District I - (505) 393-6161
P. O. Box 1980
Hobbs, NM 88241-1980
District II - (505) 748-1283
811 S. First
Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Road
Aztec, NM 87410
District IV

New Mexico
Energy Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

Form C-140
Originated 11/1/95

Submit Original
Plus 2 Copies
to appropriate
District Office

APPLICATION FOR QUALIFICATION OF WELL WORKOVER PROJECT AND CERTIFICATION OF APPROVAL

THREE COPIES OF THIS APPLICATION AND ALL ATTACHMENTS MUST BE FILED WITH THE APPROPRIATE DISTRICT OFFICE OF THE OIL CONSERVATION DIVISION.

I. Operator: M&G DRILLING COMPANY OGRID #: 141852

Address: c/o KM PRODUCTION COMPANY, PO BOX 2406, FARMINGTON, NM 87499

Contact Party: KEVIN MCCORD Phone: (505) 325-6900

II. Name of Well: HARDIE #68 API #: 30-045-22930

Location of Well: Unit Letter M, 900 Feet from the SOUTH line and 800 feet from the WEST line,
Section 14, Township 29N, Range 12W, NMPM, SAN JUAN County

III. Date Workover Procedures Commenced: 10/10/95
Date Workover Procedures were Completed: 10/10/95

IV. Attach a description of the Workover Procedures undertaken to increase the projection from the Well.

V. Attach an estimate of the production rate of the Well (a production decline curve or other acceptable method, and table showing monthly oil and/or gas Project Production) based on at least twelve (12) months of established production which shows the future rate of production based on well performance prior to performing Workover.

VI. Pool(s) on which Production Projection is based:

Fulcher KPC

VII. AFFIDAVIT:

State of NEW MEXICO)
) ss.
County of SAN JUAN)

KEVIN MCCORD, being first duly sworn, upon oath states:

1. I am the Operator or authorized representative of the Operator of the above referenced Well.

2. I have made, or caused to be made, a diligent search of the production records which are reasonably available and contain information relevant to the production history of this Well.

3. To the best of my knowledge, the data used to prepare the Production Projection for this Well is complete and accurate and this projection was prepared using sound petroleum engineering principles.

Kevin D. McCord
(Name)

PETROLEUM ENGINEER
(Title)

RECEIVED
APR 29 1996
OIL CONS. DIV.
DIST. 3

SUBSCRIBED AND SWORN TO before me this 26th day of April, 1996

Kaemela Westmoreland

Notary Public

My Commission expires: April 8, 2000

FOR OIL CONSERVATION DIVISION USE ONLY:

VIII. CERTIFICATION OF APPROVAL:

This Application for Qualification of Well Workover Project is hereby approved and the above referenced Well is designated as a Well Workover Project pursuant to the "Natural Gas and Crude Oil Production Incentive Act" (Laws 1995, Chapter 15, Sections 1 through 8). The Oil Conservation Division hereby verifies the Production Projection for the Well Workover Project attached to this application. By copy of this Application and Certification of Approval, the Division notifies the Secretary of the Taxation and Revenue Department of this Approval and certifies that this Well Workover Project has been completed as of 10/10, 1995.

District Supervisor, District 3
Oil Conservation Division

Date: 5/10/96

IX. DATE OF NOTIFICATION TO THE SECRETARY OF THE TAXATION AND REVENUE DEPARTMENT.

DATE: _____

M&G DRILLING COMPANY
HARDIE #68
900 FSL & 800 FWL
SWSW, SECTION 14, T29N R12W
SAN JUAN COUNTY, NEW MEXICO

The workover performed on the Hardie #68 well involved installation of a compressor. Compression was added to help this well lift liquids by decreasing backpressure on the well and increasing it's flow rate. This workover was started and completed on 10/10/95.

M&G DRILLING COMPANY

HARDIE #68

HISTORICAL PRODUCTION

	YEAR	MONTH	GAS (MCF)	COND (BBLS)	PROD DAYS
1	1991	JAN	4327	0	31
2	1991	FEB	4385	0	20
3	1991	MAR	3617	0	18
4	1991	APR	122	0	1
5	1991	MAY	7200	0	30
6	1991	JUN	2	0	1
7	1991	JUL	4064	0	15
8	1991	AUG	6618	0	28
9	1991	SEP	5527	0	30
10	1991	OCT	8	0	1
11	1991	NOV	4703	0	27
12	1991	DEC	6850	0	31
13	1992	JAN	9543	0	31
14	1992	FEB	7647	0	29
15	1992	MAR	6178	0	31
16	1992	APR	3615	0	29
17	1992	MAY	4442	0	28
18	1992	JUN	4843	0	26
19	1992	JUL	3570	0	31
20	1992	AUG	4450	0	31
21	1992	SEP	4159	0	26
22	1992	OCT	3959	0	31
23	1992	NOV	3874	0	24
24	1992	DEC	8054	0	31
25	1993	JAN	7281	0	31
26	1993	FEB	4962	0	28
27	1993	MAR	3948	0	29
28	1993	APR	2771	0	28
29	1993	MAY	2678	0	31
30	1993	JUN	1644	0	30
31	1993	JUL	698	0	14
32	1993	AUG	1729	0	31
33	1993	SEP	1697	0	28
34	1993	OCT	4004	0	28
35	1993	NOV	2325	0	21
36	1993	DEC	1969	0	31
37	1994	JAN	0	0	0
38	1994	FEB	0	0	0
39	1994	MAR	0	0	0

M&G DRILLING COMPANY

HARDIE #68

HISTORICAL PRODUCTION

	YEAR	MONTH	GAS (MCF)	COND (BBLS)	PROD DAYS
40	1994	APR	0	0	0
41	1994	MAY	0	0	0
42	1994	JUN	0	0	0
43	1994	JUL	0	0	0
44	1994	AUG	0	0	0
45	1994	SEP	0	0	0
46	1994	OCT	0	0	0
47	1994	NOV	0	0	0
48	1994	DEC	1310	0	31
49	1995	JAN	0	0	0
50	1995	FEB	1348	0	28
51	1995	MAR	1806	0	31
52	1995	APR	1426	0	30
53	1995	MAY	719	0	31
54	1995	JUN	721	0	29
55	1995	JUL	0	0	0
56	1995	AUG	0	0	0
57	1995	SEP	0	0	0
58	1995	OCT	2678	0	21
59	1995	NOV	3823	0	30
	TOTAL		161,294	0	

HISTORICAL PRODUCTION DECLINE FIT CHECK

Initial Rate (January 1991):	4870 MCFM
Final Rate (October 1993):	3629 MCFM
Effective Decline Rate:	10.0%
Calculated Gas Reserves:	143,151 MCF
Actual Gas Reserves:	143,169 MCF

M &G DRILLING COMPANY
HARDIE #68
900 FSL & 800 FWL
SWSW, SECTION 14, T29N R12W
SAN JUAN COUNTY, NEW MEXICO

DECLINE CURVE ANALYSIS

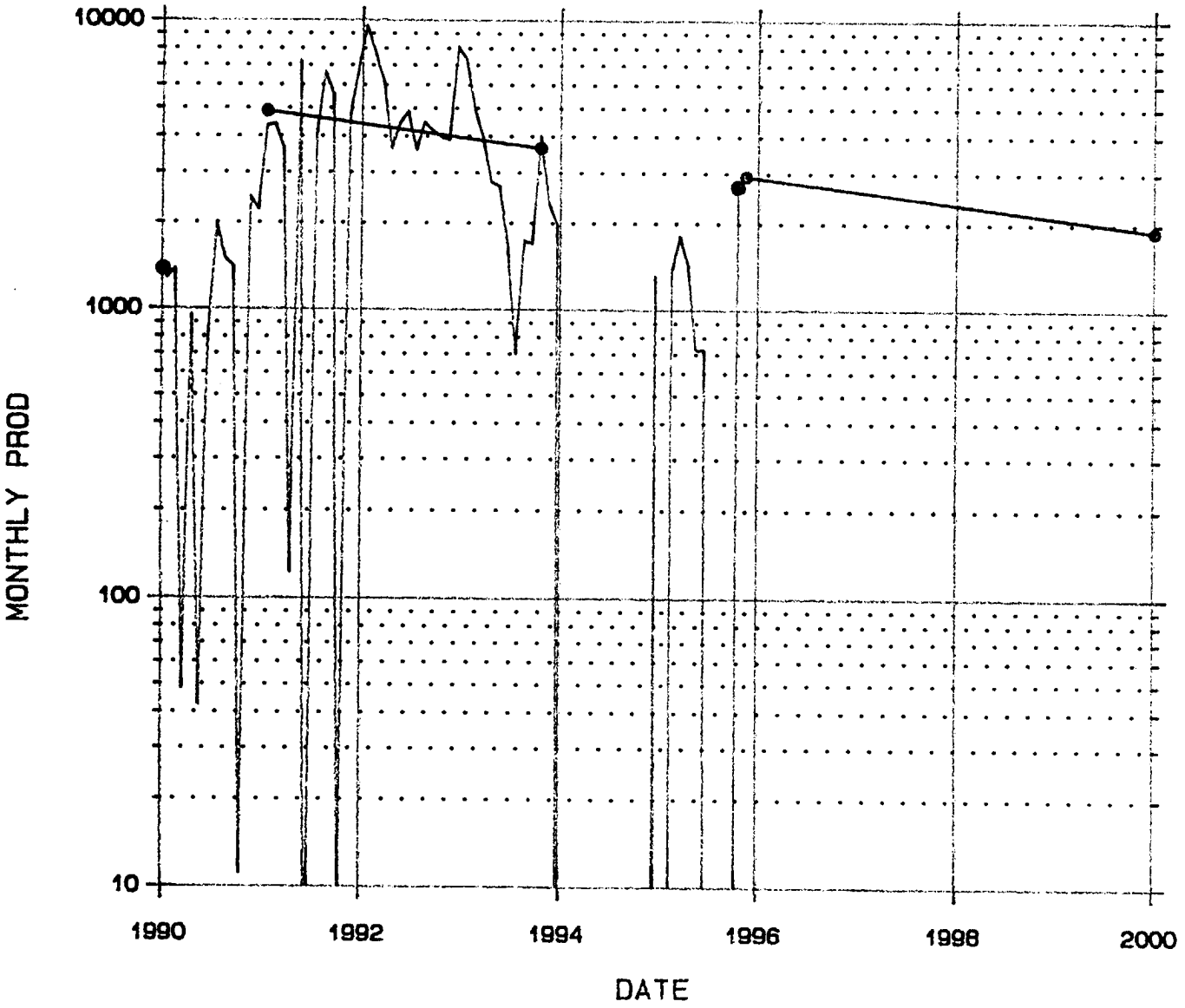
The Hardie #68 well produces from the Fulcher Kutz Pictured Cliffs pool. This well does not produce or sell any condensate. It is It is apparent from the gas production decline curve from this well that a 10% annual decline existed between January of 1991 and October of 1993 (34 months). The total gas production calculated from a 10% decline fit through the monthly production during this period compares very nicely to the actual total gas production from the well during this period (143,151 MCF calculated vs 143,169 MCF actual). Erratic production has existed on this well from November of 1993 to present because of logging off problems due to liquids production.

The future gas production projection before the workover on the Hardie #68 was performed by extending the historical production decline trend described earlier to the present and then to the future. This projection has a starting rate of 2925 MCF per month in November of 1995 and continues at a 10% annual decline. The monthly tabular production is presented for this well for a 10 year period of time.

KHM
Multiphase Curve Analysis
Rate vs Time

M&G DRILLING COMPANY
HARDIE #68
GAS PRODUCTION

4/26/1996
Project:
MG HARDIE 68



Production Curves

GAS: * GAS DATA
O History 10/78 - 10/95
* HISTORICAL DECLINE FIT
CPD 1/91 - 10/93
Qi : 4870.000 MCF/M
Di : 10.000 %
Qe : 3613.123 MCF/M
Np : 143.151 MMCF
* FUTURE PROD HIST TREND
CPD 11/95 - 12/06
Qi : 2925.000 MCF/M
Di : 10.000 %
Qe : 901.919 MCF/M
Np : 230.417 MMCF

M&G DRILLING COMPANY

HARDIE #68

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (November 1995):			2925 MCFM	
Effective Decline Rate:			10.0%	
	YEAR	MONTH	GAS (MCF)	COND (BBLS)
1	1995	NOV	2,912	0
2	1995	DEC	2,887	0
3	1996	JAN	2,861	0
4	1996	FEB	2,836	0
5	1996	MAR	2,812	0
6	1996	APR	2,787	0
7	1996	MAY	2,763	0
8	1996	JUN	2,739	0
9	1996	JUL	2,715	0
10	1996	AUG	2,691	0
11	1996	SEP	2,667	0
12	1996	OCT	2,644	0
13	1996	NOV	2,621	0
14	1996	DEC	2,598	0
15	1997	JAN	2,575	0
16	1997	FEB	2,553	0
17	1997	MAR	2,531	0
18	1997	APR	2,508	0
19	1997	MAY	2,486	0
20	1997	JUN	2,465	0
21	1997	JUL	2,443	0
22	1997	AUG	2,422	0
23	1997	SEP	2,401	0
24	1997	OCT	2,380	0
25	1997	NOV	2,359	0
26	1997	DEC	2,338	0
27	1998	JAN	2,318	0
28	1998	FEB	2,298	0
29	1998	MAR	2,277	0
30	1998	APR	2,258	0
31	1998	MAY	2,238	0
32	1998	JUN	2,218	0
33	1998	JUL	2,199	0
34	1998	AUG	2,180	0
35	1998	SEP	2,161	0

M&G DRILLING COMPANY

HARDIE #68

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (November 1995):	2925 MCFM
Effective Decline Rate:	10.0%

	YEAR	MONTH	GAS (MCF)	COND (BBLS)
36	1998	OCT	2,142	0
37	1998	NOV	2,123	0
38	1998	DEC	2,104	0
39	1999	JAN	2,086	0
40	1999	FEB	2,068	0
41	1999	MAR	2,050	0
42	1999	APR	2,032	0
43	1999	MAY	2,014	0
44	1999	JUN	1,996	0
45	1999	JUL	1,979	0
46	1999	AUG	1,962	0
47	1999	SEP	1,945	0
48	1999	OCT	1,928	0
49	1999	NOV	1,911	0
50	1999	DEC	1,894	0
51	2000	JAN	1,877	0
52	2000	FEB	1,861	0
53	2000	MAR	1,845	0
54	2000	APR	1,829	0
55	2000	MAY	1,813	0
56	2000	JUN	1,797	0
57	2000	JUL	1,781	0
58	2000	AUG	1,766	0
59	2000	SEP	1,750	0
60	2000	OCT	1,735	0
61	2000	NOV	1,720	0
62	2000	DEC	1,705	0
63	2001	JAN	1,690	0
64	2001	FEB	1,675	0
65	2001	MAR	1,660	0
66	2001	APR	1,646	0
67	2001	MAY	1,631	0
68	2001	JUN	1,617	0
69	2001	JUL	1,603	0
70	2001	AUG	1,589	0

M&G DRILLING COMPANY

HARDIE #68

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (November 1995):	2925 MCFM
Effective Decline Rate:	10.0%

	YEAR	MONTH	GAS (MCF)	COND (BBLS)
71	2001	SEP	1,575	0
72	2001	OCT	1,561	0
73	2001	NOV	1,548	0
74	2001	DEC	1,534	0
75	2002	JAN	1,521	0
76	2002	FEB	1,507	0
77	2002	MAR	1,494	0
78	2002	APR	1,481	0
79	2002	MAY	1,468	0
80	2002	JUN	1,455	0
81	2002	JUL	1,443	0
82	2002	AUG	1,430	0
83	2002	SEP	1,418	0
84	2002	OCT	1,405	0
85	2002	NOV	1,393	0
86	2002	DEC	1,381	0
87	2003	JAN	1,369	0
88	2003	FEB	1,357	0
89	2003	MAR	1,345	0
90	2003	APR	1,333	0
91	2003	MAY	1,321	0
92	2003	JUN	1,310	0
93	2003	JUL	1,298	0
94	2003	AUG	1,287	0
95	2003	SEP	1,276	0
96	2003	OCT	1,265	0
97	2003	NOV	1,254	0
98	2003	DEC	1,243	0
99	2004	JAN	1,232	0
100	2004	FEB	1,221	0
101	2004	MAR	1,210	0
102	2004	APR	1,200	0
103	2004	MAY	1,189	0
104	2004	JUN	1,179	0
105	2004	JUL	1,169	0

M&G DRILLING COMPANY

HARDIE #68

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (November 1995):	2925 MCFM
Effective Decline Rate:	10.0%

	YEAR	MONTH	GAS (MCF)	COND (BBLS)
106	2004	AUG	1,158	0
107	2004	SEP	1,148	0
108	2004	OCT	1,138	0
109	2004	NOV	1,128	0
110	2004	DEC	1,118	0
111	2005	JAN	1,109	0
112	2005	FEB	1,099	0
113	2005	MAR	1,089	0
114	2005	APR	1,080	0
115	2005	MAY	1,070	0
116	2005	JUN	1,061	0
117	2005	JUL	1,052	0
118	2005	AUG	1,043	0
119	2005	SEP	1,033	0
120	2005	OCT	1,024	0
121	2005	NOV	1,015	0
122	2005	DEC	1,007	0
123	2006	JAN	998	0
124	2006	FEB	989	0
125	2006	MAR	980	0
126	2006	APR	972	0
127	2006	MAY	963	0
128	2006	JUN	955	0
129	2006	JUL	947	0
130	2006	AUG	938	0
131	2006	SEP	930	0
132	2006	OCT	922	0
133	2006	NOV	914	0
134	2006	DEC	906	0