

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
Budget Bureau No. 1004-0135  
Expires: November 30, 2000

**SUNDRY NOTICES AND REPORTS ON WELLS.**  
*Do not use this form for proposals. Use Form 3160-3 (APD) for such proposals.*

5. Lease Serial No.  
NMSF-078481A  
6. If Indian, Allottee or Tribe Name  
7. If Unit or CA/Agreement, Name and/or No.

**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		8. Well Name and No. GRAHAM #1 & #98
2. Name of Operator M&G DRILLING COMPANY, INC.		9. API Well No. 30-045-06885/30-045-29916
3a. Address PO Box 5940, Farmington, NM 87499-5940	3b. Phone No. (include area code) (505) 325-6779	10. Field and Pool, or Exploratory Area Blanco-Mesaverde/Basin Fruitland Coal
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SEC. 4, T27N-R8W		11. County or Parish, State San Juan, New Mexico

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 type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<input type="checkbox"/> SURFACE COMMINGLE
	<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 date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat 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 recompleat 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 Company requests administrative approval for surface commingling natural gas production from the Graham #1 (Blanco-Mesaverde 72319) and Graham #98 (Basin Fruitland Coal 71629) wells.

Both wells produce from a common Federal Lease No. NMSF-078481A and both have common ownership. M&G Drilling plans to produce the commingled gas through a central compressor, thus lowering operating expenses and extending the economic life of the wells and increasing their ultimate recoveries on the lease. We anticipate the only fuel requirements to be on compressor engine and separator. All flow lines will be pressure tested appropriately.

The Graham #1 will be equipped with an allocation meter, which will be maintained by M&G Drilling in accordance with State and Federal Regulations. The production from the Graham #98 will be determined by a subtraction method, the difference between the volume recorded at the sales meter and the sum of the volume recorded at the Graham #1. Produced liquid will not be surface commingled.

Notice has been filed concurrently on Form C-107A with the NMOCD.

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Miranda Wells		Title PRODUCTION ASSISTANT
Signature <i>Miranda Wells</i>		Date August 28, 2006
APPROVED		
THIS SPACE FOR FEDERAL OR STATE OFFICE USE		
Approved by <i>Nancy R. Gibson</i>		Title Prod. Acct. Tech.
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 operation thereon.		Date OCT 19 2006
		Office <i>Farmington Field Office</i>

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

NMOCD

**GRAHAM #1 AND GRAHAM #98  
SURFACE COMMINGLE**

Well Name	Graham #1	Graham #98
API#	30-045-06885	30-045-29916
Sec.-T-R	I, Sec. 4, T27N-R08W	A, Sec. 4, T27N-R08W
FNL/FSL	990 FNL	1305 FNL
FEL/FWL	990 FEL	990 FEL
Lease No.	NMSF-078481A	NMSF-078481A
Pool	Blanco-Mesaverde	Basin Fruitland Coal
Permits	N/A	N/A
Spacing	320	320
Gravity	41.0	N/A
BTU	1374	1101
Est. Daily Rate	123	67
WI	100%	100%
NRI	87.5%	87.5%

Compressor and other equipment fuel usage will be determined on manufacturer's specifications. Pumping unit & separator fuel will be allocated to well if equipment exists.