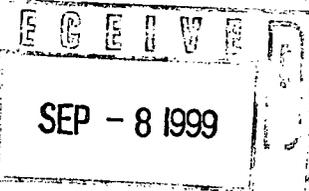


District I - (505) 393-6161
 1625 N. French Dr
 Hobbs, NM 88241-1980
 District II - (505) 748-1283
 811 S. First
 Artesia, NM 88210
 District III - (505) 334-6178
 1000 Rio Brazos Road
 Aztec, NM 87410
 District IV - (505) 827-7131

New Mexico
 Energy Minerals and Natural Resources Department

1214 Form C-142
 Date 06/99

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

APPLICATION FOR NEW WELL STATUS OBSERVATION DIVISION

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 99		API Number 30-045-29917	
UL M	Section 10	Township 27N	Range 8W	Feet From The 1150	North/South Line SOUTH	Feet From The 790	East/West Line WEST	County SAN JUAN

II. Date/Time Information

Spud Date 6/8/99	Spud Time 9:00 AM	Date Completed 6/30/99	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)
)
 County of SAN JUAN)
)
 ss.
Kevin H. McCord, being first duly sworn, upon oath states:

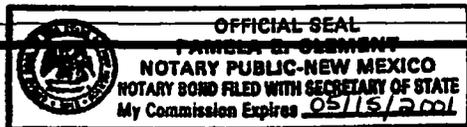
- I am the Operator, or authorized representative of the Operator, of the above-referenced well.
- To the best of my knowledge, this application is complete and correct.

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 Sahby</u>	Title <u>P.E. Spivey</u>	Date <u>OCT 1 1999</u>
--------------------------------	-----------------------------	---------------------------

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.

PV2V2006534504

3160-5
(1990)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
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

SUBMIT IN TRIPLICATE

FORM APPROVED

Bureau No. 1004-0135

Expires: March 31, 1993

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

6. If Indian, Allottee or Tribe Name

7. If Unit or CA. Agreement Designation

1. Type of Well

Oil Well

Gas Well

Other

8. Well Name and No.

GRAHAM #99

2. Name of Operator

M&G Drilling Company, Inc.

C/O KM Production Company

9. API Well No.

30-045-29917

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 10, T27N, R8W

1150' FSL & 790' FWL

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

Notice of Intent

Subsequent Report

Final Abandonment Notice

Abandonment

Recompletion

Plugging Back

Casing Repair

Altering Casing

Other TD, Log, Run & Cement

Production Casing

Change of Plans

New Construction

Non-Routine Fracturing

Water Shut-Off

Conversion to Injection

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.

06 JUN 1999 11:12:20
OFFICE OF THE DIRECTOR
BUREAU OF LAND MANAGEMENT

14. I hereby certify that the foregoing is true and correct

Signed *Price Bayless*

Title Petroleum Engineer

Date June 15, 1999

Price Bayless

(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

ACCEPTED FOR RECORD

JUN 28 1999

OPERATOR

FIELD OFFICE

M&G Drilling Company

Graham #99
1150 FSL & 790 FWL
SECTION 10, T27N, R8W

MORNING REPORT-DRILLING

6/8/99

Build location and line drilling pit. Move L&B rig onto location. Shut down overnight.

6/9/99

Rig up drilling rig and spud well at 9:00 am, 6/8/99. Drill 8 3/4" hole to 125 feet. Circulate hole clean and drop deviation tool. Trip out of hole. Deviation 1/4° at 125 feet. Run 3 joints (122.80 feet) 7" 23.0 #/ft J-55 casing, landed at 124 feet. Rig up Cementers Inc and cement casing with 60 sx (71 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 1:00 pm, 6/8/99. WOC for 4 hours and break off cementing head. 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. Shut down overnight.

6/10/99

Pick up collars and trip in hole. Tag cement at 80 feet. Drill out cement and continue drilling new formation. Drill to 600 feet and circulate hole clean. Run wireline survey, deviation 1/2° at 600 feet. Continue drilling to 1100 feet. Circulate hole clean and run wireline survey. Deviation 1/2° at 1100 feet. Close pipe rams, and shut down overnight.

6/11/99

Continue drilling to 1400 feet. Circulate hole clean and drop survey tool. Trip out of hole for bit. Work blind rams. Deviation 1/2° at 1400 feet. Trip in hole and continue drilling to 1520 feet. Circulate hole clean and shut pipe rams. Shut down overnight.

6/12/99

Continue drilling to 1960 feet. Circulate hole clean and run wireline survey. Deviation 3/4° at 1960 feet. Shut pipe rams and shut down overnight.

6/13/99

Continue drilling to 2170 feet. Condition hole for logs and pull 200 feet off bottom. Shut pipe rams and shut down for weekend.

6/14/99

No activity.

6/15/99

Short trip and condition hole for logs. Drop survey tool and trip out of hole. Deviation 3/4° at 2170 feet. Rig up HLS and log well. Rig down HLS and rig up casing crew to run 49 joints of new 4 1/2" 10.5 #/foot new J-55 casing as follows:

KB to landing point	4.00 feet	0 - 4 feet
48 joints casing	2130.03 feet	4 - 2134 feet
Insert Float	0.00 feet	2134 - 2134 feet
Shoe Joint	44.11 feet	2134 - 2178 feet
Guide Shoe	0.70 feet	2178 - 2179 feet
	<u>2178.84 feet</u>	

Land casing at 2179 feet with centralizers at 2154, 2043, 1955, and 1866 feet. Turbolizers at 1334, 1156, 446, and 357 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	170 sx (350.2 cf) Class B w/ 2% econolite and 1/4 #/sx flocele
2 nd Tail	65 sx (76.7 cf) Class B w/ 1/4 #/sx flocele

Good returns throughout job with 3 bbls good cement circulated to pit. Bumped plug to 1200 psi at 5:00 pm, 6/14/99. Release drilling rig and wait on completion.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE
(See other In-
structions on
reverse side)

FOR APPROVED
OMB NO. 1004-0137

Expires: December 31, 1991

3. LEASE DESIGNATION AND SERIAL NO.
SF-078481A

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

WELL COMPLETION OR RECOMPLETION REPORT AND LOG *

RECEIVED

99 JUL 12 PM 4:25

070 FARMINGTON, NM

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.

Graham #99

9. API WELL NO.

30-045-29917

10. FIELD AND POOL, OR WILDCAT

Basin Fruitland Coal

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

Sec. 10, T27N R8W

RECEIVED
JUL - 8 1999
OIL CON. DIV.

1a. TYPE OF WELL:

OIL WELL GAS WELL DRY

b. TYPE OF COMPLETION:

NEW WELL WORK OVER DEEP-EN PLUG BACK DIFF. RESVR.

2. NAME OF OPERATOR

M&G Drilling Company, Inc. c/o KM Production Company

3. ADDRESS AND TELEPHONE NO.

P.O. Box 2406 Farmington, NM 87499-2406 (505) 325-6900

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements)

At surface
1150 FSL & 790 FWL
At top prod. interval reported below

At total depth

14. PERMIT NO.

DATE ISSUED

12. COUNTY OR PARISH

San Juan

13. STATE

New Mexico

15. DATE SPUDDED

16. DATE T.D. REACHED

17. DATE COMPL. (Ready to prod.)

18. ELEVATIONS (DF, RKB, RT, FE, ETC.)*

19. ELEV. CASINGHEAD

6/8/1999

6/13/1999

6/30/1999

5873 GR

20. TOTAL DEPTH, MD & TVD

21. PLUG, BACK T.D., MD & TVD

22. IF MULTIPLE COMPL., HOW MANY*

23. INTERVALS DRILLED BY ROTARY TOOLS CABLE TOOLS

2170 Ft

2131 Ft

XX

24. PRODUCING INTERVAL (S), OF THIS COMPLETION - TOP, BOTTOM, NAME (MD AND TVD)*

1955 - 2050 Fruitland Coal

25. WAS DIRECTIONAL SURVEY MADE

No

26. TYPE ELECTRIC AND OTHER LOGS RUN

Dual Induction - GR - Density

27. WAS WELL CORED

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	124 Ft	8 3/4"	60sx (71 ft3) Class B W/4% CaCl, Cement Circulated	
4 1/2"	10.5 #/Ft	2179 Ft	6 1/4"	170sx (350 ft3) Class B W/2% Econolite, tailed with	
				90sx (106 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"	2049 Ft	None

31. PERFORATION RECORD (Interval, size and number)

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

1955 - 1968 with 27 - .34" diameter holes
1996 - 2002 with 13 - .34" diameter holes
2026 - 2050 with 49 - .34" diameter holes

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
1955 - 2050	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)					
6/30/1999	Flowing	Shut-in					
DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD	OIL - BBL.	GAS - MCF.	WATER - BBL.	GAS - OIL RATIO
6/30/1999	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	70 psi			No flow			

34. DISPOSITION OF GAS (Sold, used for fuel, vented, etc.)

Shut-in waiting on gas connection

TEST WITNESSED BY

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 **7/5/99 16 1999**

* (See Instructions and Spaces for Additional Data on Reverse-Side)

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

OPERATOR

ACCEPTED FOR RECORD

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):

38. GEOLOGIC MARKERS

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.	NAME	TOP	
					MEAS. DEPTH	TRUE VERT. DEPTH
Ojo Alamo	1188	1298	Sandstone			
Kirtland Shale	1298	1818	Sandstone, shale, siltstone			
Fruitland	1818	2057	Sandstone, siltstone, shale Coal, natural gas & water	Ojo Alamo	1188	1188
Pictured Cliffs	2057	TD	Sandstone	Kirtland	1298	1298
				Fruitland	1818	1818
				Pictured Cliffs	2057	2057

M&G DRILLING COMPANY
C/O KM PRODUCTION COMPANY
GRAHAM WELL NO. 99
SEC. 10, T27N-R8W
SAN JUAN COUNTY, NM

WORKING INTEREST OWNER

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

PERCENT
INTEREST

100.00