

ABOVE THIS LINE FOR DIVISION USE ONLY

PTG-W
M&G Drilling Co.
141852
RECEIVED OGD

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

200 OCT 20 P 1:16

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]

Graham 1005
30-045-35180

- [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 _____

Graham #44
30-045-06887

"Pools"
BFC-71679

- [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

MV-
BPC 72439
R-5396

[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
<i>PAUL C. THOMPSON</i>	<i>Paul C. Thompson</i>	<i>AGENT/ENGINEER</i>	<i>10/19/10</i>
		e-mail Address	
		<i>PAUL@WALSHENG.NET</i>	



October 19, 2010

i

Mr. Mark Fesmire, P.E.
NM Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Re: Surface Commingling
M&G Drilling Co. ✓
Graham #100S (FTC) and Graham #44 (MV) ✓
Sections 3, T27N, R8W

Dear Mr. Fesmire,

M& G Drilling Co. requests permission to surface commingle the gas production from the above mentioned wells so they can utilize a common compressor and metering station. The two wells are on the same Federal leases but are producing from different formations.

1. Proposed System: The wells are to be commingled upstream from a CPD meter so they can utilize a common compressor. The existing Enterprise CDP meter is located in Section 3, T27N, R8W and is on the same well pad as the Graham #44. An allocation meter will be installed on the Graham #100S. The gas flows into Enterprises' gathering system and they will maintain the CPD meter. No liquid hydrocarbons will be commingled.

The working and royalty interests in both wells are the same. The actual commercial value of the commingled production will not be less than the sum of the values of the production from each well.

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2. Wells, Locations, and Lease numbers: Exhibit #1 is a topo map showing the location of the wells and the existing flow lines. Both wells are on BLM surface land.

3. Schematic Diagram: Exhibit #2 is a schematic diagram of the proposed facilities.

4. Fuel Gas: The separator fuel is used prior to the allocation meter on the Graham #100S. The separator fuel will be added to the Graham #44 production. The compressor fuel gas will be allocated to each well in proportion to its contribution to the total production.

5. Mechanical Integrity: The flow lines from each well to the CDP meter are buried 4" steel with a pressure rating of 3,330 psig. The pipeline will be tested to 500 psig.

6. Gravity/BTU: Because the wells are producing from different reservoirs, the BTU contents are not similar. Gas samples will be taken annually from each well to calculate the Btu values. The gas will be allocated on an MMBtu basis. No liquid hydrocarbons will be commingled.

7. Allocation Formula: The production allocated to the Graham #100S will be the volume of gas measured at the allocation meter minus its share of compressor fuel, then converted to an MMBtu basis. The volume allocated to the Graham #44 will be the CPD volume minus its share of compressor fuel and the Graham #100S allocation meter volume, plus the separator fuel, then converted to an MMBtu basis.

8. Line Purging: We do not anticipate purging the line very often, but when we do the lost gas will be allocated between the two wells.

9. Purged Fluids: We do not anticipate having to purge the system, however any fluids purged will be natural gas, condensate, and produced water. Any line purging will be done to a tank.

10. Meter Calibration: The Enterprise operated CDP meter and the M&G operated allocation meter will be calibrated once each year if the volumes are less than 100 MCFD. The Enterprise CDP meter and any allocation meter showing a volume greater than 100 MCFD will be calibrated once per quarter. Enterprise Field Service will maintain and calibrate the CPD meter.



11. Gas Analysis Schedule: Enterprise Field Service will analyze the gas from the CDP meter twice a year. M&G Drilling will analyze the gas from each well once per year.

12. Effective date: The pipeline system will be put into service as soon as approval is received.

Sincerely,

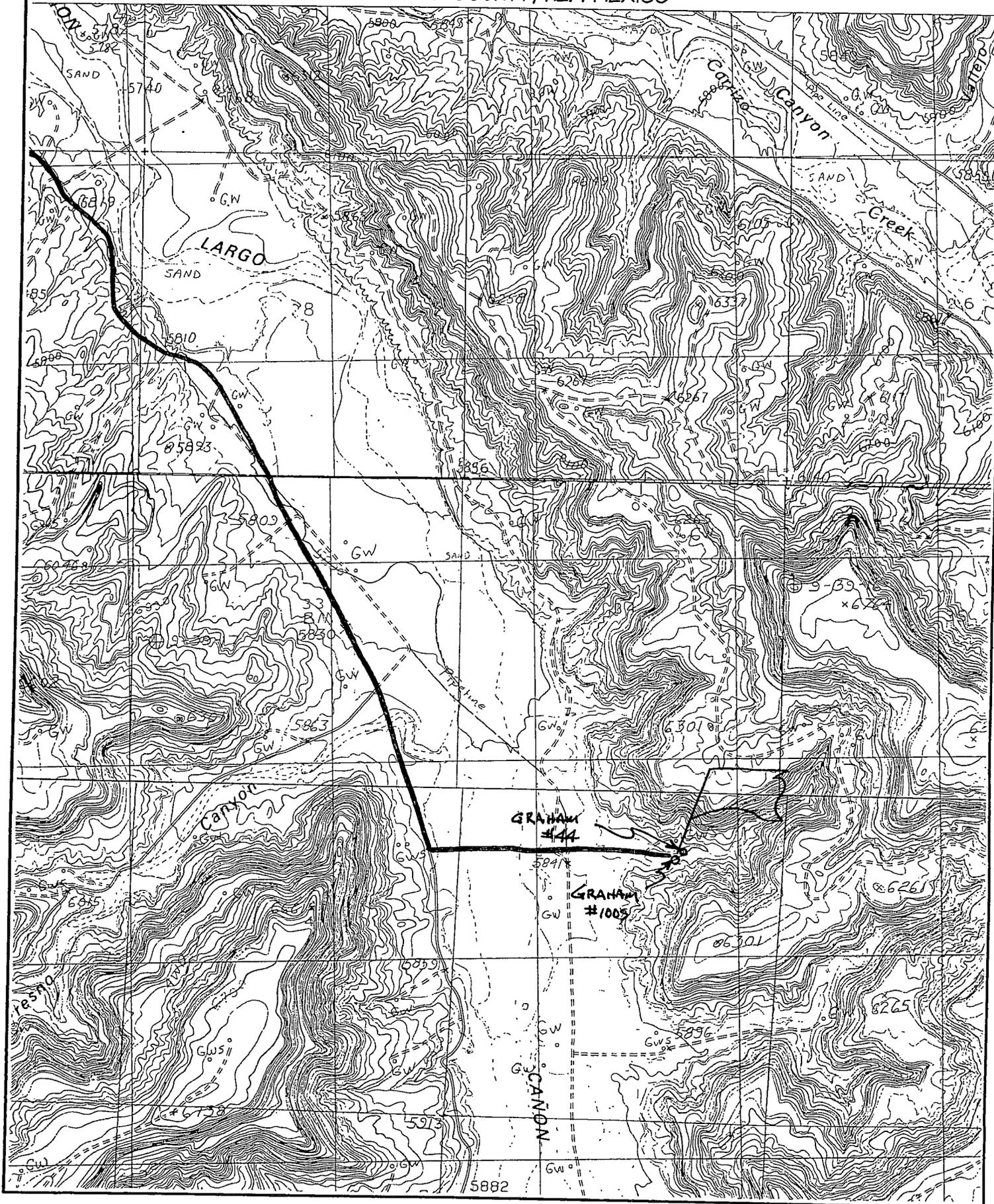
A handwritten signature in black ink that reads "Paul C. Thompson" with a long horizontal flourish extending to the right.

Paul C. Thompson, P.E.
Agent
M&G Drilling Co.

M&G DRILLING COMPANY, INC. GRAHAM #1005

1110' FNL & 1760' FEL, SECTION 3, T27N, R8W, N.M.P.M.

SAN JUAN COUNTY, NEW MEXICO



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 reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMSF 078481A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
Graham #100S

9. API Well No.
30-045-35180

10. Field and Pool, or Exploratory Area
Basin Fruitland Coal

11. County or Parish, State
San Juan

SUBMIT IN TRIPLICATE – Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
M&G Drilling Company, Inc. c/o Walsh Engineering

3a. Address
7415 E. Main, Farmington, NM, 87402

3b. Phone No. (include area code)
505-327-4892

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1110' FNL and 1760' FEL, Sec. 3, T27N, R8W

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other Surface Commingle
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomplate in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

M&G Drilling Company has applied to the NMOCD to surface commingle the production from this well with the Graham #44 (MV). This will allow M&G to utilize a single compressor. All working and net revenue interests are the same for both wells and both wells are on the same Federal lease. A copy of the application is attached for your review and approval.

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

Name (Printed/Typed) Paul C. Thompson, P.E.	Title Agent
Signature <i>Paul C. Thompson</i>	Date October 19, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office	

Title 18 U.S.C. Section 1001, make 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 matter within its jurisdiction.

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
Santa Fe, NM 87505

RECEIVED

JUL 15 2010

Form C-102
Revised October 12, 2005
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

Farmington Field Office AMENDED REPORT
Bureau of Land Management

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30045-35180		*Pool Code 71629	*Pool Name BASIN FRUITLAND COAL
*Property Code 16598	*Property Name GRAHAM		*Well Number 1005
*OGRID No. 141852	*Operator Name M&G DRILLING COMPANY, INC.		*Elevation 5898'

¹⁰ Surface Location

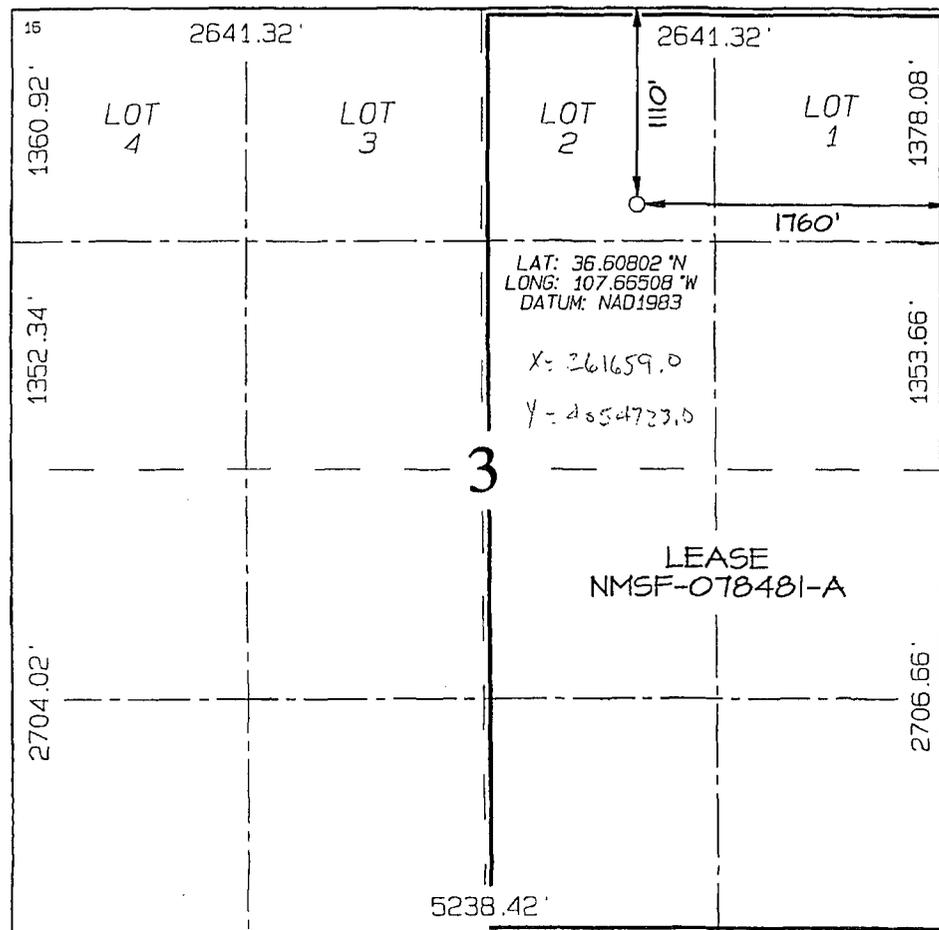
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	3	27N	8W		1110	NORTH	1760	EAST	SAN JUAN

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 320.86 Acres - (E/2)	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



¹⁷ OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Paul C. Thomas 6/30/10
Signature Date
PAUL C. THOMAS
Printed Name

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 belief.

Date of Survey: MAY 16, 2010

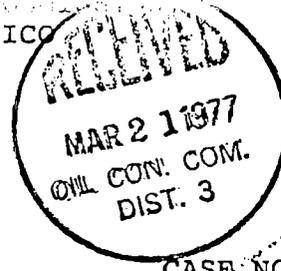
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:



CASE NO. 5878
Order No. R-5396

APPLICATION OF MICHAEL T. GOTTLIEB
FOR TWO NON-STANDARD GAS PRORATION
UNITS, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on March 9, 1977,
at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 15th day of March, 1977, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Michael T. Gottlieb, seeks approval
of two 160-acre non-standard Blanco Mesaverde gas proration units
comprising the NE/4 of Section 3 and the SW/4 of Section 35,
respectively, of Township 27 North, Range 8 West, NMPM, to be
dedicated to his Graham Well No. 44, located in Unit B of said
Section 3 and to a well to be drilled at a standard location in
the SW/4 of said Section 35, respectively.

(3) That each of the non-standard proration units may
reasonably be presumed productive of gas from the Blanco Mesaverde
Pool and that each of the non-standard gas proration units should
be efficiently and economically drained and developed by the
aforesaid wells.

(4) That approval of the subject application will afford
the applicant the opportunity to produce his just and equitable
share of the gas in the Blanco Mesaverde Pool, will prevent the
economic loss caused by the drilling of unnecessary wells, avoid
the augmentation of risk arising from the drilling of an excessive
number of wells, and will otherwise prevent waste and protect
correlative rights.

*Order filed
✓
✓
✓
NS file*

-2-

Case No. 5878
Order No. R-5396

IT IS THEREFORE ORDERED:

(1) That two 160-acre non-standard gas proration units in the Blanco Mesaverde Pool comprising the NE/4 of Section 3 and the SW/4 of Section 35, respectively, in Township 27 North, Range 8 West, NMPM, San Juan County, New Mexico, are hereby established and dedicated to the Michael T. Gottlieb Graham Well No. 44 located in Unit B of said Section 3, and to a well to be drilled at a standard location in the SW/4 of said Section 35, respectively.

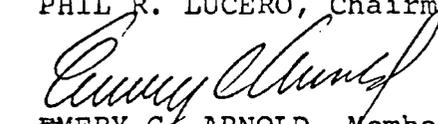
(2) That the acreage factor assigned to each of the afore-said 160-acre non-standard units for proration purposes shall be 0.5.

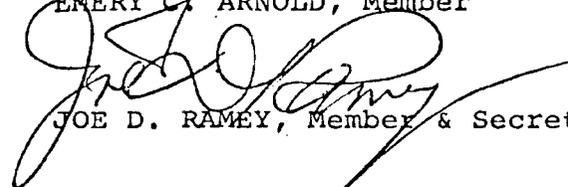
(3) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman


EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

jr/

M&G DRILLING COMPANY, INC.
P.O. BOX 5940
FARMINGTON, NEW MEXICO 87499-5940
(505) 325-6779

November 30, 2010

Mr. Terry G. Warnell
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Surface Commingling Applications

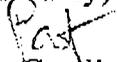
Dear Mr. Warnell,

M&G Drilling Company, Inc("MGD") has submitted Surface Commingling Applications for the Graham 100s and the Graham 44.

Per your request this letter confirms that MGD has 100% working interest ownership of oil, natural gas and associated liquid hydrocarbons on the wells listed above. The royalties and overriding royalties are also the same for both wells.

Any questions please contact me at (505) 325-6779.

Sincerely,


Pat Gottlieb, Executive Vice-President M&G Drilling Company Inc.

District I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised October 12, 2005
Instructions on back
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Fee Lease - 3 Copies

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1301 W. Grand Avenue, Artesia, NM 88210

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

OIL CONSERVATION DIVISION
1220 South St. Francis
Santa Fe, NM 87505

RECEIVED
JUL 15 2010

Farmington Field Office AMENDED REPORT
Bureau of Land Management

WELL LOCATION AND ACREAGE DEDICATION PLAT

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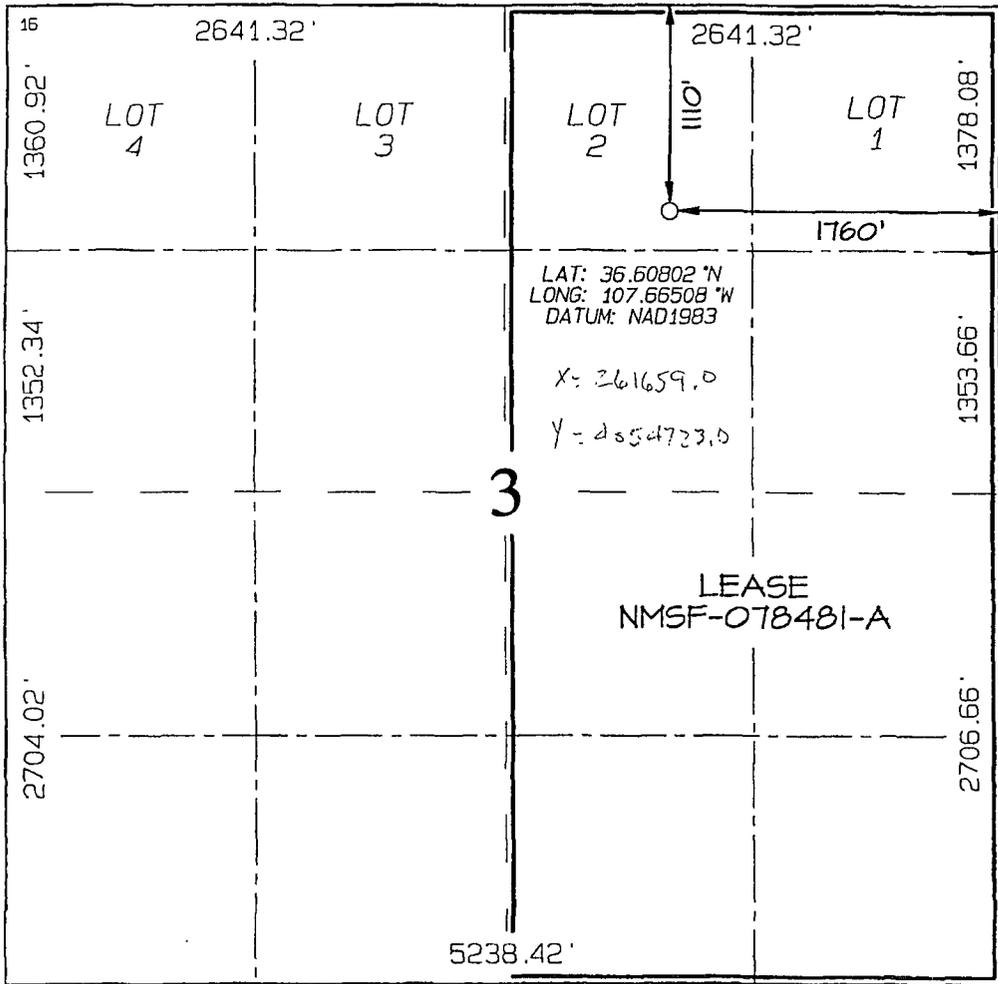
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¹¹ Bottom Hole Location If Different From Surface

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¹² Dedicated Acres 320.86 Acres - (E/2)	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, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom-hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.
Paul C. Thompson 6/30/10
Signature Date
PAUL C. THOMPSON
Printed Name

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 belief.
Date of Survey: MAY 16, 2010
Signature and Seal of Professional Surveyor



JASON C. EDWARDS
Certificate Number 15269

M&G DRILLING COMPANY, INC

P.O. BOX 5940

FRAMINGTON, NEW MEXICO 87499-5940

(505) 325-6779

November 30, 2010

Via fax (505) 476-3462 / 3 pages total

To: Richard Ezeanyim

Fr: Pat Gottlieb/M&G Drilling Company Inc.

Re: Attached revised letter re: co-mingling Graham 100s/Graham 44, Marron
100/Marron 42A

Thank you. Anything else you require please let me know.

Pat G.