

pw 50436 229210

District I
1425 N. French Drive, 164th, NM 87240

District II
1391 W. Grand Avenue, Azusa, NM 87210

District III
700C Rio Grande Road, Azusa, NM 87410

District IV
1320 S. St. Francis Dr., Santa Fe, NM 87503

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

APPLICATION TYPE
 Single Well
 Establish Pre-Approved Pools
EXISTING WELLBORE
 Yes No

APPLICATION FOR DOWNHOLE COMMINGLING

DHC-3384

M & G DRILLING COMPANY c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401
Operator Address

SCHLOSSER 27 #104 P Section 27 T28N R11W San Juan County
Lease: Well No. Unit Letter-Section-Township-Range County

OGRID No. 141852 Property Code API No. 30-045-32488 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	KUTZ FARMINGTON		Kutz Pictured Cliffs, West
Pool Code	7960 79560		7960
Top and Bottom of Pay Section (Perforated Interval)	800'-810'		1470'-1540'
Method of Production (Flowing or Artificial Lift)	Expected to Flow		Expected in Flow
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)	290 psi		210 psi
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1105 BTU		1230 BTU
Producing, Shut-In or New Zone	New Zone		New Zone
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.) Individual rates will be submitted after completion.	Date: Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required.) See Attached.	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 Mike Pippin TITLE Agent - Petroleum Engineer DATE December 22, 2004

TYPE OR PRINT NAME Mike Pippin TELEPHONE NO. (505) 327-4573

E-MAIL ADDRESS mpippin@ddbroadband.net

M & G DRILLING COMPANY
SCHLOSSER 27 #104 FRTC
660' FSL, 740' FEL
P Sec. 27 T28N R11W
San Juan County, NM
30-045-32488

COMMINGLE INFORMATION

12/22/04

During Fruitland Coal drilling operations in December 2004, gas was encountered in the Farmington Sand interval at about 810' KB . The well was drilled with a 6-1/4" bit and will soon have 4-1/2" casing cemented to surface. The drilling rig has reached total depth and will soon move off the location. The completion rig is expected on location in about 18 days.

M & G Drilling Company would like to perforate the Farmington Sand interval during completion operations and complete the well as a commingled Kutz Farmington Sand / Kutz Pictured Cliffs, West. The Farmington Sand in this area of San Juan Basin has historically not been very prolific or economical alone. In addition, the Pictured Cliffs may require pumping in the future.

For the allocation, we plan to complete the Pictured Cliffs interval and test through a choke manifold. A bridge plug will be set above the Pictured Cliffs and the Farmington Sand will be opened and tested through a choke manifold. The bridge plug will then be removed and the well completed commingled.

The Farmington interval historically does not make any water or oil. We anticipate that the Pictured Cliffs interval will make about 1 BWPD and no oil.

DISTRICT I
1626 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

DISTRICT II
811 South First, Artesia, N.M. 88210

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32488		*Pool Code 79600	*Pool Name KUTZ FARMINGTON
*Property Code	*Property Name SCHLOSSER 27		*Well Number 104
*OGRD No. 141852	*Operator Name M & G DRILLING COMPANY INC.		*Elevation 5620'

¹⁰ Surface Location

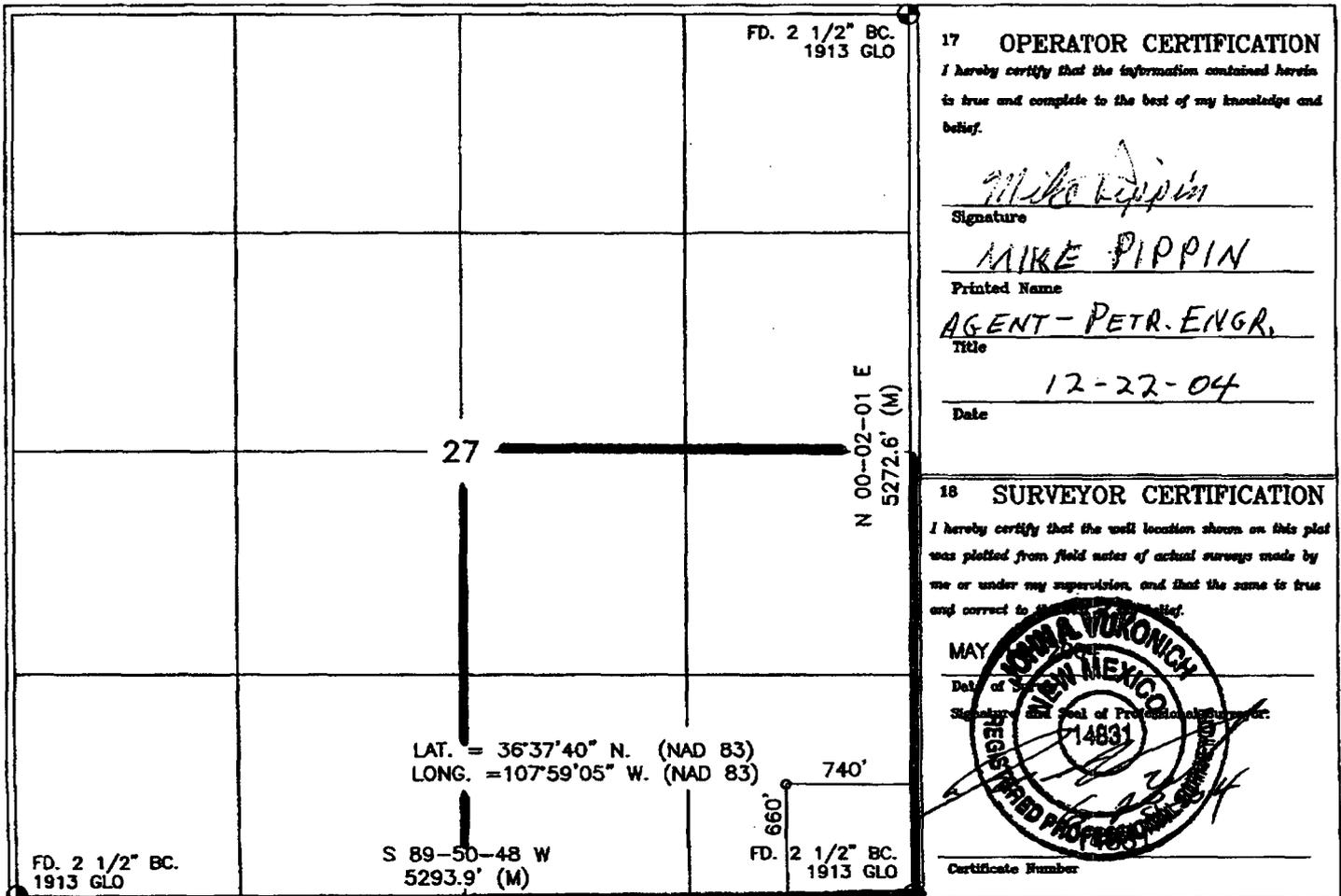
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	27	28-N	11-W		660	SOUTH	740	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 160 SE/4					*Joint or Infill Y		**Consolidation Code		**Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16



17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Mike Pippin
Signature

MIKE PIPPIN
Printed Name

AGENT - PETR. ENGR.
Title

12-22-04
Date

18 SURVEYOR CERTIFICATION
I hereby certify that the well location shown on this plat was plotted 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.

MAY 14 2004
Date of Survey

Signature: *[Signature]*
New Mexico
14831
REGISTERED PROFESSIONAL SURVEYOR

Certificate Number

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Elio Branso Rd., Actec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-32488		² Pool Code 79680	³ Pool Name KUTZ PICTURED CLIFFS, WEST
⁴ Property Code	⁵ Property Name SCHLOSSER 27		⁶ Well Number #104
⁷ OGRID No. 141852	⁸ Operator Name M & G DRILLING COMPANY		⁹ Elevation 5620'

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
P	27	28N	11W		660'	SOUTH	740'	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 160 ACRES SE/4	¹³ Joint or Infill Y	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>¹⁶</p>	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Mike Pippin</i> Signature</p> <p>MIKE PIPPIN Printed Name</p> <p>AGENT - PETR. ENGR mpippin@subwest.com Title and E-mail Address</p> <p>August 30, 2004 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted 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 belief.</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>
	<p>OK</p> <p>PC</p> <p>660'</p> <p>740'</p> <p>Certificate Number</p>

FAX COVER SHEET

DATE: 12-22-04 # OF PAGES (INCLUDING COVER) 5
TO: WILL JONES FROM: MIKE PIPPIN
COMPANY: NMOC D PHONE #: 505-327-4573
FAX #: 505 476 3462 FAX#: 505-564-8656

COMMINGLE APPLICATION
M & G DRILLING COMPANY
SCHLOSSER 27 # 104