

DATE IN 1-6-05	SUSPENSE	ENGINEER JONES	LOGGED IN 1-7-05	TYPE DHC	APP NO. PSEM0300749986
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3393

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**
- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate and complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			

FAX COVER SHEET

DATE: 1-6-05

OF PAGES (INCLUDING COVER) 5

TO: WILL JONES

FROM: MIKE PIPPIN

COMPANY: NMOCD

PHONE #: 505-327-4573

FAX #: 505 476 3462

FAX#: 505-564-8656

COMMINGLE APPLICATION

M + G DRILLING Co.

KRAUSE # 115

District I
1425 N. French Drive, Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107A
Revised June 10, 2003

District II
1301 W. Grand Avenue, Artesia, NM 88210

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

APPLICATION TYPE
 Single Well

District III
1000 N.E. Unruh Road, Aztec, NM 87410

Establish Pre-Approved Pools

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

EXISTING WELLBORE

APPLICATION FOR DOWNHOLE COMMINGLING

Yes No

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

KRAUSE #11s U-Section 28 T28N R11W San Juan County
Lease Well No. Unit Letter-Section-Township-Range County

DHC-3393

OGRID No. 141852 Property Code API No. 30-045-32514 Lease Type: Federal State Fee

DATA ELEMENT	UPPER ZONE <input checked="" type="checkbox"/>	INTERMEDIATE ZONE	LOWER ZONE <input checked="" type="checkbox"/>
Pool Name	KUTZ FARMINGTON		Kutz Pictured Cliffs, West
Pool Code	79680 79680 1300' - 1360'		79680
Top and Bottom of Pay Section (Perforated Interval)	Expected to Flow		Expected to Flow
Method of Production (Flowing or Artificial Lift)			
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 communized 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 January 5, 2005

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

E-MAIL ADDRESS mpippin@dcbroadband.net

M & G DRILLING COMPANY
KRAUSE #11s PC
1975' FSL, 775' FEL
I Sec. 28 T28N R11W
San Juan County, NM
30-045-32514

COMMINGLE INFORMATION

1/5/05

During Pictured Cliffs drilling operations in January 2005, gas was encountered in the Farmington Sand interval at about 1350' KB . The well was drilled with a 7-7/8" 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 Sand 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
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, 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 30-045-32514		² Pool Code 79680	³ Pool Name KUTZ PICTURED CLIFFS, WEST
⁴ Property Code	⁵ Property Name KRAUSE		⁶ Well Number #11s
⁷ OGRID No. 141852	⁸ Operator Name M & G DRILLING COMPANY		⁹ Elevation 5890'

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
I	28	28N	11W		1975'	SOUTH	775'	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 SE4	¹³ Joint or Infill N	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

16						¹⁷ OPERATOR CERTIFICATION	
						<p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: center;"><i>Mike Pippin</i></p> <p>Signature</p> <p>MIKE PIPPIN Printed Name</p> <p>AGENT - PETR. ENGR. mpippin@fnbwest.com Title and E-mail Address</p> <p>August 30, 2004 Date</p>	
			28			¹⁸ SURVEYOR CERTIFICATION	
						<p><i>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.</i></p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p>	
						Certificate Number	

DISTRICT I
1625 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

AMENDED REPORT

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32514		*Pool Code 79600	*Pool Name KUTZ FARMINGTON
*Property Code	*Property Name KRAUSE		*Well Number 11S
*GRID No. 141852	*Operator Name M & G DRILLING COMPANY INC.		*Elevation 5890'

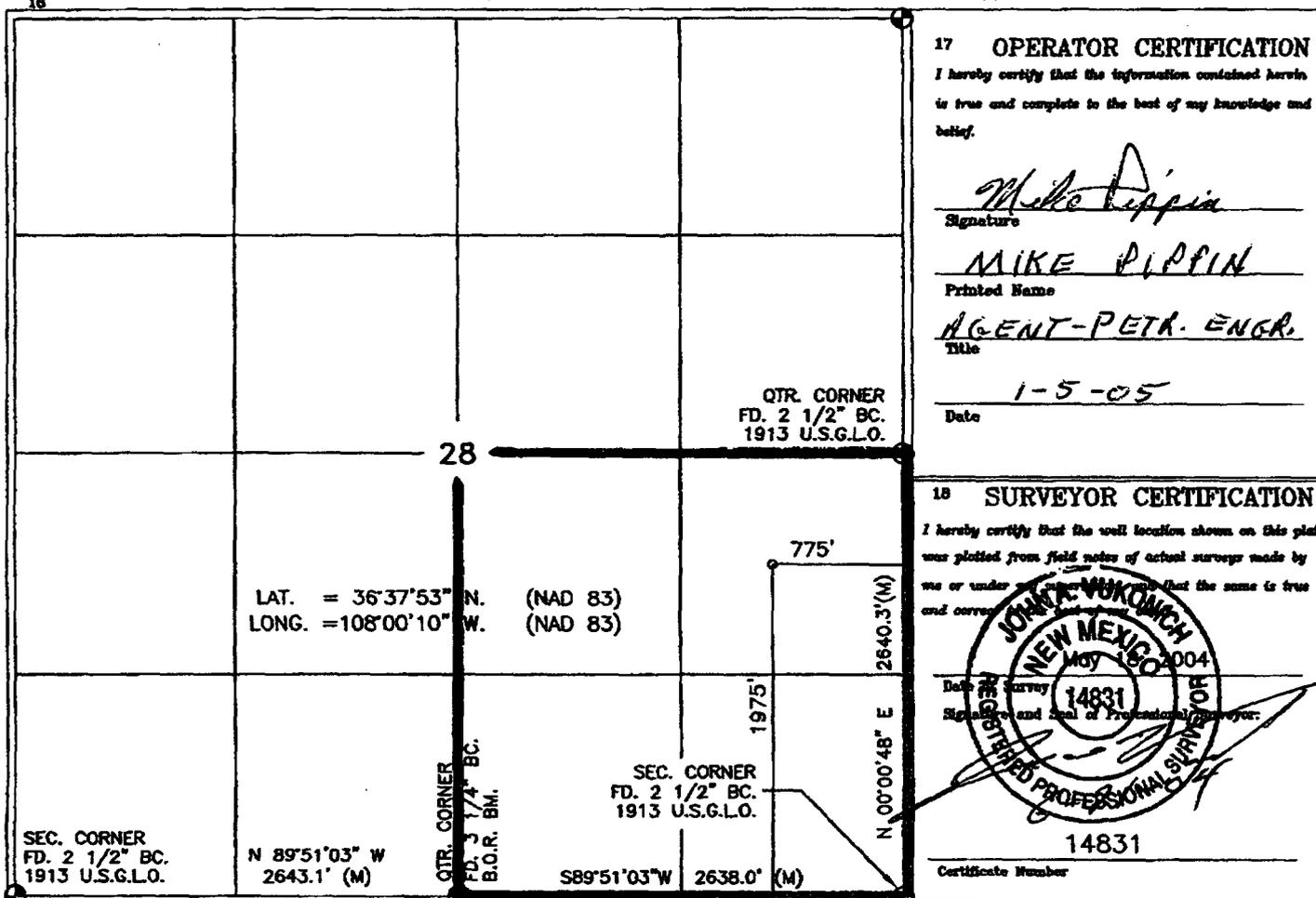
¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	28	28-N	11-W		1975	SOUTH	775	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 SE/4		¹³ Joint or Infill Y		¹⁴ Consolidation Code		¹⁵ Order No.			

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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

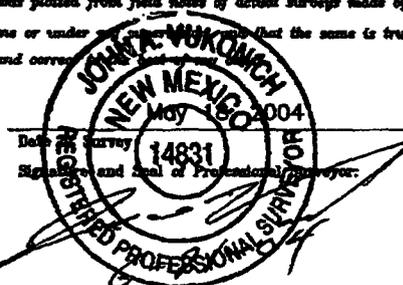
MIKE PIPPIN
Printed Name

AGENT-PETR. ENGR.
Title

1-5-05
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.



Date of Survey 14831
Signature and Seal of Professional Surveyor

14831
Certificate Number

TRANSACTION REPORT

P.01

JAN-06-2005 THU 10:29 AM

FOR:

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DATE	START	SENDER	RX TIME	PAGES	TYPE	NOTE	M#	DP
JAN-06	10:26 AM	505 564 8656	2' 09"	5	RECEIVE	OK		