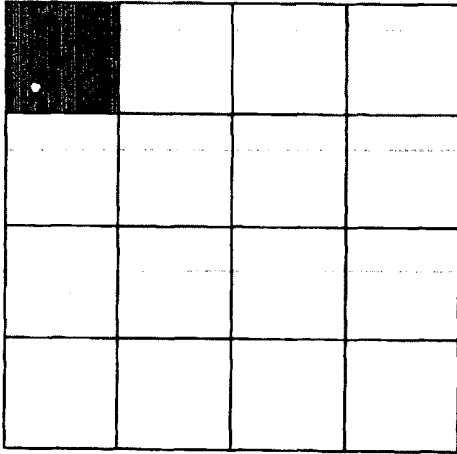
10. Surface Location

UL - Lot D	Section 34	Township 17S	Range 28E	Lot Idn D	Feet From 990	N/S Line N	Feet From 330	E/W Line W	County EDDY
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11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 40.00		13. Joint or Infill		14. Consolidation Code		15. 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

	OPERATOR CERTIFICATION	
	<i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>	
	E-Signed By: Diana Briggs Title: Production Analyst Date: 10/24/2005	
	SURVEYOR CERTIFICATION	
<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>		
Surveyed By: RON EIDSON Date of Survey: 10/12/2005 Certificate Number: 3239		

Submit 3 Copies To Appropriate District
Office
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State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

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

WELL API NO. 30-015-34394
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 A STATE
8. Well Number 1
9. OGRID Number 14049
10. Pool name or Wildcat ARTESIA GLORIETA YESO

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 _____

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 D : 990 feet from the NORTH line and 330 feet from the WEST line
Section 34 Township 17S Range 28E NMPM EDDY County NM

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3681' GR

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

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: <u>Downhole Commingling</u> <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

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: ARTESIA Q-GR-SA 3230 - OIL 69% - GAS 50%
ARTESIA GLORIETA YESO 96830 - OIL 31% - GAS 50%

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 NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brian Collins TITLE ENGINEER DATE 09/22/06

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): _____



September 22, 2006

New Mexico State Land Office
Oil, Gas & Minerals Division
P. O. Box 1148
Santa Fe, NM 87504-1148

Attn: Ms. Jamie Bailey

Re: C-107A Downhole Commingling Application
A State #1
Township 17 South, Range 28 East, NMPM
Sec. 34: Unit D
Eddy County, New Mexico

Dear Ms. Bailey:

Enclosed is the \$30.00 application fee and copy of the Form C-107A Application for Downhole Commingling that we submitted to the NMOCD for the A State #1 well located in Eddy County.

We are seeking approval to downhole commingle the Yeso and San Andres zones to extend the economic life of the well and maximize the financial benefit to the State of New Mexico.

If you have any questions, please call me at 505-748-3303.

Sincerely,

Brian Collins
Petroleum Engineer

BC/dlw
enclosures