

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

2007 JUL 31 AM 11 28

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.*

RECEIVED

070 FARMINGTON NM

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 #22S & Krause #71
2. Name of Operator M&G Drilling Company, Inc.	9. API Well No. 30-045-32495 / 30-045-23359
3a. Address PO Box 5940, Farmington, NM 87499-5940	10. Field and Pool, or Exploratory Area Basin Fruitland Coal / Kutz Fruitland Sand
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) Krause #22S, Unit A 1295' FNL, 1145' FEL Sec. 23, T28N, R11W Krause #71, Unit H, 1450' FNL, 1090' FEL Sec. 28, T28N, 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 checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	SURFACE COMMINGLED
	<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 recomplete 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 Krause#22S (Basin Fruitland Coal 71629) and Krause#71 (Kutz Fruitland Sand 79600) wells.

Both wells produce from a common Federal Lease No. NMSF- 078863 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 #71 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 #22S 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 #71. Produced liquid will not be surface commingled.

RCVD AUG 24 '07
OIL CONS. DIV.

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

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

Name (Printed/Typed)

Rhonda DeVilbiss

Title

Production Assistant

Signature

Date

07-20-2007

THIS SPACE FOR FEDERAL OR STATE OFFICE 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 operation thereon.

Office

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.

- This approved is for surface commingling only. Pipeline connection approved will require a separate approval.

NMOCD

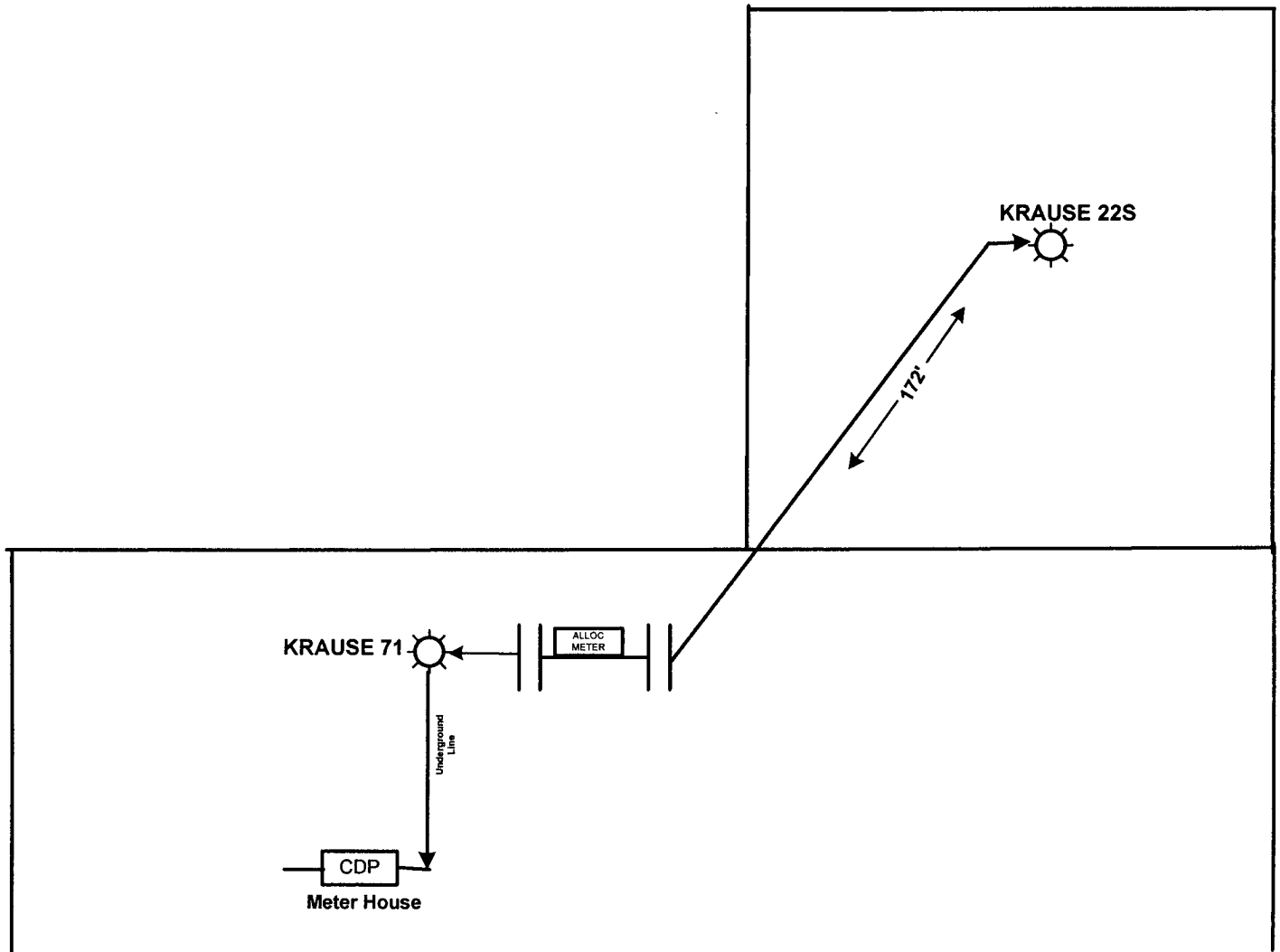
R

KRAUSE #71 & #22S
SURFACE COMMINGLE

Well Name	Krause #71	Krause #22S
API#	30-045-23359	30-045-32495
Sec.-T-R	Sec. 28, T28N-R11W	Sec. 32, T28N-R11W
FNL/FEL	1450' FNL	1295 FNL
FEL/FWL	1090' FEL	1145 FEL
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	59
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.

KRAUSE 22S & #71 CDP
Sec.32, T28N, R11W, Unit A
Federal Lease #: NMSF-078863
COMMINGLE



General sealing of valves, sales by tank gauging.

Production phase: Drain valve D1 and sales valve S1 sealed closed.

Sales phase: Drain valve D1 sealed closed. Sales valve S1 open.

Draining phase: Drain valve D1 open. Sales valve S1 sealed closed.

This lease is subject to the site security plan for San Juan Basin Area.

The plan is located at:

Updated: 07/30/07

M&G Drilling Company
3001 Northridge Drive, Suite D
Farmington, NM 87401

NMSF
0080844

30

001 KRAUSE

008 KRAUSE
WN FEDERAL

29

008E PRE
ONGARD WELL

064 KRAUSE

28

001E KRAUSE
WN FEDERAL

T28N
R11W

NMSF
0078863

Krause 245

007 KRAUSE
WN FEDERAL

007 KRAUSE

021 PRE
ONGARD WELL

31

32

001R KRAUSE
WN FEDERAL

007E KRAUSE
WN FEDERAL

33

005 KRAUSE

001 KRAUSE
WN FEDERAL

002 KRAUSE

003 KRAUSE
WN FEDERAL

007 KRAUSE

NMSF
0078895

6

5

NMSF 0080382A

T27N R11W

NMSF
0078872A