

CFO-7

OCD-ARTESIA

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

RECEIVED

MAY 22 2012

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an
non-producing well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM 116565

6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

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

1 Type of Well

Oil Well Gas Well Other

8. Well Name and No.
Peacemaker 25 1H & Peacemaker 25 2H

2. Name of Operator

Marshall & Winston Inc.

9 API Well No.
30-015-38987 / 30-015-38988

3a. Address P.O. Box 50880

Midland, TX 79710-0880

3b Phone No (include area code)

(432) 260-8650

10 Field and Pool or Exploratory Area
North 7 rivrs-Glorieta-Yeso

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

200' FWL & 2490' FNL, Sec 25, T19S, R25E

11. Country or Parish, State
Eddy

12 CHECK THE 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 type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other OFF LEASE MEASUREMENT and commingling
	<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 Operation 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/BIA. Required subsequent reports must 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 must be filed once testing has been completed Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection)

In response to the 3160-5 dated 3/13/2012, this is a request for Off-Measurement and allocation method approval. The Peacemaker 25 2H (NMNM 116565) located SENW, Sec. 25 T19S, R25E, production is measured and stored for sales at the central tank battery located at the Peacemaker 25 1H well site SWNW, 25-19S-25E.

Production from Peacemaker 25#1H and 25#2H wells are measured individually through a PD meter. Aft the meter is a sample catching valve to measure water cut from each well's production. The meter and samples will be read and recorded on a daily basis to determine the BS & W and oil production of each well.

NOT Acceptable

A gas meter is placed at the scubber to measure gas volume prior to leaving lse.

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed)

Vernon D. Dyer

Title Agent

Approved 05/22/2012
Accepted for record
NMOC

Signature

Vernon D Dyer

5/14/2012

SUBJECT TO LIKE APPROVAL BY BLM

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

DENIED

/s/ JD Whitlock Jr

Title

LPE

Date

5/17/12

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

CFO

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, 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 page 2)

As per Discussion w/ GARY Gourley 5/17/12

Application for Central Tank Battery, Off-Lease Measurement, Lease Commingling, Sales and Storage proposal and allocation method. Attached with 3160-5.

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Marshall & Winston is requesting approval for Off-Lease Measurement, and Commingling for the Peacemaker Federal Com 25#1H and Peacemaker Federal 25#1H. The central tank battery is located on the No.25#1H wellsite in the SWNW qtr. of Sec23-T19S-R25E. The well 25#2H is located off lease in the SENW of Sec25-T19S-R25E. Each production line (i.e. 25#1H & 25#2H) coming in to the header will have its own meter to measure it's total production. After the meters, a valve is used to catch a sample. The meter will be read and samples taken on a daily basis. The samples will indicate the percentage of water cut, determining the BS and W. These readings will determine the oil produced at any given time on location. There will be two heater treaters on location for each well (#1 and #2). After the production passes through the HTRs, it is commingled into tank #1 or tank #2 for storage and sales. A gas meter is placed at the scrubber for measurement of gas sales on the lease. Gas lines tie in to the common DCP gas sales meter 727902-00, approximately 1500 ft to the SE in the NESW, (U/L K) sec25-T19S-R25E. Meters will be calibrated on a regular basis per API, NMOCD and BLM specifications. The most recent and estimated daily production is listed below.

all wells
not listed
if this is
common
meter

116565

The Federal Lease No. NMNM 117544 holds:

Well Name	API No.	Location	Formation	BOPD	Oil Gravity	MCFGD	BTU
# 1H Peacemaker 25 Fed Com	30-015-38987	SW NW sec 25-E, T19S, R25E,	Yeso	70	39°@ 60°F	63	1386.4

(Note: Peacemaker 25 Fed Com 1H is Com No. NMNM 127210)

The Off Lease production will come from:

Federal Lease No. NMNM 116565

Well Name	API No.	Location	Formation	BOPD	Oil Gravity	MCFGD	BTU
# 2H Peacemaker 25 Federal	30-015-38988	SE NW sec 25-F, T19S, R25E,	Yeso	30	39°@60°F	27	1386.4

These wells are horizontal wellbores. The well's surface locations and central tank battery location is not located on any lease participating in production. The BLM and OCD will be notified of any future changes in the facility. Working interest and royalty interest are exactly the same for each lease (I.e. Operator and USA).

The commingling of production is in the interest of conservation and waste and will result in the most effective economic means of producing the reserves in place from the affected wells and will not result in reduced royalty or improper measurement of production. The proposed commingling will reduce operating expenses as well as reduce the surface facility footprint and emissions.

