

1625 N. French Drive

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTHobbs, NM 88240
RECEIVEDFORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.5. Lease Serial No.
Medlin Fed Com Battery Facility CA # NM 124771

6. If Indian, Allottee or Tribe Name

N/A

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator **Marshall and Winston Incorporated**3a. Address **P.O. Box 50880,
Midland, TX., 79710-0880**3b. Phone No. (include area code)
(432) 684-63737. If Unit of CA/Agreement, Name and/or No.
CA#NM 124771, CA#NM 124001, CA#NM 1234578. Well Name and No.
Medlin 8 Fed Com 1H, 2H & Medlin 9 Fed Com 1H9. API Well No.
See Below10. Field and Pool or Exploratory Area
Abo Wolfcamp Wildcat4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
This is the location of the Medlin Battery Facility
**SWSW Sec.8 15S 31E
Medlin Battery Facility**11. Country or Parish, State
Chaves County, NM**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 Central Gathering location. |
| | <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 | OFF Lease Gathering |

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 recomple 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.)

Mr. David Glass: Marshall and Winston Inc. formally request permission to gather production Off-Lease from the subject wells to a central location for measuring and storage. The central location is on the Medlin 8 Fed Com #2H well site, SW SW of Sec 08, T.15S., R.31E. The subject wells are:

- 1) Medlin 8 Fed Com #1H (30-005-29078) (e.g. U/L "L") on a 160 acre proration unit;
- 2) Medlin 8 Fed Com # 2H (30-005-29079) (e.g. U/L "M") 80 acres of Federal land sharing 80 acres of Fee land for a 160 ac CA. The Battery facility is located on this # 2H well site. This is lse NMLC 062524-A.
- 3) Medlin 9 Fed Com # 1H (30-005-29113) (e.g. U/L, "L" Sec 9, 15S, R31) SHL is on Fee land of 80 acres, sharing NM 105886 of 80 acres together making a 160 CA; This is lse NMNM 105886. The CA's involved are NM 124771, CA NM 124001 and CA NM 123457.

The oil is not being commingled, but each well has it's own separate storage tank. Production is metered at the battery prior to going into the storage tanks then trucked off location. Oil and liberated gas is from the same Abo Wolfcamp transition zone formation. Each well tested approximately 225 BOPD and 200 MCFGD.

The request to combine production at a central facility is an advantage for the operator regarding economics and conserves resources for land owners including the USA. This construction optimizes less disturbed area, lessens invasion, minimizes the environmental impact hopefully optimizing the success of revegetation in addition to stress due to regular maintenance of equipment and well inspections.

Should you have any further requirements regarding this response to Written Order 11LJ031W for a formal request, contact Gary Gourley at (575) 623-5880.

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

VERNON D. DYER AND/OR GARY GOURLEY

Title AGENT FOR MARSHALL & WINSTON INCORPORATED

Signature

Vernon D. Dyer

Date 01/06/2011

THIS SPACE FOR FEDERAL OR STATE OFFICE USE**DENIED****/S/ DAVID R. GLASS**

Title PETROLEUM ENGINEER

Date

JAN 21 2011

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.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person to make any fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

DENIED**FEB 03 2011**

Denied! We Can Not Approve This Since Our Inspection Shows That Oil Is Being Commingled. Please See Attached Guidelines For Off-Lease Measurement, Storage, And Surface Commingling Approvals!

as any false.

OPERATOR COPY

Number 11LJ031W

Page 1 of 1

☒ Certified Mail - Return
Receipt Requested
70081830000260364882

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

NOTICE OF WRITTEN ORDER

| | |
|----------------|------------|
| IDENTIFICATION | |
| ID | |
| Lease | |
| CA | NMNM124771 |
| Unit | |
| PA | |

| | | | | | | | |
|---|-----------------------|---------------------------|-----------------|--|-----------------|------------------|-------------|
| Bureau of Land Management Office | | | | Operator | | | |
| ROSWELL FIELD OFFICE | | | | MARSHALL & WINSTON, INC. | | | |
| Address 2909 W. SECOND ST. ROSWELL NM 88201 | | | | Address P O BOX 50880 MIDLAND TX 79710 | | | |
| Telephone 575.627.0272 | | | | Attention VERNON DYER | | | |
| Inspector JIMENEZ | | | | Attn Addr ROSWELL NM 88201 | | | |
| Site Name MEDLIN FED COM | Well or Facility A | 1/4 1/4 Section SWSW 8 | Township 15S | Range 31E | Meridian NMP | County CHAVES | State NM |
| Site Name | Well or Facility | 1/4 1/4 Section | Township | Range | Meridian | County | State |
| Site Name | Well or Facility | 1/4 1/4 Section | Township | Range | Meridian | County | State |

The following condition(s) were found by Bureau of Land Management Inspectors on the date and at the site(s) listed above.

| Date | Time (24-hour clock) | Corrective Action to be Completed by | Date Corrected | Authority Reference |
|------------|-------------------------|---|-------------------|------------------------------|
| 12/14/2010 | 15:45 | 01/26/2011 | | 43CFR3162.7-2; 43CFR3162.7-3 |

Remarks:

A field/ production inspection has been or is currently being done on federal CA# NMNM124771, NMNM124001 and NMNM123457. Approval for combining production from the named com agreements is needed. A formal request for approval to combine, store or measure production off-lease with an appropriate explanation and diagram(s) describing the proposed operation in detail.

THESE ARE COMS
NOT LEASE ACCORDING
TO LAND JIMENEZ
PROD IS NOT COMMINGLED

When the Written Order is complied with, sign this notice and return to above address.

| | | |
|------------------------------|-----------|------|
| Company Representative Title | Signature | Date |
| Company Comments | | |

Warning

The Authorized Officer has authority to issue a Written Order in accordance with 43 CFR 3161.2. Written Order correction and reporting time frames begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each stipulation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management Office at the address shown above. If you do not comply as noted above under "Corrective Action to be Completed By", you shall be issued an Incident of Noncompliance (INC) in accordance with 43 CFR 3163.1(a). Failure to comply with the INC may result in assessments as outlined in 43 CFR 3163.1 and may also incur civil penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time frame for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits false, inaccurate, or misleading reports, notices, affidavits, records, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

Review and Appeal Rights

A person contesting a decision shall request a State Director review of the Written Order. This request must be filed within 20 working days of receipt of the Notice with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Land Appeals, 801 North Quincy Street, Suite 300, Arlington, VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer

773

Date

12/14/10

Time

4:00pm

FOR OFFICE USE ONLY

| | | |
|--------------|------|--------------------|
| Number 51 | Date | Type of Inspection |
|--------------|------|--------------------|

OPERATOR COPY

PR

**Bureau of Land Management
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
575-627-0272**

**Guidelines for Off-Lease Measurement,
Storage, and Surface Commingling Approvals**

The following information must be included with any application to combine, store, or measure production off-lease:

1. A formal request (Sundry Notice Form 3160-5 or letter) for approval to combine, store, or measure production off-lease with an appropriate explanation and diagram(s) describing the proposed operation in detail.
2. A map showing the lease numbers and location of all leases and wells that will contribute production to the proposed commingling, off-lease measurement, and/or storage facility. All lease numbers, unitized or communitized areas, producing zones or pools must be clearly illustrated or detailed by suitable means. Any wells or leases proposed to be added to an approved commingling and off-lease storage and or measurement facility must be approved by the Authorized Officer prior to their being included in the facility.
3. A schematic diagram which clearly identifies and places all equipment that will be utilized.
4. Estimated monthly production from each contributing well, including type of product, gravity, and/or BTU content.
5. Details of the proposed method for measuring and allocating production for each lease involved. Include calculated "beneficial use" volumes both on and off-lease.
6. A statement that all interest owners have been notified of the proposal.
7. Evidence that Federal or Indian royalties will not be reduced through approval of the application.
8. Detailed economic justification, when the application to combine production is based on economic necessity, i.e., that approval is necessary to extend the economic life of the Federal or Indian Lease(s).

Approval for combining production from various sources is a privilege which is granted to lessees for the purpose of aiding conservation and extending the economic life of leases. Applicants should be cognizant that failure to operate in accordance with the provisions outlined in the Authorized Officer's conditions of approval and/or subsequent stipulations or modifications will subject such approval to revocation.