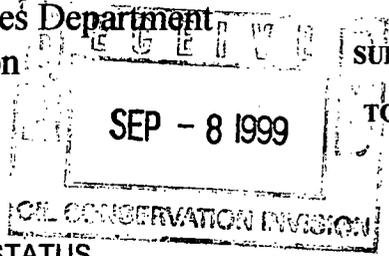


1213

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



SUBMIT ORIGINAL  
PLUS 2 COPIES  
TO THE SANTA FE  
OFFICE

District I - (505) 393-6161  
1625 N. French Dr  
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 - (505) 827-7131

APPLICATION FOR NEW WELL STATUS

I. Operator and Well

Operator name & address M & G DRILLING C/O KM PRODUCTION COMPANY PO BOX 2406 FARMINGTON, NEW MEXICO 87499							OGRID Number 141852		
Contact Party Kevin H. McCord							Phone (505) 325-6900		
Property Name GRAHAM					Well Number 98		API Number 30-045-29916		
UL A	Section 4	Township 27N	Range 8W	Feet From The 1305	North/South Line NORTH	Feet From The 990	East/West Line EAST	County SAN JUAN	

II. Date/Time Information

Spud Date 6/15/99	Spud Time 11:00 AM	Date Completed 7/2/99	Pool 71629
----------------------	-----------------------	--------------------------	---------------

III. Attach copies of Form C-103 or Federal Form 3160-5 showing date/time of drilling commenced and Form C-105 or Federal Form 3160-4 showing well was completed as a producer.

IV. Attach a list of all working interest owners with their percentage interests.

V. AFFIDAVIT:

State of NEW MEXICO )

ss.

County of SAN JUAN )

Kevin H. McCord, being first duly sworn, upon oath states:

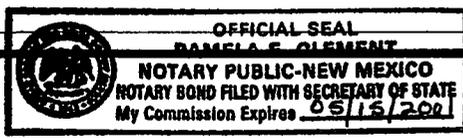
- I am the Operator, or authorized representative of the Operator, of the above-referenced well.
- To the best of my knowledge, this application is complete and correct.

Signature Kevin H. McCord Title Agent Date 9/3/99

SUBSCRIBED AND SWORN TO before me this 3rd day of September, 1999.

Pamela E. Clement  
Notary Public

My Commission expires: 05/15/2001



FOR OIL CONSERVATION DIVISION USE ONLY:

VI. CERTIFICATION OF APPROVAL:

This Application is hereby approved and the above-referenced well is designated a New Well. By copy hereof, the Division notifies the Secretary of the Taxation and Revenue Department of this Approval.

Signature <u>Mark ...</u>	Title <u>P.E. Spec.</u>	Date <u>OCT 1 1999</u>
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VII. DATE OF NOTIFICATION TO THE SECRETARY OF THE TAXATION AND REVENUE DEPARTMENT: OCT 4 1999

NOTICE: The operator must notify all working interest owners of this New Well certification.

PV2V2006534381

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED  
BLM

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir,  
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.  
SF-078481A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA. Agreement Designation

SUBMIT IN TRIPLICATE U/O FARMINGTON, NM

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 #98
2. Name of Operator M&G Drilling Company, Inc.    C/O KM Production Company	9. API Well No. 30-045-29916
3. Address and Telephone No. PO Box 2406, Farmington, NM 87499 (505)325-6900	10. Field and Pool, or Exploratory Area BASIN FRUITLAND COAL
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Section 4, T27N, R8W    1305' FNL & 990' FEL	11. County or Parish, State San Juan, New Mexico

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other <u>Spud, TD, Log, Run &amp; Cement Casing</u>
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)\*

Please see attached morning report.

ACCEPTED FOR RECORD

JUN 25 1999

FARMINGTON FIELD OFFICE  
BY [Signature]

14. I hereby certify that the foregoing is true and correct  
Signed [Signature] Title Petroleum Engineer Date June 23, 1999  
Kevin McCord

(This space for Federal or State office use)  
Approved by \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_  
Conditions of approval, if any:

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

\*See Instruction on Reverse Side

OPERATOR

# M&G Drilling Company

Graham #98  
1305 FNL & 990 FEL  
SECTION 4, T27N, R8W

## MORNING REPORT-DRILLING

6/15/99

Build location and line drilling pit. Shut down overnight.

6/16/99

Move L&B rig onto location and rig up drilling rig. Spud well at 11:00 am, 6/15/99. Drill 8 3/4" hole to 123 feet. Circulate hole clean and drop deviation tool. Trip out of hole. Deviation 1/4° at 123 feet. Run 3 joints (120.40 feet) 7 " 23.0 #/ft J-55 casing, landed at 121 feet. Rig up Cementers Inc and cement casing with 65 sx (76.7 cf) Class B with 4% CaCl and 1/4 #/sack cello-flake. Good returns throughout job with 4 bbls of good cement circulated to pit. Plug down at 5:00 pm, 6/15/99. Wait on cement. Shut down overnight.

6/17/99

Break off cementing head. Put on wellhead. Nipple up BOP and choke manifold. Pressure test BOP to 500 psi for 30 minutes, held OK. Pressure test choke manifold to 500 psi for 30 minutes, held OK. Pick up collars and trip in hole. Tag cement at 90 feet. Drill out cement and continue drilling new formation. Drill to 230 feet and circulate hole clean. Circulate hole clean. Close pipe rams, and shut down overnight.

6/18/99

Continue drilling to 650 feet. Circulate hole clean and run wireline survey. Deviation 1/4° at 650 feet. Continue drilling to 800 feet. Circulate hole clean and shut pipe rams. Shut down overnight.

6/19/99

Continue drilling to 1200 feet. Circulate hole clean and run wireline survey. Deviation 1/2° at 1200 feet. Continue drilling to 1260 feet. Shut pipe rams and shut down overnight.

6/20/99

Continue drilling to 1400 feet. Circulate hole clean for trip. Trip for bit. Work blind rams. Trip back in hole and continue drilling to 1640 feet. Circulate hole clean. Shut pipe rams and shut down overnight.

6/21/99

Continue drilling to 1760 feet. Circulate hole clean and run wireline survey. Deviation 3/4° at 1760 feet. Continue drilling to 2000 feet. Circulate hole clean and shut down overnight.

6/22/99

Continue drilling to driller's total depth of 2250 feet. Short trip and condition hole for logs. Drop survey tool and trip out of hole. Deviation 1° at 2250 feet. Rig up HLS and log well. Loggers total depth was 2265 feet. Rig down HLS. Shut pipe rams and shut down overnight.

6/23/99

Rig up casing crew to run .	oints of new 4 1/2" 10.5 #/foot new J-5	asing as follows:
KB to landing point	4.00 feet	0 - 4 feet
50 joints casing	2215.91 feet	4 - 2220 feet
Insert Float	0.00 feet	2220 - 2220 feet
Shoe Joint	44.36 feet	2220 - 2264 feet
Guide Shoe	<u>0.70 feet</u>	2264 - 2265 feet
	2264.97 feet	

Land casing at 2265 feet with centralizers at 2221, 2177, 2088, 1999, and 1911 feet. Turbolizers at 1378, 1290, and 1201 feet. Rig up Cementers Inc. and cement production casing as follows:

Flush	15 bbls fresh water
Lead	25 sx (29.5 cf) Class B w/ 1/4 #/sx flocele
Tail	180 sx (370.8 cf) Class B w/ 2% econolite and 1/4 #/sx flocele
2 <sup>nd</sup> Tail	70 sx (82.6 cf) Class B w/ 1/4 #/sx flocele

Good returns throughout job with 2 bbls good cement circulated to pit. Bumped plug to 1500 psi at 12:45 pm, 6/22/99. Release drilling rig and wait on completion.

DEPARTMENT OF THE INTERIOR

(See other instructions on reverse side)

Expires: December 31, 1991

BUREAU OF LAND MANAGEMENT

RECEIVED

3. LEASE DESIGNATION AND SERIAL NO.

SF-078481A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

WELL COMPLETION OR RECOMPLETION REPORT AND LOG \*

1a. TYPE OF WELL: OIL WELL  GAS WELL  DRY  99 JUL 12 PM 4:25

7. UNIT AGREEMENT NAME

b. TYPE OF COMPLETION: NEW WELL  WORK OVER  DEEP-EN  PLUG BACK  DIFF. RESVR.  070 FARMINGTON, NM

8. FARM OR LEASE NAME, WELL NO.

2. NAME OF OPERATOR  
M&G Drilling Company, Inc. c/o KM Production Company

Graham #98

3. ADDRESS AND TELEPHONE NO.  
P.O. Box 2406 Farmington, NM 87499-2406 (505) 325-6900

9. API WELL NO.  
30-045-29916

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)\*  
At surface  
1305 FNL & 990 FEL

10. FIELD AND POOL, OR WILDCAT

Basin Fruitland Coal

At top prod. interval reported below

OIL CON. DIV  
DIST. 3

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA

Sec. 4, T27N R8W

At total depth

14. PERMIT NO. DATE ISSUED 12. COUNTY OR PARISH 13. STATE  
San Juan New Mexico

15. DATE SPUNDED 16. DATE T.D. REACHED 17. DATE COMPL. (Ready to prod.) 18. ELEVATIONS (DF, RKB, RT, FE, ETC.)\* 19. ELEV. CASINGHEAD  
6/15/1999 6/22/1999 7/2/1999 5890 GR

20. TOTAL DEPTH, MD & TVD 21. PLUG, BACK T.D., MD & TVD 22. IF MULTIPLE COMPL., HOW MANY\* 23. INTERVALS DRILLED BY 24. PRODUCING INTERVAL(S), OF THIS COMPLETION - TOP, BOTTOM, NAME (MD AND TVD)\* 25. WAS DIRECTIONAL SURVEY MADE  
2250 Ft 2212 Ft No

26. TYPE ELECTRIC AND OTHER LOGS RUN 27. WAS WELL CORED  
Dual Induction - GR - Density No

28. CASING RECORD (Report all strings set in well)

CASING SIZE/GRADE	WEIGHT. LB./FT.	DEPTH SET (MD)	HOLE SIZE	TOP OF CEMENT. CEMENTING RECORD	AMOUNT PULLED
7"	23 #/Ft	121 Ft	8 3/4"	65sx (77 ft3) Class B W/4% CaCl, Cement Circulated	
4 1/2"	10.5 #/Ft	2265 Ft	6 1/4"	180sx (371 ft3) Class B W/2% Econolite, tailed with	
				95sx (112 ft3) Class B, Cement Circulated	

29. LINER RECORD 30. TUBING RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)	SIZE	DEPTH SET (MD)	PACKER SET (MD)
None					2 3/8"	2110 Ft	None

31. PERFORATION RECORD (Interval, size and number) 32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

INTERVAL	DIAMETER	DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
2024 - 2040	with 33 - .34" diameter holes		
2069 - 2077	with 17 - .34" diameter holes		
2081 - 2083	with 5 - .34" diameter holes		
2086 - 2091	with 11 - .34" diameter holes		
2093 - 2111	with 37 - .34" diameter holes		
2024 - 2111			750 gal 15% HCl acid
			45,000 gal 70 quality foam, 110,000 Lbs 20/40 san

33. PRODUCTION

DATE OF FIRST PRODUCTION	PRODUCTION METHOD (Flowing, gas lift, pumping - size and type of pump)	WELL STATUS (Producing or shut-in)					
7/2/1999	Flowing	Shut-in					
DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL - BBL	GAS - MCF	WATER - BBL	GAS - OIL RATIO
7/2/1999	3 Hrs.	3/4"			No flow		
FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE	OIL - BBL	GAS - MCF	WATER - BBL	OIL GRAVITY - API (CORR.)	
0 psi	80 psi			No flow			

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.) TEST WITNESSED BY  
Shut-in waiting on gas connection Albert Aranda

35. LIST OF ATTACHMENTS  
36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records  
SIGNED [Signature] TITLE Petroleum Engineer DATE 7/6/99

\*(See Instructions and Spaces for Additional Data on Reverse Side) JUL 16 1999

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the

OPERATOR

FARMINGTON FIELD OFFICE  
BY [Signature]

37. SUMMARY OF POROUS ZONES: (Show all important zones or porosity and contents thereof, cored intervals; and all drill-stem, tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries):

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
Ojo Alamo	1218	1336	Sandstone
Kirtland Shale	1336	1856	Sandstone, shale, siltstone
Fruitland	1856	2121	Sandstone, siltstone, shale Coal, natural gas & water
Pictured Cliffs	2121	TD	Sandstone

38. GEOLOGIC MARKERS

NAME	TOP	
	MEAS. DEPTH	TRUE VERT. DEPTH
Ojo Alamo	1218	1218
Kirtland	1336	1336
Fruitland	1856	1856
Pictured Cliffs	2121	2121

M&G DRILLING COMPANY  
C/O KM PRODUCTION COMPANY  
GRAHAM WELL NO. 98  
SEC. 4, T27N-R8W  
SAN JUAN COUNTY, NM

WORKING INTEREST OWNER

PERCENT  
INTEREST

M&G DRILLING COMPANY  
PO BOX 9560  
PALM SPRINGS, CA 92263

100.00