

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-036852	
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 Tribe Name	
2. Name of Operator Marbob Energy Corporation		7. If Unit or CA Agreement, Name and No.	
3a. Address P.O. Box 227, Artesia, N.M. 88211-0227		8. Lease Name and Well No. Larry Federal #2	
3b. Phone No. (include area code) 505-748-3303		9. API Well No. 30-025-38444	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 330' FSL & 330' FEL At proposed prod. zone Roswell Controlled Water Basin Unit P		10. Field and Pool, or Exploratory Young Wolfcamp	
11. Sec., T., R., M., or Blk. and Survey or Area Section 34, T17S - R32E		12. County or Parish Lea County	
13. State NM		14. Distance in miles and direction from nearest town or post office*	
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 40	
17. Spacing Unit dedicated to this well		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	
19. Proposed Depth 9800'		20. BLM/BIA Bond No. on file NM 2056	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3920'		22. Approximate date work will start* April 27, 2007	
23. Estimated duration 25 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 <i>Nancy T. Agnew</i>	Name (Printed Typed) Nancy Agnew	Date 3-27-07
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Title Land Department	Name (Printed Typed) <i>/s/ James Stovall</i>	Date JUN 11 2007
Approved by (Signature) <i>/s/ James Stovall</i>	Office CARLSBAD FIELD OFFICE	

Title ACTING 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.

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 APPROVAL

APPROVAL SUBJECT TO
CENTRAL REQUIREMENTS
AND SPECIAL stipulations
ATTACHED

dm

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

State of New Mexico
Energy, Minerals and Natural Resources Department

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 30-025-38444	Pool Code 65580 ✓	Pool Name YOUNG WOLFCAMP
Property Code 36545	Property Name LARRY FEDERAL	Well Number 2
OGRID No. 14049	Operator Name MARBOB ENERGY CORPORATION	Elevation 3920'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	34	17-S	32-E		330	SOUTH	330	EAST	LEA

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

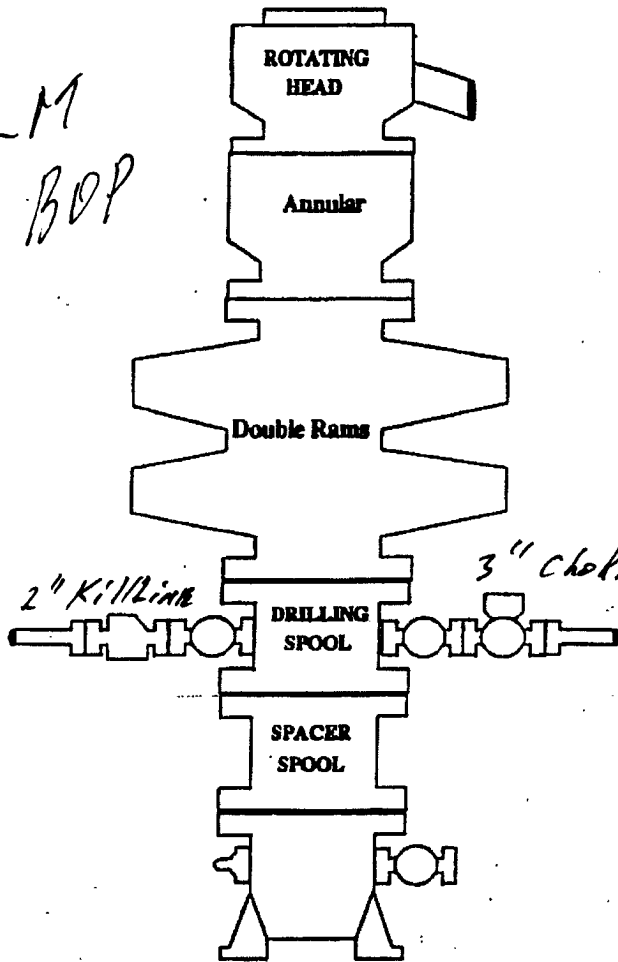
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40 ✓			

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

<div><p>GEODETIC COORDINATES NAD 27 NME Y=649649.1 N X=680440.5 E LAT.=32.784600° N LONG.=103.746207° W</p><p>DETAIL</p><p>SEE DETAIL 330'</p></div>	<div><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 Agnew</i> 3/27/07 Signature Date Nancy 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>FEBRUARY 22, 2007 Date Surveyed AR Signature & Seal of Professional Surveyor <i>Gary H. Eidson</i> 3/6/07 07.11.0231 Certificate No. GARY EIDSON 12641 RONALD J. EIDSON 3239</p></div>
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BOPE SCHEMATIC

2 1/4
BOP



3" Choke Manifold

3 1/4
BOP

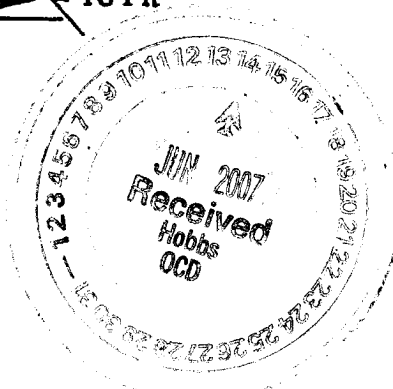
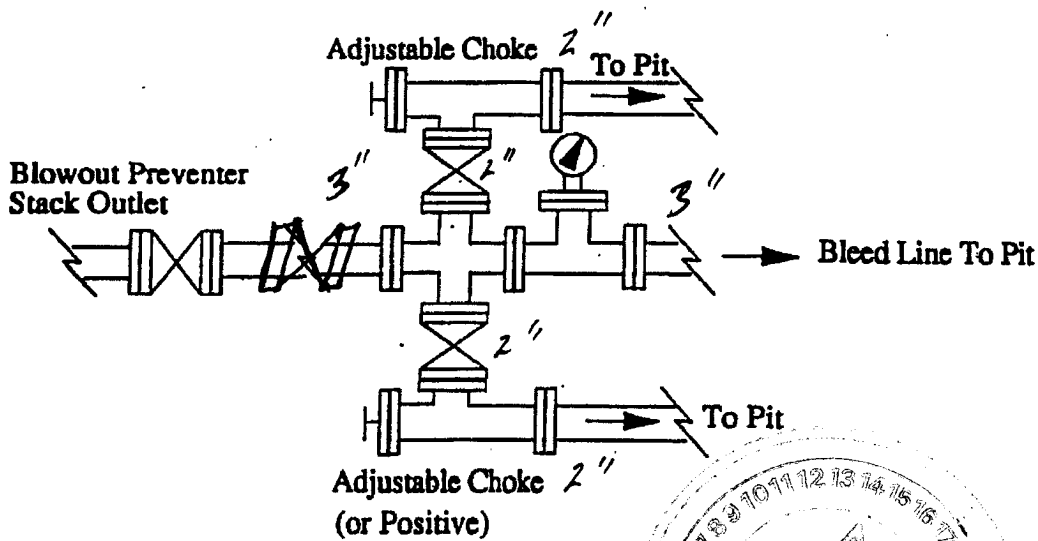
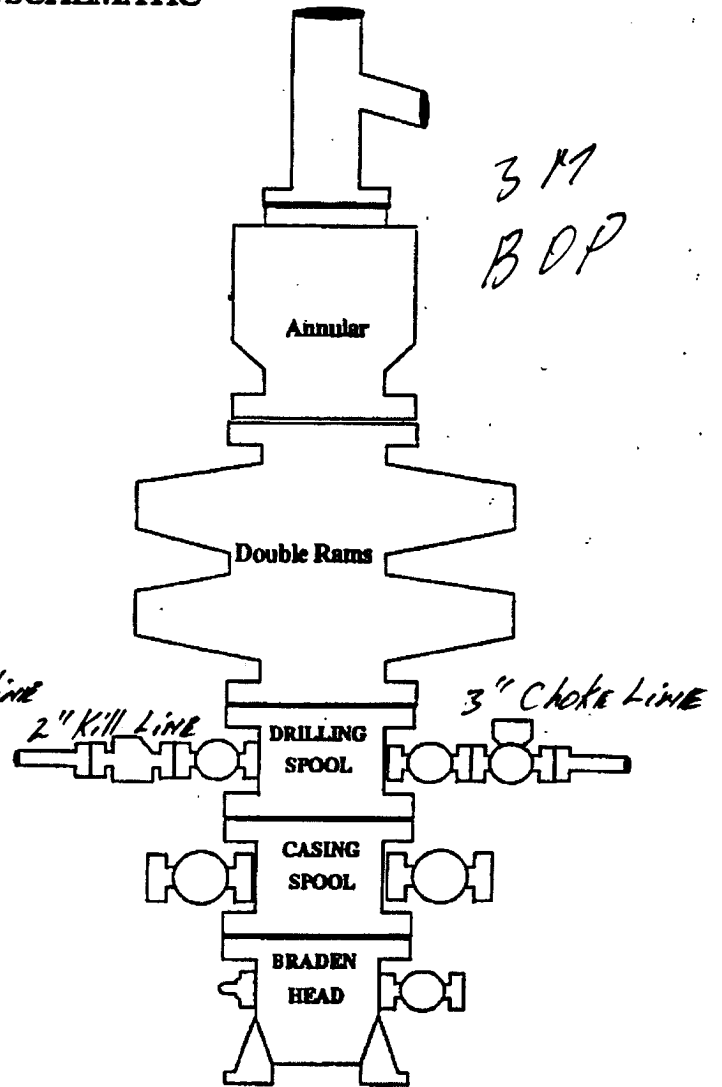


Exhibit One

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Marbob Energy Corp
Well Name & No. Larry Federal # 2
Location: 330'FSL, 330'FEL, SEC34, T17S, R32E, Lea County, NM
Lease: NM-036852

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I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Lea County call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612
- B. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated 500 feet prior to drilling into the N/A formation.
- C. 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.
- D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

- A. The 13.375 inch surface casing shall be set at 400 feet and cemented to the surface.
1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 4. If cement falls back, remedial action will be done prior to drilling out that string.
- B. The minimum required fill of cement behind the 9.625 inch intermediate casing is cement shall circulate to the surface. If cement does not circulate see A.1 thru 4.

- C. The minimum required fill of cement behind the 5.5 inch production casing is cement shall extend upward a minimum of 200 feet above the base of the 9.625" intermediate casing string.
- D. If hard band drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool I joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

- A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2.
- B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 psi.
- C. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the 9.625 inch Intermediate casing shoe shall be 3000 psi.
- D. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
1. The tests shall be done by an independent service company.
 2. The results of the test shall be reported to the appropriate BLM office.
 3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
 4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53, section 17. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
 5. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the Wolfcamp formation. This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.
 6. A variance to test the surface casing and BOP/BOPE to the reduced pressure of 1000 psi with the rig pumps is approved.

IV. DRILLING MUD:

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented.

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well
4. **Fresh Water based mud with starch and fluid loss control material will be used to drill from the surface casing to 1080 feet.**

V. Hazards:

1. Our geologist has indicated that there is potential for flows in the Salado and Artesia groups.
2. Our geologist has indicated that there is potential for lost circulation in the Grayburg and San Andres formations.
3. Our geologist has indicated that there is potential for abnormal pressure in the Wolfcamp formation.

Engineering can be reached for variances at: 505-706-2779

FWright 6/7/07



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, 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-144
March 12, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: **Marbob Energy Corporation**

Telephone: **505-748-3303**

e-mail address: **landtech@marbob.com**

Address: **PO Box 227, Artesia, NM 88211-0227**

Facility or well name: **Larry Federal #2**

API #: **30-025-38444** U/L or Qtr/Qtr **SESE** Sec **34** T **17S** R **32E**

County: **Lea**

Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit

Type: Drilling ☒ Production ☐ Disposal ☐

Workover ☐ Emergency ☐

Lined ☒ Unlined ☐

Liner type: Synthetic ☒ Thickness **12** mil Clay ☐ Volume
_____ bbl *# bbls - cul*

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not: _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) *~ 75'*

Less than 50 feet

50 feet or more, but less than 100 feet

100 feet or more

(20 points)

(10 points)

(0 points)

0 points

Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)

Yes

No

(20 points)

(0 points)

0 points

Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

200 feet or more, but less than 1000 feet

1000 feet or more

(20 points)

(10 points)

(0 points)

0 points

Ranking Score (Total Points)

10 **0 points**

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____

(3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

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

Date: March 28, 2007

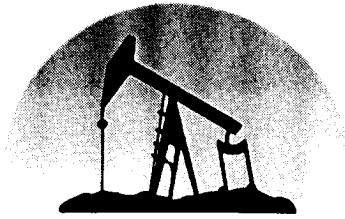
Printed Name/Title: **Nancy T. Agnew / Land Department** Signature *Nancy T. Agnew*

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Date: *6/20/07*

Printed Name/Title: **CHRIS WILLIAMS / DIST. SUPERVISOR** Signature *Chris Williams*



marbob
energy corporation

March 28, 2007

Oil Conservation Division
1625 N. French Drive
Hobbs, NM 88240

Attention: Donna Mull

RE: Larry Federal #1	330' FSL & 1650' FEL	Sec 34, T17S-R32E	Lea County
Larry Federal #2	330' FSL & 330' FEL	Sec 34, T17S-R32E	Lea County
Curly Federal #2	1650' FSL & 330' FEL	Sec 34, T17S-R32E	Lea County

Dear Donna:

Marbob Energy has conducted a review to determine if an H2S contingency plan is required for the above referenced well. We were able to conclude that any potential hazardous volume would be minimal. H2S concentrations of wells in this area from surface to TD are low enough; therefore we do not believe that an H2S Contingency Plan would be necessary.

Please advise us if you feel differently or need further information.

Sincerely,

Nancy Agnew
Landman

/na

