

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2006 APR 21 AM 8 35

RECEIVED

070 FARMINGTON

FORM APPROVED

Budget Bureau No. 1004-0135
Expires: November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	8. Well Name and No. Krause 65 & Krause 33 #103S
2. Name of Operator M&G DRILLING COMPANY, INC.	9. API Well No. 30-045-22859 / R1730-045-32484
3a. Address PO Box 5940, Farmington, NM 87499-5940	10. Field and Pool, or Exploratory Area Kutz Fruitland Sand/Basin Fruitland Coal
3b. Phone No. (include area code) (505) 325-6779	11. County or Parish, State San Juan, New Mexico
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SEC. 33, T8N-R11W	

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

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate 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 administrative approval for surface commingling natural gas production from the ~~Hardie #68~~ (Fulcher Kutz Pictured Cliff 77200) and ~~Hardie #62S~~ (Basin Fruitland Coal 71629) wells.

Fruitland Sand Krause 33 #103S
Both wells produce from a common Federal Lease No. SF 077710 and both have common ownership. M&G Drilling plans to produce the commingled gas through a central compressor, thus lowering operating expenses and extending the economic life of the wells and increasing their ultimate recoveries on the lease. We anticipate the only fuel requirements to be on compressor engine and separator. All flow lines will be pressure tested appropriately.

The Krause 65 will be equipped with an allocation meter, which will be maintained by M&G Drilling in accordance with State and Federal Regulations. The production from the Krause 33 #103S will be determined by a subtraction method, the difference between the volume recorded at the sales meter and the sum of the volume recorded at the Krause 65. Produced liquid will not be surface commingled.

Notice has been filed concurrently on Form C-103 with the NMOCD.

Naomi yet 5-31-06

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

Name (Printed/Typed)
Dave Hinson

Title Agent

Signature

Dave Hinson

Date 4/20/06

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Jim Gable

Title

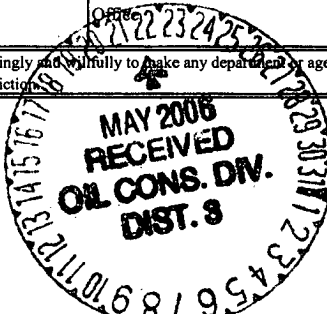
Pete Egg

Date

5/19/06

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 operation thereon.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, makes it a crime for any person knowingly and willfully to make any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



NMOCD

KRAUSE #65 & 33 #103S
SURFACE COMMINGLE

Well Name	Krause #65	Krause 33 #103S
API#	30-045-22859	30-045-32484
Sec.-T-R	Sec. 33, T28N-R11W	Sec. 33, T28N-R11W
FNL/FSL	1190 FNL	1305 FNL
FEL/FWL	2050 FWL	2265 FWL
Lease No.	NMSF 078863	NMSF 078863
Pool	Kutz Fruitland Sand	Basin Fruitland Coal
Permits	N/A	N/A
Spacing	160	320
Gravity	N/A	N/A
BTU	1048	1048
Est. Daily Rate	60.1	59.3
WI	100%	100%
NRI	87.5%	87.5%

Compressor and other equipment fuel usage will be determined on manufacturer's specifications. Pumping unit & separator fuel will be allocated to well if equipment exists.