

DATE IN 3-23-10	SUSPENSE	ENGINEER WJ.	LOGGED IN 3-23-10	TYPE DHC	APP NO. 1008250593
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ABOVE THIS LINE FOR DIVISION USE ONLY

## ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

### Application Acronyms:

**[NSL-Non-Standard Location]** **[NSP-Non-Standard Proration Unit]** **[SD-Simultaneous Dedication]**  
**[DHC-Downhole Commingling]** **[CTB-Lease Commingling]** **[PLC-Pool/Lease Commingling]**  
**[PC-Pool Commingling]** **[OLS - Off-Lease Storage]** **[OLM-Off-Lease Measurement]**  
**[WFX-Waterflood Expansion]** **[PMX-Pressure Maintenance Expansion]**  
**[SWD-Salt Water Disposal]** **[IPI-Injection Pressure Increase]**  
**[EOR-Qualified Enhanced Oil Recovery Certification]** **[PPR-Positive Production Response]**

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify \_\_\_\_\_
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☐ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

PAUL C. THOMPSON  
Print or Type Name

Paul C. Thompson  
Signature

AGENT  
Title

3/18/10  
Date

PAUL@WALSHENG.NET  
e-mail Address



All distances must be from the outer boundaries of the Section.

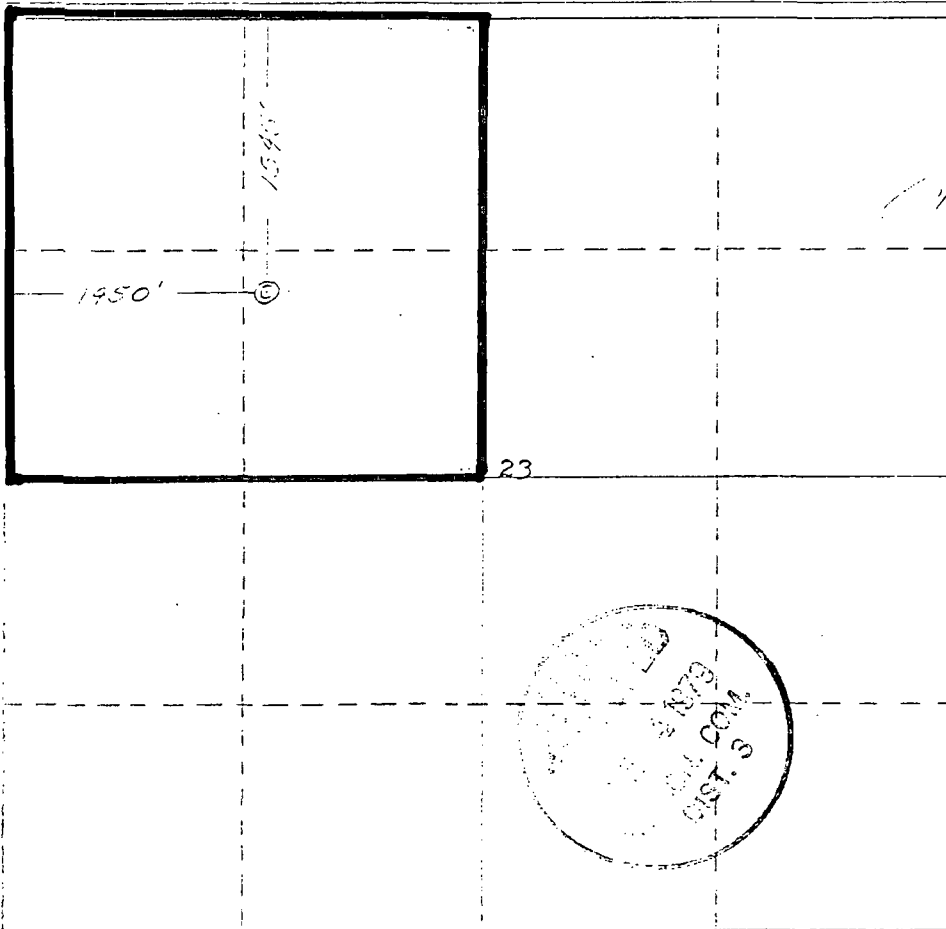
Name <b>WILLIAM C. RUSSELL</b>			Lease <b>MARRON (NM-03605)</b>		Well No. <b>94</b>
Section <b>23</b>	Township <b>27 NORTH</b>	Range <b>8 WEST</b>	County <b>SAN JUAN</b>		
Section Number, Location of Well: 1545 feet from the <b>NORTH</b> line and 1450 feet from the <b>WEST</b> line					
Surface Elev. <b>5936</b>	Producing Formation <b>Chacra</b>	Pool <b>Largo</b>	Dedicated Acreage <b>160</b>		Acres

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes" type of consolidation \_\_\_\_\_

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) \_\_\_\_\_

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name  
**William C. Russell**

Position  
**Operator**

Company  
**Independent**

Date  
**May 7, 1979**

I hereby certify that the well location shown on this plat was located 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 knowledge and belief.

Date Surveyed  
**28 April 1979**

Registered Professional Engineer  
and Surveyor  
**James P. Leese**

Certificate No.  
**1463**

0 500 1000 1500 2000 2500 3000 3500 4000 4500 5000



Marron #94  
Basin Fruitland Coal  
Otero Chacra

Commingling Application

Allocation Formula

The Otero Chacra formation was completed by William C. Russell, Operator on October 30, 1979. The well is producing from perforations from 3084' to 3120'. The current Operator, M&G Drilling Company proposes to re-complete this well bore in the Basin Fruitland Coal formation and down hole commingle the production with the existing Chacra production. The proposed Fruitland Coal perforations are from 1998 to 2123'.

Down hole commingling will prevent the drilling of an additional well bore for the Fruitland Coal well and will allow the Chacra formation to produce longer since it is only capable of marginal production.

Based on offsetting Fruitland coal wells, it is anticipated that both zones will have similar bottom hole pressures. Also, neither zone produces a significant amount of water and neither zone produces any liquid hydrocarbons. Neither zone is fluid sensitive and the fluids from the two zones are compatible.

Since the Chacra formation has been producing for many years, M&G Drilling proposes to allocate the first 20 MCFD (current production rate) to the Chacra formation with the remainder to be allocated to the Basin Fruitland Coal. The Chacra production rate will be recalculated once per year using the current decline rate of 4.76%. Please refer to the attached production graph for the Marron #94 Chacra.

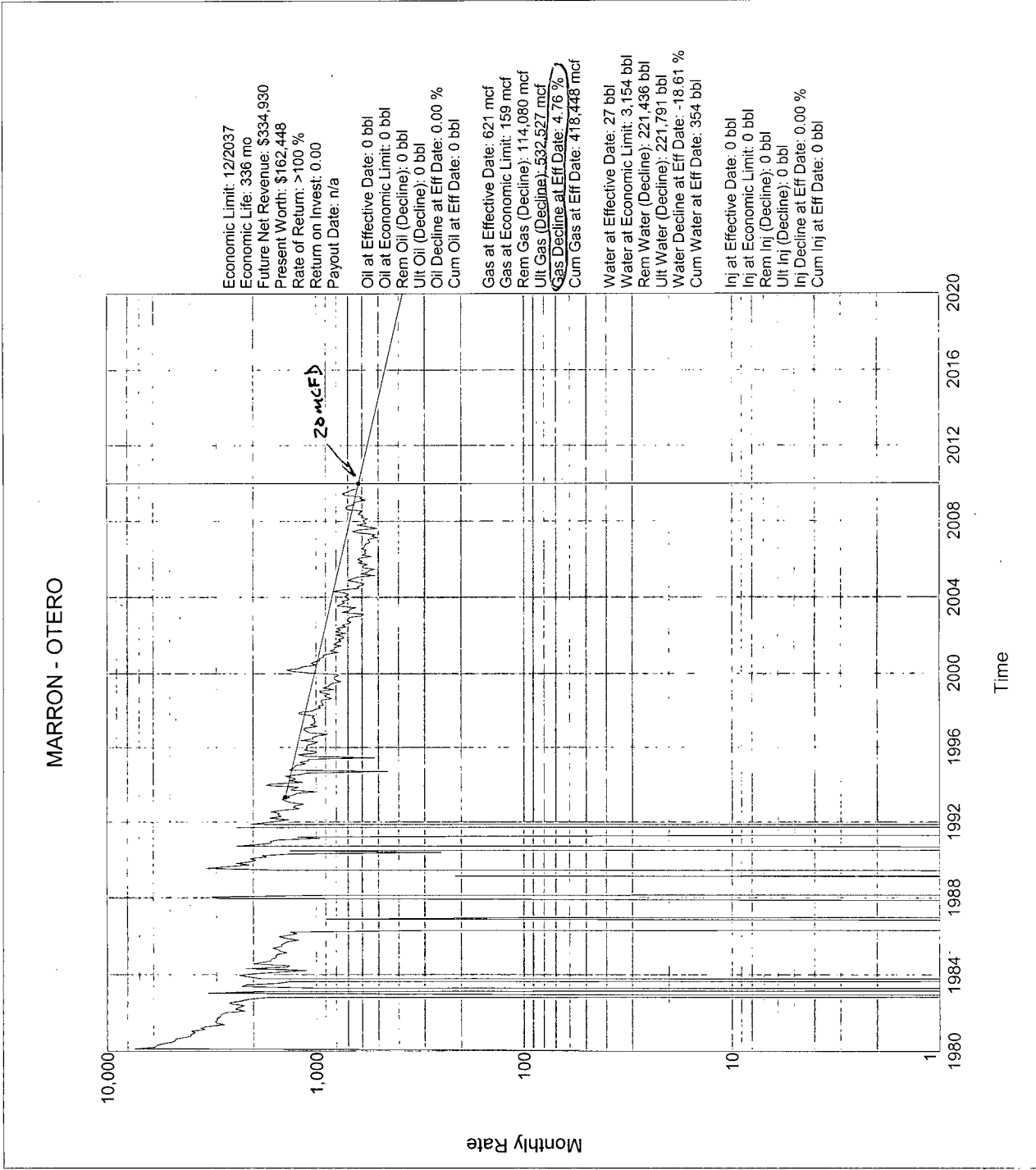
# Rate/Time Graph

Project: c:\program files\lms energy\powerools v9.0\projects\m&g puds.mdb

Date: 3/18/2010  
Time: 8:51 AM

Lease Name: MARRON (94)  
County, ST: SAN JUAN, NM  
Location: 23F 27N 8W NW SE NW

Operator: M & G DRILLING COMPANY INCORPORATED  
Field Name: OTERO



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS

**Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.**

FORM APPROVED  
OMB No. 1004-0135  
Expires November 30, 2000

5. Lease Serial No.

NMNM 03605

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Marron #94

9. API Well No.

30-045-23578

10. Field and Pool, or Exploratory Area

Otero Chacra and Basin Ft Coal

11. County or Parish, State

San Juan County, NM

**SUBMIT IN TRIPLICATE – Other instructions on reverse side**

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

M&G Drilling Company, Inc. c/o Walsh Engineering

3a. Address

7415 E. Main, Farmington, NM, 87402

3b. Phone No. (include area code)

505-327-4892

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1545' FNL and 1450' FWL, (F) Sec. 23, T27N, R8W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input checked="" type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Downhole Commingle
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

M&G Drilling proposes to re-complete this well bore in the Basin Fruitland Coal formation and downhole commingle the production with the existing Chacra formation. M&G Drilling has applied to the NMOCD to downhole commingled the two zones. A copy of this application is attached for your review.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Paul C. Thompson, P.E.

Title

Agent

Signature

*Paul C. Thompson*

Date

March 18, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Title 18 U.S.C. Section 1001, 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.