

PTGW

ME G Drilling
Marron # 95
4274

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 @ WALSHONG.NET
e-mail Address

COPY

MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form O-101
Supersedes O-129
Effective 1-1-67

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

Operator WILLIAM C. RUSSELL		Lease MARRON (NM-03605)		Well No. 95
Unit Letter K	Section 23	Township 27 NORTH	Range 8 WEST	County SAN JUAN
Actual Surface Location of Well: 1980 feet from the SOUTH line and 1960 feet from the WEST line				
Ground Level Elev. 5931	Producing Formation Chacra	Pool Largo	Dedicated Acreage: 160 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.

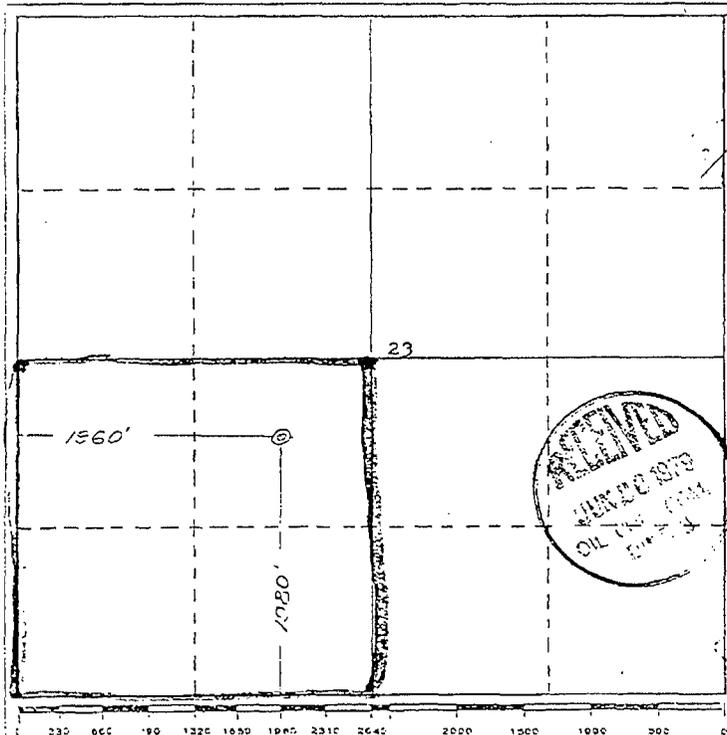
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).

3. 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, force-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

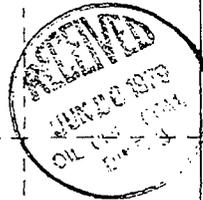
Date
May 7, 1979

I hereby certify that the information shown on this plat was plotted from notes of a survey made by me under my commission, 1463, 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



Marron #95
Basin Fruitland Coal
Otero Chacra

Commingling Application

Allocation Formula

The Otero Chacra formation was completed by William C. Russell, Operator on October 3, 1980. The well is producing from perforations from 3056' to 3222'. 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 1956 to 2067'.

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 23 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 9.13%. Please refer to the attached production graph for the Marron #94 Chacra.

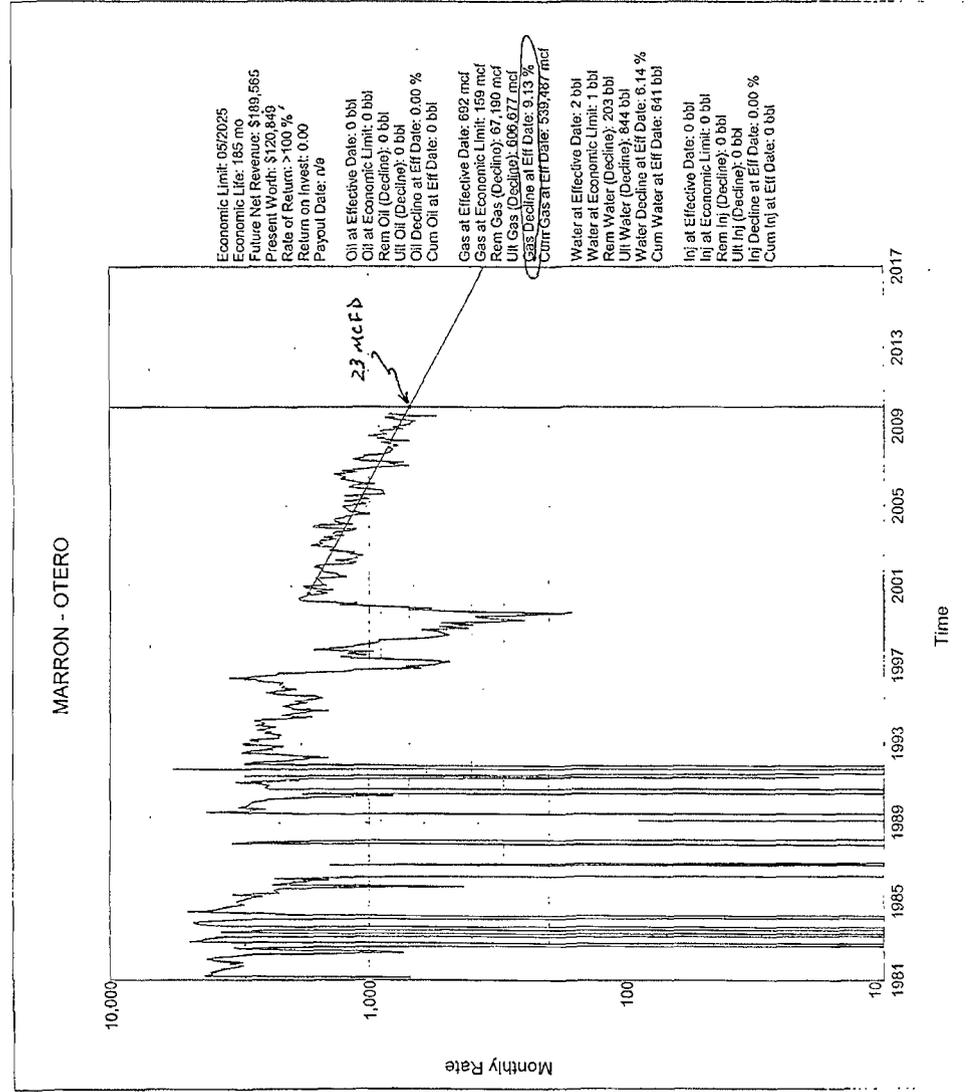
Project: c:\program files\lhrs energy\power\tools v9.0\projects\m&g puuds.mdb

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

Rate/Time Graph

Lease Name: MARRON (95)
County, ST: SAN JUAN, NM
Location: 23K 27N 8W W2 NE SW

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



Economic Limit: 05/2025
Economic Life: 185 mo
Future Net Revenue: \$189,565
Present Worth: \$120,849
Rate of Return: >100 %
Return on Invest: 0.00
Payout Date: 0/6

Oil at Effective Date: 0 bbl
Oil at Economic Limit: 0 bbl
Rem Oil (Decline): 0 bbl
Ult Oil (Decline): 0 bbl
Cum Oil at Eff Date: 0.00 %
Cum Oil at Eff Date: 0 bbl

Gas at Effective Date: 692 mcf
Gas at Economic Limit: 159 mcf
Rem Gas (Decline): 97,159 mcf
Ult Gas (Decline): 1,008,877 mcf
Cum Gas at Eff Date: 9.13 %
Cum Gas at Eff Date: 339,767 mcf

Water at Effective Date: 2 bbl
Water at Economic Limit: 1 bbl
Rem Water (Decline): 203 bbl
Ult Water (Decline): 844 bbl
Cum Water at Eff Date: 6.14 %
Cum Water at Eff Date: 844 bbl

Inj at Effective Date: 0 bbl
Inj at Economic Limit: 0 bbl
Rem Inj (Decline): 0 bbl
Ult Inj (Decline): 0 bbl
Inj Decline at Eff Date: 0.00 %
Cum Inj at Eff Date: 0 bbl

Gas Curve:
Segment 1: 8/1/2000 - 1/1/2010
Start Rate: 1,712 mcf
End Rate: 695 mcf
Decline: 9.1301
Hyp Exponent: 0.000000
Goodness of Fit: 1.000000
Fit Grade: 1

Water Curve:
Segment 1: 9/1/1992 - 3/1/2009
Start Rate: 5 bbl
End Rate: 2 bbl
Decline: 6.1394
Hyp Exponent: 0.000000
Goodness of Fit: 0.458282
Fit Grade: 5

DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

MAR 25 2010

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

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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	5. Lease Serial No. NMNM 03605
2. Name of Operator M&G Drilling Company, Inc. c/o Walsh Engineering	6. If Indian, Allottee or Tribe Name
3a. Address 7415 E. Main, Farmington, NM, 87402	7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) 505-327-4892	8. Well Name and No. Marron #95
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL and 1960' FWL, (K) Sec. 23, T27N, R8W	9. API Well No. 30-045-23626
	10. Field and Pool, or Exploratory Area Otero Chacra and Basin Ft Coal
	11. County or Parish, State San Juan County, NM

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 Downhole Commingle
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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 recomplete 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/BLA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion 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 commingle 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 <i>Paul C. Thompson</i>	Date March 18, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by <i>[Signature]</i>	Title PE	Date MAR 26 2010
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 T-40	

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.

(Instructions on reverse)

OPERATOR

District I
1623 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

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

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

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

District III
1000 Rio Brazos Road, Aztec, NM 87410

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

APPLICATION FOR DOWNHOLE COMMINGLING

M&G Drilling Co., c/o Walsh Engineering, 7415 E. Main St. Farmington, 87402
Operator Address

Marron #95 K 23, T27N, R8W San Juan
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 141852 Property Code 16600 API No. 30 - 045 - 23626 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Basin Fruitland Coal		Otero Chacra
Pool Code	71629		82329
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	1956 - 2067		3056 - 3222
Method of Production (Flowing or Artificial Lift)	Flowing		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)	NA EST 140 psi		250 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	NA		1199
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: Not Completed Rates:	Date: Rates:	Date: 1/1/2010 Rates: 23 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 % %	Oil Gas % %	Oil Gas % %

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 Paul C. Thompson TITLE Agent / Engineer DATE 3/18/10

TYPE OR PRINT NAME Paul C. Thompson, P.E. TELEPHONE NO. (505) 327-4892

E-MAIL ADDRESS paul@walsheng.net