

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.

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

SF-078673

6. If Indian, Allottee or Tribe Name

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

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 Mike Pippin LLC (Agent)

3a. Address

c/o: Pippin, 3104 N. Sullivan, Farmington, NM 874

3b. Phone No. (include area code)

505-327-4573

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

660' FSL 740' FEL (P) Sec. 27 T28N R11W

8. Well Name and No.

SCHLOSSER #104

9. API Well No.

30-045-32488

10. Field and Pool, or Exploratory Area

Kutz Farmington / Kutz PC, West

11. County or Parish, State

San Juan County, New Mexico

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 |
| | <input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> COMMINGLE |
| | <input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal <input type="checkbox"/> APPLICATION |

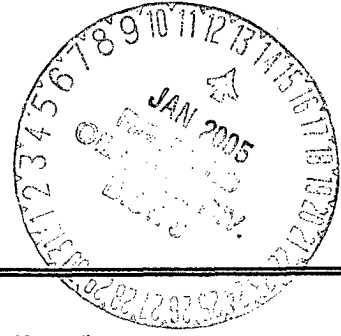
13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths 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 recompletion 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 requests approval to downhole commingle the Kutz Farmington (79600) and Kutz PC, West (79680). Both intervals have common ownership & produce essentially dry gas.

We do not anticipate any significant cross flows between these two intervals, & all the fluids are compatible. Commingling these zones should improve recovery of gas, liquids, eliminate redundant surface equipment, and maximize productivity.

Separate choke tests will be conducted during completion operations to obtain the gas allocations. Neither zone should produce any oil.

Notice has been filed concurrently on form C-107A with the NMOCD. See attached.



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

Name (Printed/Typed)

Mike Pippin

Title

Petr. Engr. (Agent)

Signature

Mike Pippin

Date

December 22, 2004

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Ann Lovato

Title

Petr. Engr.

Date

1/11/05

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.

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 matter within its jurisdiction.

(Instructions on reverse)

NMOCD

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

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

District III
1900 Rio Grande Road, Aztec, NM 87410

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

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

M & G DRILLING COMPANY
Operator

c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401
Address

SCHLOSSER 27 #104
Lease

Well No.

P Section 27 T28N R11W

Unit Letter-Section-Township-Range

San Juan County

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 | 79600 | | 79680 |
| Top and Bottom of Pay Section (Perforated Interval) | 800'-810' | | 1470'-1540' |
| Method of Production (Flowing or Artificial Lift) | Expected to Flow | | Expected to 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?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
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.

ISTRICT I
325 N. French Dr., Hobbs, N.M. 88240

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

ISTRICT II
11 South First, Artesia, N.M. 88210

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

ISTRICT III
000 Rio Brazos Rd., Aztec, N.M. 87410

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

ISTRICT IV
040 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 |
| *OGEID No. 141852 | *Operator Name M & G DRILLING COMPANY INC. | *Elevation 5620' |

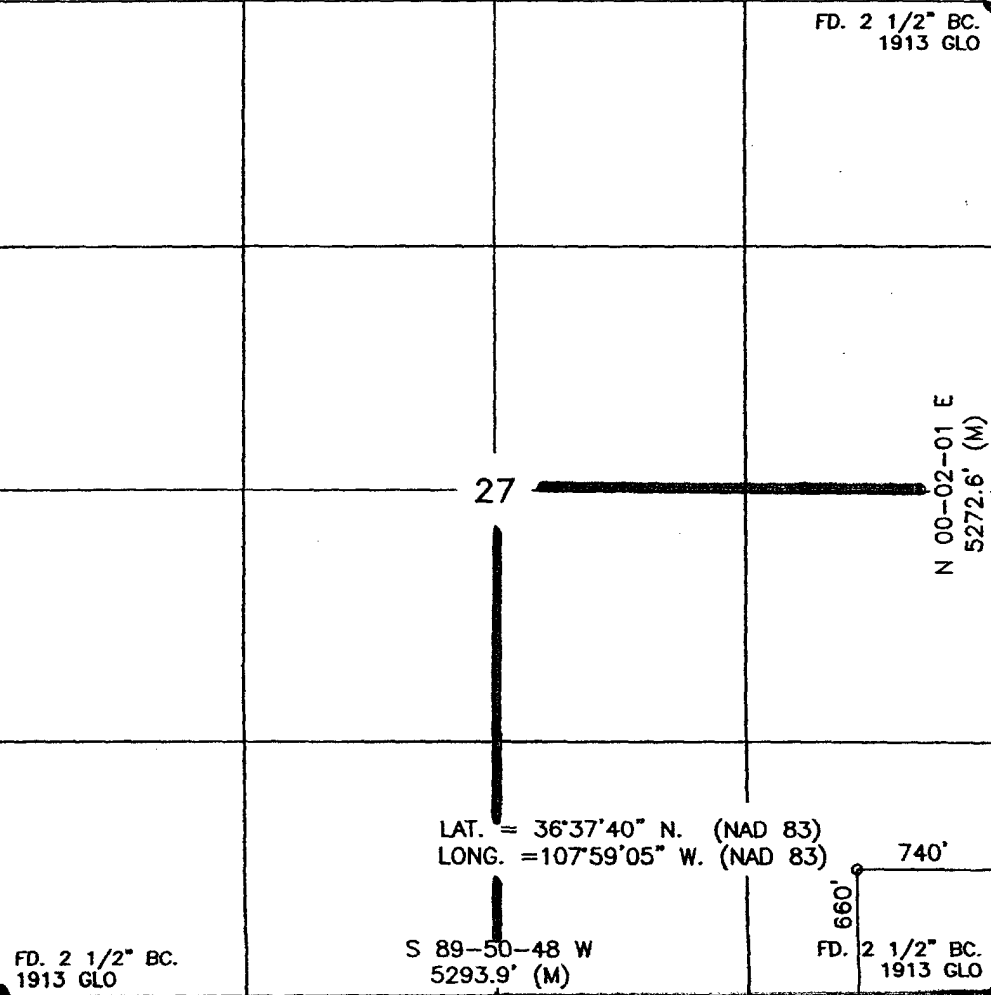
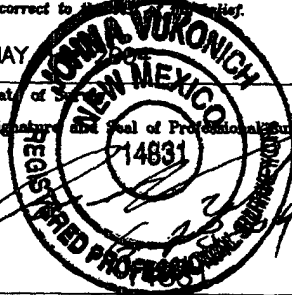
¹⁰ Surface Location

| 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

| | | | | |
|--|--|--|--|---|
|  | | | | FD. 2 1/2" BC. 1913 GLO |
| | | | | 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Mike Pippin</u> Printed Name <u>MIKE PIPPIN</u> Title <u>AGENT - PETR. ENGR.</u> Date <u>12-22-04</u> |
| | | | | 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 <u>2005</u> Date of Survey Signature and Seal of Professional Surveyor:  Certificate Number |
| | | | | FD. 2 1/2" BC. 1913 GLO |

LAT. = 36°37'40" N. (NAD 83)
LONG. = 107°59'05" W. (NAD 83)

S 89-50-48 W
5293.9' (M)

740'

660'

N 00-02-01 E
5272.6' (M)