

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

5. Lease Serial No.
NMSF 078481A
6. Indian, Allottee or Tribe Name
PCUD NOL 29 Y07
7. If Unit or CA Agreement, Name and No.

OIL CONS. DIV.

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|---|--|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | 8. Well Name and No. Graham #3 & #100 DIST. 3 |
| 2. Name of Operator M&G Drilling Company, Inc. NM OGRID # 141852 | 9. API Well No. 30-045-22485 / 30-045-32730 |
| 3a. Address PO Box 5940, Farmington, NM 87499-5940 | 10. Field and Pool, or Exploratory Area Blanco Mesa Verde & Otero Chacra 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) Graham #3, 1450' FSL, 1830' FEL (J) Sec. 3, T27N, R8W Graham #100, 890' FSL, 1845' FEL (O) 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"/> Subsequent Report | <input type="checkbox"/> Alter Casing |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair |
| | <input type="checkbox"/> Change Plans |
| | <input type="checkbox"/> Convert to Injection |
| | <input type="checkbox"/> Deepen |
| | <input type="checkbox"/> Fracture Treat |
| | <input type="checkbox"/> New Construction |
| | <input type="checkbox"/> Plug and Abandon |
| | <input type="checkbox"/> Plug Back |
| | <input type="checkbox"/> Production (Start/Resume) |
| | <input type="checkbox"/> Reclamation |
| | <input type="checkbox"/> Recombine |
| | <input type="checkbox"/> Temporarily Abandon |
| | <input type="checkbox"/> Water Disposal |
| | <input type="checkbox"/> Water Shut-Off |
| | <input type="checkbox"/> Well Integrity |
| | <input checked="" type="checkbox"/> Other |

SURFACE COMMINGLING

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 recompleat 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 Graham #3 (Blanco-Mesa Verde 72319 & Otero Chacra 82329) and Graham #100 (Basin Fruitland Coal 71629) wells.

Both wells produce from a common Federal Lease No. NMSF-078481A 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 Graham #100 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 Graham #3 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 Graham #3. Produced liquid will not be surface commingled.

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

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| 14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) Rhonda DeVilbiss | Title Production Assistant |
| Signature <i>Rhonda DeVilbiss</i> | Date 07-20-2007 |

| | | |
|--|--------------------|-----------------|
| Approved by <i>Jim Lohman</i> | Title Petr. Eng | Date 8/23/07 |
| 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 approval is for the surface commingling only.
Pipeline connection approval will require a separate approval
OPERATOR