

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

M&D Drilling  
Morrison #94  
30-045-23578

## 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

2010 MAR 23 PM 1:23  
Application Acronyms:

4266

- [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

District I  
1625 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 #94 F 23, T27N, R8W San Juan  
Lease Well No. Unit Letter-Section-Township-Range County

OGRID No. 141852 Property Code 16400 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

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

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

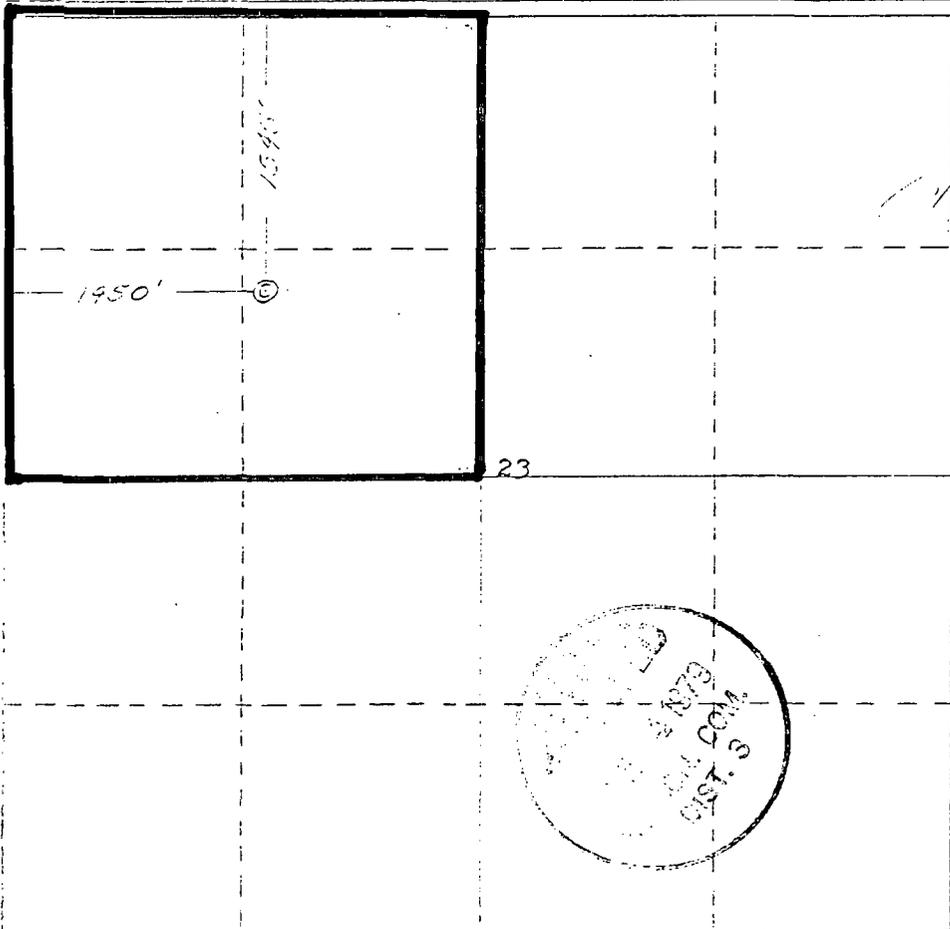
Owner <b>WILLIAM C. RUSSELL</b>			Lease <b>MARRON (NM-03605)</b>		Well No. <b>94</b>
Tract Letter <b>F</b>	Section <b>23</b>	Township <b>27 NORTH</b>	Range <b>8 WEST</b>	County <b>SAN JUAN</b>	
Vertical Position Location of Well: 1545 feet from the <b>NORTH</b> line and 1450 feet from the <b>WEST</b> line					
Original Survey 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, 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 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**



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.

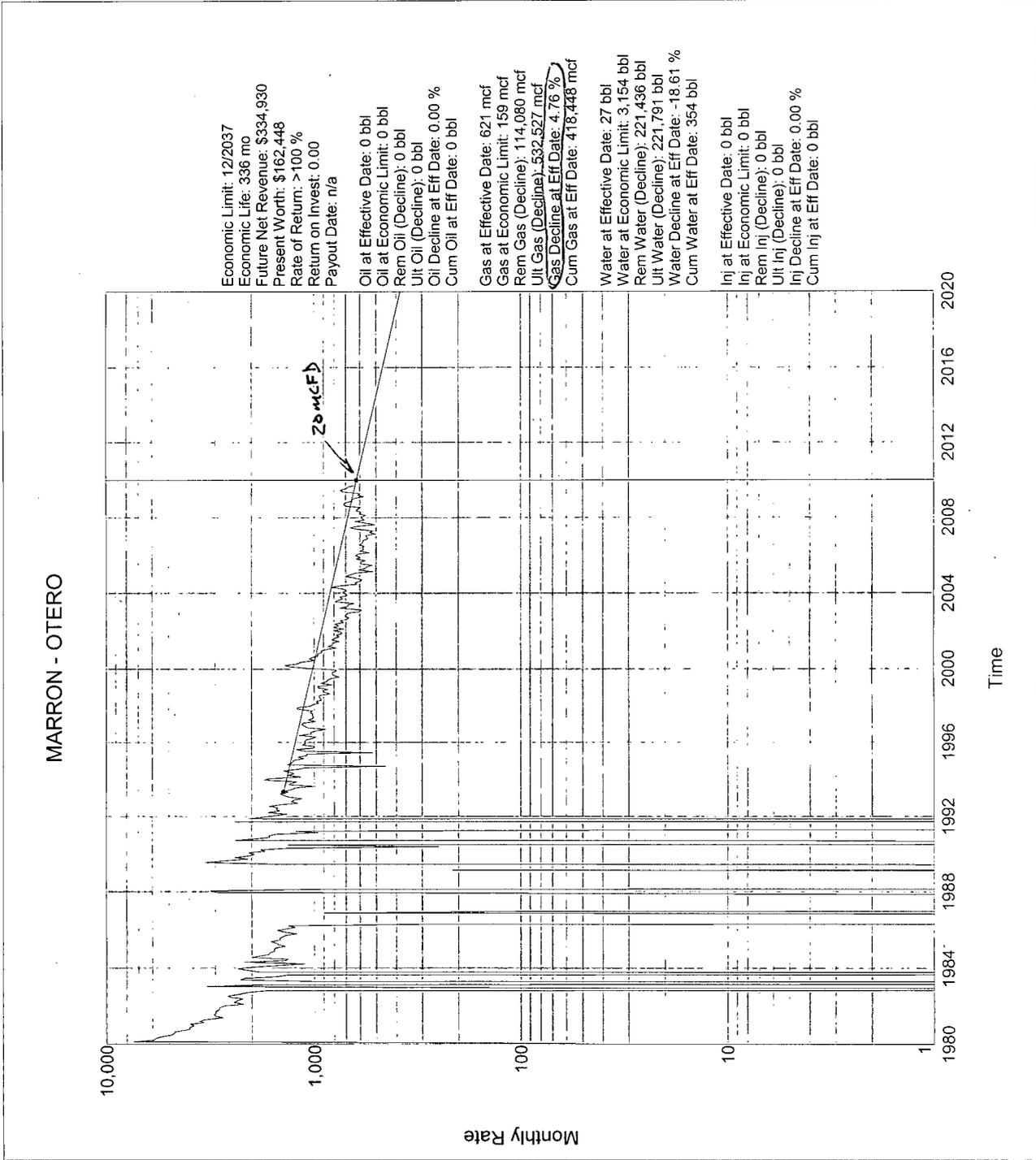
# Rate/Time Graph

Project: c:\program files\lhrs energy\power\tools 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



Economic Limit: 12/2037  
Economic Life: 336 mo  
Future Net Revenue: \$334,930  
Present Worth: \$162,448  
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: 621 mcf  
Gas at Economic Limit: 159 mcf  
Rem Gas (Decline): 114,080 mcf  
Ult Gas (Decline): 532,527 mcf  
**Gas Decline at Eff Date: 4.76 %**  
Cum Gas at Eff Date: 418,448 mcf

Water at Effective Date: 27 bbl  
Water at Economic Limit: 3,154 bbl  
Rem Water (Decline): 221,436 bbl  
Ult Water (Decline): 221,791 bbl  
Water Decline at Eff Date: -18.61 %  
Cum Water at Eff Date: 354 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: 5/1/1993 - 1/1/2010  
Start Rate: 1,403 r/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

