

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM 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

☐ 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

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

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

TYPE OF SUBMISSION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice

TYPE OF ACTION

☐ Acidize☐ Alter Casing☐ Casing Repair☐ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☒ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☒ Other
Downhole Commingle

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.

RCVD MAR 31 '10
OIL CONS. DIV.

DIST. 3

DHC Pending

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

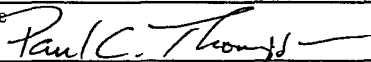
Name (Printed/Typed)

Paul C. Thompson, P.E.

Title

Agent

Signature



Date

March 18, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Original Signed: Stephen Mason

Title

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

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

(Instructions on reverse)

NMOCD 18

District I
1625/N French Drive, 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 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

No Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

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

Lease Marron Well No. #94 Unit Letter-Section-Township-Range F 23, T27N, R8W County San Juan

OGRID No. 141852 Property Code 16486 API No. 30 - 045 - 23578 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)	1998 - 2123		3084 - 3120
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		250 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	NA		1197
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: 20 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

All distances must be from the outer boundaries of the Section

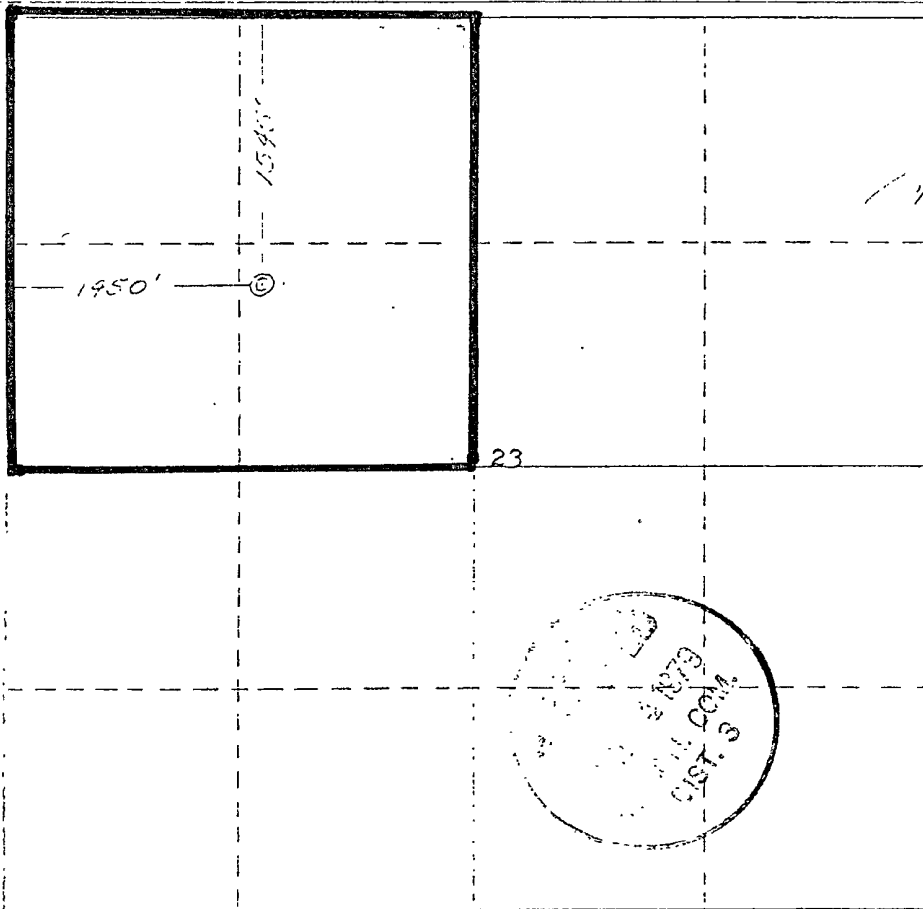
Owner WILLIAM C. RUSSELL			Lease MARRON (NM-03605)		Well No. 94
Section F	Section 23	Township 27 NORTH	Range 8 WEST	County SAN JUAN	
Location of Well: 1545 feet from the NORTH line and 1450 feet from the WEST line					
Spot Elev. 5936	Producing Formation Chacra	Pool Largo	Dedicated Acreage: 160 Acres		

- Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 Licensed Surveyor
James P. Leese

Certificate No.
1463

0 200 400 600 800 1000 1200 1400 1600 1800 2000 2200 2400 2600 2800 3000 3200 3400 3600 3800 4000 4200 4400 4600 4800 5000 5200 5400 5600 5800 6000 6200 6400 6600 6800 7000 7200 7400 7600 7800 8000 8200 8400 8600 8800 9000 9200 9400 9600 9800 10000

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

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 15, 2009
Submit one copy to appropriate
District Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-23578	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 16600	⁵ Property Name Marron	⁶ Well Number 94
⁷ OGRID No. 141852	⁸ Operator Name M&G Drilling	⁹ Elevation 5936' GL

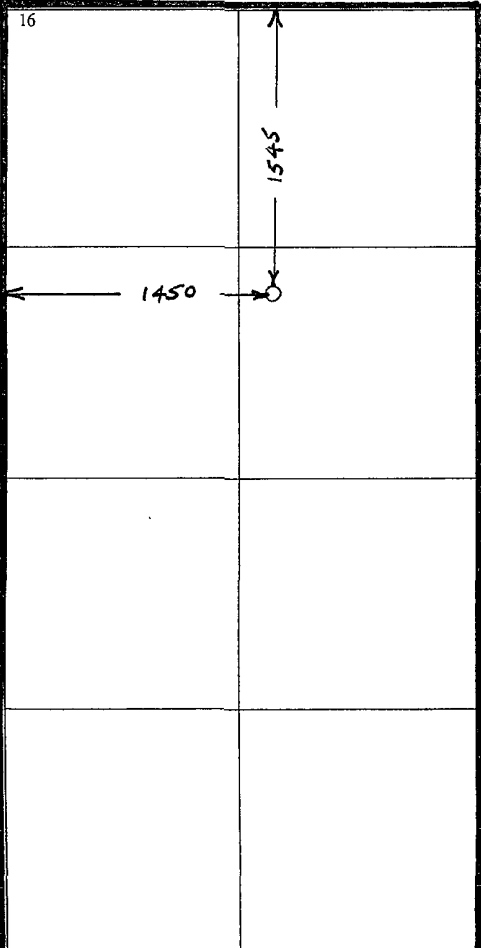
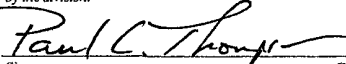
¹⁰ Surface Location

UL or lot no. F	Section 23	Township 27N	Range 8W	Lot Idn	Feet from the 1545	North/South line North	Feet from the 1450	East/West line West	County San Juan
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¹¹ 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
¹² Dedicated Acres 320 W/2	¹³ Joint or Infill Y	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.

	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained 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 a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>  Signature 3/18/10 Date Paul C. Thompson, P.E. Printed Name
	¹⁸ 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>
	Date of Survey Signature and Seal of Professional Surveyor. Original Survey by James P. Lease (Cert. # 1463) on 4/28/79 Certificate Number

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

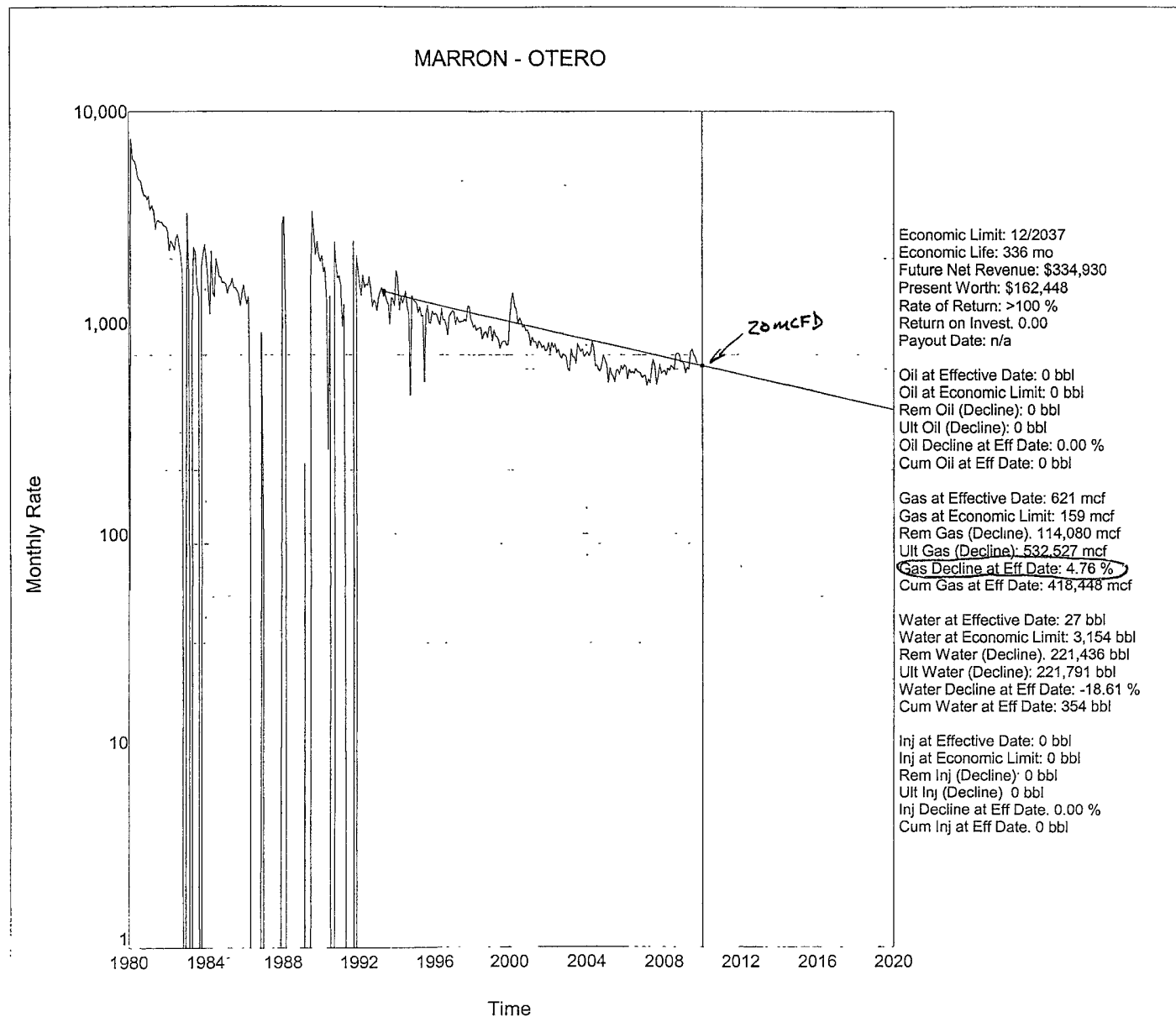
Project: c:\program files\lhs energy\powertools v9.0\projects\m&g puds.mdb

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



Gas Curve:

Segment 1: 5/1/1993 - 1/1/2010

Start Rate: 1,403 mcf

End Rate: 622 mcf

Decline: 4.7591

Hyp Exponent: 0.000000

Goodness of Fit: 1.000000

Fit Grade: 1

Water Curve:

Segment 1: 9/1/1992 - 2/1/2005

Start Rate: 1 bbl

End Rate: 12 bbl

Decline: -18.6099

Hyp Exponent: 0.000000

Goodness of Fit: 0.338072

Fit Grade: 5