



# United States Department of the Interior

## BUREAU OF LAND MANAGEMENT

Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, New Mexico 87401

IN REPLY REFER TO:  
3162.7-3  
Graham 10#7 CDP

August 4, 2009

Rhonda De Vilbiss  
M&G Drilling Company, Inc.,  
P.O Box 5940  
Farmington, NM 87499-5940

RCVD AUG 6 '09  
OIL CONS. DIV.  
DIST. 3

Dear Ms. DeVilbiss:

Reference is made to your application dated July 28, 2009 requesting approval for off-lease measurement at a central delivery point (CDP) location. Your application indicates that gas production from the Graham 10 #7 well, located in unit letter B, section 10, T., 27N., R.8W., on federal oil and gas lease NMNM05791, will be measured and sold in unit letter C, section 10, T., 27N., R.8W., on federal oil and gas lease NMSF078481A. Your application indicates that measurement at this off-lease CDP location is necessary to connect to the Enterprise Field Services (Enterprise) meter installation. The Enterprise meter installation is approximately 1149' west of the Graham 10#7 wells site. Enterprise has assigned meter # 88-711 to this measurement and sales point. Your application also indicates that the Graham 10#7 well is the only being measured at this facility.

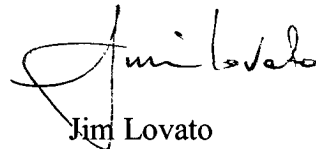
After considering the merits of your application and the Enterprise Field Services' requirement to measure and sell gas at their facility, you are hereby authorized to measure and sell gas as proposed. Listed below are the conditions of this approval:

- Liquid hydrocarbons produced at the CDP must be allocated back to the well in proportion to the well's allocated gas production. Any fuel used at the CDP must also be allocated back to the well in proportion to the well's allocated gas production.
- Allocation must be made on an MMBTU basis.
- Measurement of gas at the CDP must be conducted in accordance with the requirements outlined in Onshore Order No. 3, Site security, Onshore Order No. 4, Oil Measurement and Onshore Order No. 5, Gas Measurement, NTL NM-2008-01, Measurement by Electronic Flow Equipment.

- In Order to prevent waste and conserve natural gas, periodic review of the well's venting procedures must be conducted in accordance with the requirements outlined in NTL-ADO-93-1.
- No other wells can be added to this system of measurement and sales without the prior approval of this office.
- Contact this office in the event of any lost hydrocarbons between the well and the CDP.

Failure to operate this facility in accordance with the conditions outlined above may subject this approval to revocation. In addition, this office reserves the right to rescind this approval should future evaluation of this method of measurement indicate that royalties would be reduced. If you have any questions regarding the above, please contact me at (505) 599-6367.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Lovato", with a stylized flourish at the end.

Jim Lovato  
Senior Technical Advisor  
Petroleum Management Team

cc:  
NMOCD, Aztec ✓

**M&G Drilling Company, Inc.**  
P. O. BOX 5940  
FARMINGTON, NM 87499-5940

FAX NO.  
(505) 325-6270

OFFICE NO.  
(505) 325-6779

July 28, 2009

Mr. Jim Lovato  
Bureau of Land Management  
Farmington Field Office  
1235 La Plata Highway, Suite A  
Farmington, NM 87401

Re: Graham 10 #7  
Lease No. NMNM 05791  
Off-Lease Measurement Application

M&G Drilling Company, Inc. ("MGD") requests approval to measure production off-lease for the Graham 10 #7 well. This well is located in Sec. 10, T27N-R08W, San Juan County, New Mexico.

The following information is attached and/or provided for your consideration:

- The Graham 10 #7 well is located on Lease No. NMNM05791, the Enterprise Field Services Meter No. is 88-711, is set 1,149' west of the wellhead on Lease No. NMSF078481A. Enterprise Field Services requested the meter be moved to its current location.
- A map showing the lease number and location of the Graham 10 #7 well. This well is currently producing from the Otero Chacra (82329), Blanco Mesa Verde (72319) and Basin Dakota (71599) zones.
- A schematic diagram depicting all flowlines and equipment utilized. The separator has a Venturi Burner 1933-10, with a 6" burner tube, 10" burner with flame arrester, 250,000 Btu per hour x 24 hrs. = 6 MCFD (no horsepower on separator).
- A mechanical integrity test of the flowline was conducted on 2/6/09. Pressured tested line to 2,000 psi, held. Copies of the Daily Operations Reports, Hydro Test Chart and , Explanation of Pressure Test enclosed.
- Estimated monthly production, including product, gravity and or BTU content for the Graham 10 #7:

Otero Chacra		Blanco Mesa Verde		Basin Dakota	
Oil	Gas	Oil	Gas	Oil	Gas
3.2%	9.8%	44.3%	74.3%	52.5%	15.8%
6 BOD	1,875 Mcfd	78 BOD	14,250 Mcfd	92 BOD	3,025 Mcfd
57.3 Gravity	1253 Btu	57.3 Gravity	1253 Btu	57.3 Gravity	1253 Btu
100% WI		100% WI		100% WI	
87.5% NRI		87.5% NRI		87.5% NRI	

Graham 10 #7  
Lease No. NMNM05791  
Off-Lease Measurement Application

- The calculated beneficial use for the separator on the Graham 10 #7 is 6 MCFD as reflected above. The calculated beneficial use is on-lease. The production will be determined by adding the sales volume to the calculated beneficial use volume.
- The Graham 10 #7 produces from Lease No. NMNM05791, MGD also operates wells on Lease No. NMSF078481A. Both leases have common ownership and there is no other wells contributing to and/or commingled with the sales meter for the Graham 10 #7.

If you have any questions or need additional information please contact me at (505) 325-6779.

Sincerely,



Rhonda DeVilbiss  
Agent for M&G Drilling Company, Inc.

28

27

26

BOLACK-B 8  
BOLACK B LS 1A  
BOLACK B LS 1B  
BOLACK B 6  
BOLACK B 8M

**NMNM 0012202**

33

BOLACK-E 1  
BOLACK E 1

BOLACK-B 5  
BOLACK E 1M  
BOLACK 'E' 1N

BOLACK BLS 3B  
BOLACK 3-B

FEC

Graham 10 #7  
Sec. 10, T27N-R08W  
Off-Lease Measurement Application  
3 of 9

HOWELL 804  
HOWELL 12  
HOWELL 3A  
HOWELL 3A

**NMSF 0078566A**

HOWELL 15  
HOWELL 3  
HOWELL 14

LS 4M  
HOWELL 1A

**NMSF 0078566A**

HOWELL 10  
HOWELL 10  
HOWELL 8  
HOWELL 17  
HOWELL 16

FEDERAL 28-8-35 1

**NMSF 0078566**

STOREY-D 3  
STOREY 2  
STOREY LS 2  
STOREY 10

35

DAWSON-A 1-M

DAWSON AAF  
DAWSON A 1F

**NMNM 0005791**

**NMSF 0078481A**

DAWSON A 1G  
DAWSON A 1G

DAWSON-A 1

FEDERAL GRAHAM 1  
GRAHAM 33  
GRAHAM 98

FEDERAL-M 2  
FEDERAL-M 1  
GRAHAM-B 9 G  
GRAHAM-B-WN-FED 8

**NMNM 0005791**

**NMSF 0078481A**

GRAHAM 4-10  
GRAHAM 32  
GRAHAM B W N  
GRAHAM 1-A  
GRAHAM 98S  
GRAHAM 4-16

FEDERAL M 1B  
FEDERAL-M 3  
FEDERAL-M 1  
GRAHAM 106  
GRAHAM B/ WN FED 6

GRAHAM 34  
GRAHAM 44-B  
GRAHAM-FEDERAL 3

GRAHAM 3-8

FC STATE COM 342

STATE COM 47

BROOKHAVEN COM F 7A

FEDERAL 21  
FEDERAL 21

**NMNM 0005750**

**NMNM 0029144**

**NMSF 0078481A**

**NMNM 0005791**

**NMNM 0019401**

FEDERAL 9-2  
FEDERAL 16-A  
GRAHAM 1  
GRAHAM 1

GRAHAM COM 1  
GRAHAM 45  
GRAHAM 53A  
GRAHAM 36  
GRAHAM 10-6

GRAHAM 51  
GRAHAM WN-FEDERAL 4  
GRAHAM B W N  
GRAHAM 10

FEDERAL J 1  
FEDERAL J 1R

SJU 27-6 6  
LARGO FEDERAL 1A

FC FEDERAL 16

GRAHAM 10G

GRAHAM 2

27 N 8 W

**NMNM 0005791**

GRAHAM 53  
GRAHAM 48R  
GRAHAM 99  
GRAHAM 30-A  
GRAHAM 30-A

GRAHAM 51-A

GRAHAM 3  
GRAHAM 96  
SAN JUAN 27-8 C 6S

LARGO FEDERAL 1R  
SJU 27-8 5-11  
LARGO-FEDERAL 1  
FEDERAL J 1-B

FEDERAL 16  
FEDERAL 16

FEDERAL 9-3

GRAHAM-C 1-A

GRAHAM 30-A

FEDERAL R 1B  
FEDERAL R 1  
OXNARD W N FEDERAL 18  
OXNARD WN-FED 6

OXNARD 3  
FEDERAL I 1

OXNARD 4  
OXNARD WN FEDERAL 13

STATE 2-16  
SCHULTZ 2-R  
SCHULTZ-STATE 12A

16

FEDERAL I 1

**NMSF 0078476**

14

SCHULTZ COM 4  
STATE 4-16  
STATE 3-16  
SCHULTZ 3  
STATE 12-16

OXNARD 2  
OXNARD W N FEDERAL 11  
FEDERAL I 1  
OXNARD WN-FED 7  
FEDERAL-R 2  
FEDERAL-R 1-A  
OXNARD 13 G

**NMNM 0003606**

SJU 27-8 1-14

1

**NMSF 0079319**

**NMNM 0003605**

**NMSF 0078478**

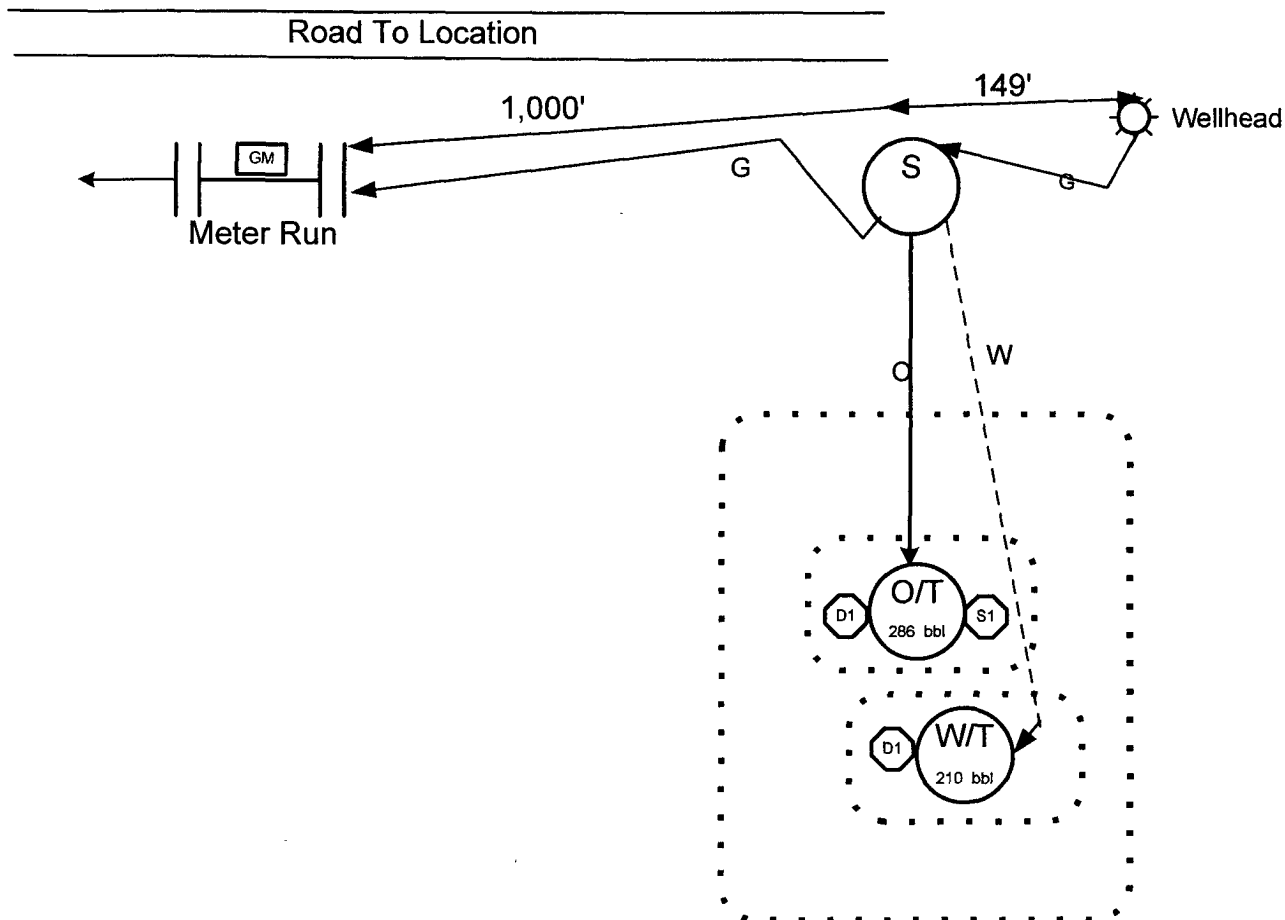
**NMNM 0003605**

23

SCHWERTFEGER 15-A  
SCHWERTFEGER 2-A

MARRON 42-A 29-J

**GRAHAM 10 #7**  
**Sec. 10, T27N, R8W, Unit B**  
**Federal Lease #: NMNM05791**  
**API #: 30-045-32728**



General sealing of valves, sales by tank gauging on Oil tank # GI 11380

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: 07/24/09

M&G Drilling Company

PO Box 5940

Farmington, NM 87499

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# Daily Operations Report

Date:	2-5-09	API #:		Wellhead Connection:	
Well Name:	Graham 10-7	County:	San Juan	State:	N.M.
M&G Rep	D. Hinson	Contractor:	Vaughn Roustabout Service		
Job Category:	Facilities Pipeline	Primary Job Type:	Pipeline and Meter Run Installation.		
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
Zone(s):	Top:	Bottom:	Acctg Well No.	AFE	
PBTD:	KB:	GL:	Datum:		
Daily Cost: \$	Cumulative Cost: \$	1st Del Date:			

Description of Daily Activities
Vaughn Finished digging ditch. welder welded pipeline. Shut down 3:00PM. Will PSI test & Xray Line 2-6-09  Joe Stotts was Enterprise Job Witness.

Tubing Detail (R=Run, P=Pulled)									
R/P	Each	Item	N/U/S/T	Size	Weight	Grade	Threads	Length	Depth

Rod Detail (R=Run, P=Pulled)									
R/P	Each	Item	N/U/S/T	Size	Weight	Grade	Threads	Length	Depth

Graham 10 #7  
 Sec. 10, T27N-R08W  
 Off-Lease Measurement Application  
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## Daily Operations Report

Date:	2-9-09	API #:		Wellhead Connection:	
Well Name:	Graham 10-7	County:	San Juan	State:	NM
M&G Rep	DH	Contractor:	Vaughn Oilfield Service		
Job Category:	Facility Surface	Primary Job Type:	Pipeline		
<small>Pick from pull down tab</small>		<small>Pick from pull down tab</small>			
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
Zone(s):	Top:	Bottom:	Acctg Well No.		AFE
PBTD:	KB:	GL:	Datum:		
Daily Cost: \$	Cumulative Cost: \$	1st Del Date:			

### Description of Daily Activities

Vaughn Pressure tested Meter run for Enterprise with Joe Statz Enterprise witness. Vaughn hooked pipeline to meter run and back filled pipeline ditch.

Graham 10-7 pipeline finished.

[illegible]

R/P	Each		Size	Grade	Threads	Length	Depth
		Graham 10 #7					0
		Sec. 10, T27N-R08W					
		Off-Lease Measurement Application					
		7 of 9					



2-6-09 Explanation of Pressure Test for Graham 10 #7

Vaughn Oilfield Service hooked up Barton Pressure Test meter and Dead weight Pressure Calibration Set. We pressured 3" Line up to 1700 pounds. Line was welded up and hooked up to meter. Line was laid in ditch, but not back filled. Pressure Increased to 2400 pounds, thru the heat of the day with Sunlight hitting pipe. As daytime temperature decreased pressure fell back to 1700 pounds. During the 8-hour test, welds and Line was visually inspected for leaks. No leaks were spotted. After test welds were sealed with tape wrapping, and ditch was backfilled.

July 29, 2009

Test witnessed by

David Hinson, M&G Drilling Co.

Daniel Vaughn,-Vaughn Oilfield Service