

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

MAR 25 2010

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 | 3b. Phone No. (include area code) 505-327-4892 | 7. If Unit or CA/Agreement, Name and/or No |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 1980' FSL and 1960' FWL, (K) Sec. 23, T27N, R8W | | 8. Well Name and No. Marron #95 |
| | | 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 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 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 commingled the two zones. A copy of this application is attached for your review.

RCVD MAR 31 '10

OIL CONS. DIV.

DIST. 3

No DHC order

| | |
|---|------------------------|
| 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 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 matter within its jurisdiction.

NMOCD

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

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

Form C-107A
Revised June 10, 2003

APPLICATION TYPE

☒ Single Well

No Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

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 | | 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

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

Form O-101
Supersedes O-12P
Effective 1-1-67

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

| | | | | | |
|--|--------------------------------------|-----------------------------|--|---------------------------|-----------------------|
| Owner WILLIAM C. RUSSELL | | | Lease MARRON (NM-03605) | | Well No. 95 |
| Unit Letter K | Section 23 | Township 27 NORTH | Range 8 WEST | County SAN JUAN | |
| Acres, Forfeiture, 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 | | |

- 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.

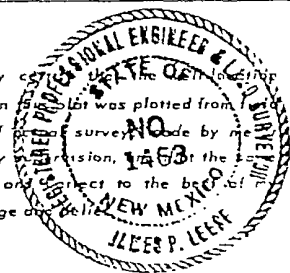
Name
William C. Russell

Position
Operator

Company
Independent

Date
May 7, 1979

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

Certificate No.
1463

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 & 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 30-045-23626 | | ² Pool Code 71629 | | ³ Pool Name Basin Fruitland Coal | |
| ⁴ Property Code 16600 | | ⁵ Property Name Marron | | | ⁶ Well Number 95 |
| ⁷ OGRID No. 141852 | | ⁸ Operator Name M&G Drilling | | | ⁹ Elevation 5931' GL |

¹⁰ Surface Location

| | | | | | | | | | |
|---------------------------|----------------------|------------------------|--------------------|---------|------------------------------|----------------------------------|------------------------------|-------------------------------|---------------------------|
| UL or lot no. K | Section 23 | Township 27N | Range 8W | Lot Idn | Feet from the 1980 | North/South line South | Feet from the 1960 | East/West line West | County San Juan |
|---------------------------|----------------------|------------------------|--------------------|---------|------------------------------|----------------------------------|------------------------------|-------------------------------|---------------------------|

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/z | | 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.

| | | |
|-------------------|---|--|
| ¹⁶ | 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 #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.

Rate/Time Graph

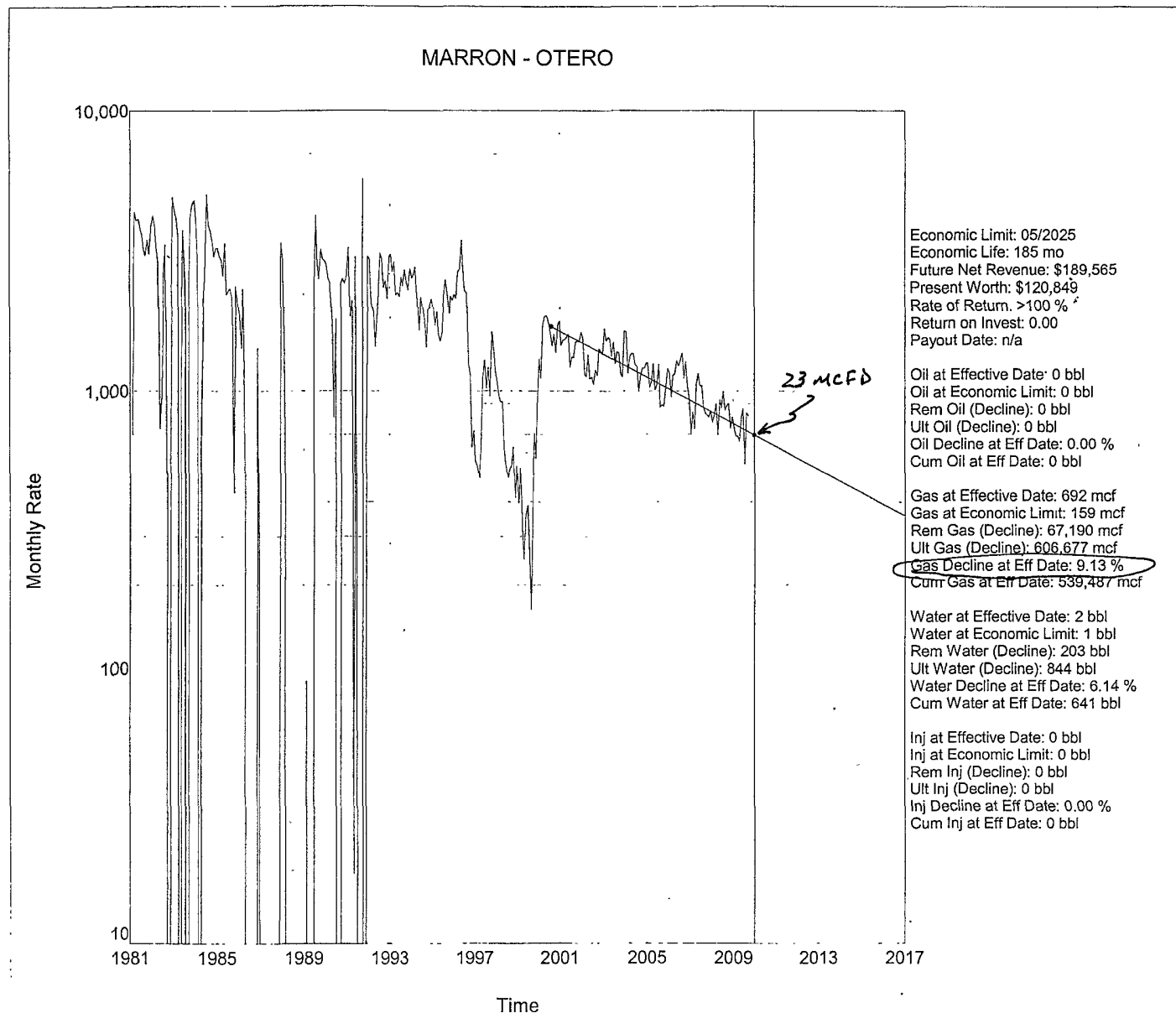
Project: c:\program files\lhs energy\powertools v9.0\projects\m&g puds.mdb

Date: 3/18/2010

Time: 8:51 AM

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

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



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

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: n/a

Oil at Effective Date: 0 bbl
Oil at Economic Limit: 0 bbl
Rem Oil (Decline): 0 bbl
Ult Oil (Decline): 0 bbl
Oil Decline 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): 67,190 mcf
Ult Gas (Decline): 606,677 mcf
Gas Decline at Eff Date: 9.13 %
Cum Gas at Eff Date: 539,487 mcf

Water at Effective Date: 2 bbl
Water at Economic Limit: 1 bbl
Rem Water (Decline): 203 bbl
Ult Water (Decline): 844 bbl
Water Decline at Eff Date: 6.14 %
Cum Water at Eff Date: 641 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