

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 078481-A

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

RECEIVED
2004 FEB - 3 PM 1:52
070 Farmington, NM

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 87401

3b. Phone No. (include area code)

505-327-4573

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

2490' FNL 660' FEL (H) Sec. 3 T27N R08W

8. Well Name and No.

GRAHAM 3 #8

9. API Well No.

30-045-31757

10. Field and Pool, or Exploratory Area

Blanco Mesaverde

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

NAME CHANGE to APD

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 Inc. has decided to change plans and mud drill a single Blanco Mesaverde well with 8-5-8" surface casing set at about 280' and 4-1/2" production casing set at about 5180'. Attached is the new 8 point drilling plan and the new C-102. This well was formerly to be a deviated Mesaverde/Dakota commingled well with an APD that was approved on 12/16/03.

320'

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

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

Name (Printed/Typed)

Mike Pippin

Title

Petr. Engr. (Agent)

Signature

Mike Pippin

Date

February 3, 2004

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Jim Balala

Title

Petr Eng

Date

2/6/04

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)

NMOCGD

M&G Drilling Company Inc.
Graham 3 #8 MV
2490' FNL, 660' FEL
Unit H Sec. 3 T27N R08W
San Juan County, NM

Revised Drilling Program
2/2/04

1. **ESTIMATED FORMATION TOPS (KB)**

| <u>Formation Name</u> | <u>Depth (TVD)</u> |
|-----------------------|--------------------|
| Nacimeinto | Surface |
| Ojo Alamo | 1676' |
| Kirtland | 1795' |
| Fruitland | 2349' |
| Pictured Cliffs | 2577' |
| Lewis | 2667' |
| Chacra | 3545' |
| Cliffhouse | 4262' |
| Menefee | 4277' |
| Point Lookout | 4827' |
| TD | 5180' |

2. **NOTABLE ZONES**

Gas or Oil Zones

Fruitland
Pictured Cliffs
Chacra
Cliffhouse
Menefee
Point Lookout

Water Zones

Nacimiento
Ojo Alamo
Kirtland
Fruitland

Coal Zone

Fruitland

Water zones will be protected with casing, cement, and weighted mud. Fresh water found while drilling will be recorded. Oil or gas shows will be tested for commercial potential based on the engineer's recommendations.

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3. PRESSURE CONTROL

Maximum expected pressure is ~1200 psi. The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. A typical 11" 3,000 psi model is on PAGE #5 of the APD.

BOP equipment and all accessories will meet or exceed BLM requirements in 43 CFR Part 3160 for a 3000 psi system. A 3000 psi double ram hydraulic BOP will be used. Accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill, kill, and choke manifold lines will be 2". Accessories will include upper and lower Kelly cocks with handles, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psi choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge. BOPs will be tested every 24 hours. Tests will be recorded on IADC log.

4. CASING & CEMENT (See attached)

| <u>Hole Size</u> | <u>O.D.</u> | <u>Weight (lb/ft)</u> | <u>Grade</u> | <u>Age</u> | <u>Connection</u> | <u>GL Setting Depth</u> |
|------------------|-------------|-----------------------|--------------------|------------|-------------------|-------------------------|
| 12-1/4" | 8-5/8" | 23# | H-40 LS | New | ST&C | 280' |
| 6-1/4" | 4-1/2" | 10.5# | K-55 | New | ST&C | 5180' |

Surface casing will be cemented to the surface with ~231 cu. ft. (~196 sx) CI "B" or equivalent (1.18 ft³/sx yield, 15.6 ppg) with 2% CaCl₂ in mix water and 1/4#/sx celloflake. Volume based on 100% excess. We plan to run a minimum of 3 centralizers. A wooden wiper plug will be displaced within 20' of the shoe. WOC = 12 hours. Surface casing will be tested to 500 psi for 15 minutes. *and BOPE*

Production casing will be cemented with two stages insuring cement to surface. A DV tool will be set in the 4-1/2" casing at 4000'. Total cement = 915 cu. ft. Volumes are calculated at 65% excess. Casing will be pressure tested to 3800 psi during completion operations.

1st Stage:

Cement will be ~217 cu. ft. (~148 sx) 50/50/POZ w/3% gel, 0.8% Halad®-9, 0.2% CFR-3, 5 lbm/sx Gilsonite, and 0.25 lbm/sx Flocele, mixed at 13.0 ppg for a yield of 1.46 cu. ft. per sx.

2nd Stage:

Lead cement will be ~630 cu. ft. (~350 sx) VersaLite cement w/1.2% Halad®-9, 2% KCL, 5 lbm/sx Gilsonite, & 0.25 lbm/sx Flocele, mixed at 12 ppg for a yield of 1.8 cu. ft. per sx.

Tail cement will be ~69 cu. ft. (~54 sx) VersaLite cement w/1.2% Halad®-9, 2% KCL, 5 lbm/sx Gilsonite, & 0.25 lbm/sx Flocele, mixed at 13.5 ppg for a yield of 1.28 cu. ft. per sx.

M&G Drilling Company Inc.

Graham 3 #8 MV

2490' FNL, 660' FEL

Unit H Sec. 3 T27N R08W

San Juan County, NM

Cementing equipment will include a guide shoe, and an auto-fill float collar, which will be run 20' off bottom. We plan on running 15 centralizers and the 4-1/2" DV tool at 4000'.

5. MUD PROGRAM

| <u>Depth</u> | <u>Type</u> | <u>Wt./ppg.</u> | <u>Vis.</u> | <u>Fluid Loss</u> | <u>PH</u> |
|--------------|----------------------|-----------------|-------------|-------------------|-----------|
| 0'-280' | FW gel/lime spud mud | 8.4-8.7 | 30-50 | NC | 10 |
| 280'-5180' | FW gel/Polymer | 8.4-9.0 | 30-40 | <20cc's | 9.5 |

Lost circulation and absorption material will be on location.

6. CORING, TESTING, & LOGGING

No cores or drill stem tests are planned. Open hole logs will include GR, Neutron-Density, and Induction. The Neutron-Density Log will be run from TD to 4200', 3700'-2500', & 2700'-2300', and the Induction log from TD to the surface casing shoe.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum pressure will be ~1200 psi.

8. OTHER INFORMATION

The anticipated spud date is March 10, 2004. It is expected it will take ~7 days to drill and ~8 days to complete the well. Completion will start about one month after the spud and will include hydraulic fracturing.

M&G Drilling, Inc.

Graham 3 # 8

MV/DK Cement Calculations

2/3/2004

TD=5180'

Cement Volume Calculations

Surface

| | |
|--------------------|---------------------------|
| Hole Size | 12.25 |
| Casing Size | 8.63 |
| Depth Cemented at: | 280.00 |
| Annular Capacity: | 0.0735 bbls/ft |
| | 0.4127 ft3/bbl |
| Annular Volume: | 20.58 bbls |
| | 115.56 ft3 |
| Cement Yield: | 1.18 ft3/sx |
| | 97.93 Sacks |
| Excess Pumped: | 100.00 percent |
| | 195.87 Sacks to Be Pumped |
| | 231.12 Ft3 to be pumped |

SHOE @ 5180' - DV TOOL @ 4000' = 1180' + 100' = 1280'

1ST STAGE
Lead
shoe to DV @ 4000'

| | |
|--------------------|---------------------------------|
| Hole Size | 6.25 |
| Casing Size | 4.50 |
| Depth Cemented at: | 1,280.00 Interval to be Covered |
| Annular Capacity: | 0.0183 bbls/ft |
| | 0.1026 ft3/bbl |
| Annular Volume: | 23.39 bbls |
| | 131.33 ft3 |
| Cement Yield: | 1.46 ft3/sx |
| | 89.96 Sacks |
| Excess Pumped: | 65.00 percent |
| | 148.43 Sacks to Be Pumped |
| | 216.70 Ft3 to be pumped |
| | 38.59 bbls to be pumped |

2nd STAGE
Lead
DV @ 4000' TO
8-5/8" CSG SHOE
AT 280' PLUS 65%

| | |
|--------------------|---------------------------------|
| Hole Size | 6.25 |
| Casing Size | 4.50 |
| Depth Cemented at: | 3,720.00 Interval to be Covered |
| Annular Capacity: | 0.0183 bbls/ft |
| | 0.1026 ft3/bbl |
| Annular Volume: | 67.98 bbls |
| | 381.69 ft3 |
| Cement Yield: | 1.80 ft3/sx |
| | 212.05 Sacks |
| Excess Pumped: | 65.00 percent |
| | 349.88 Sacks to Be Pumped |
| | 629.79 Ft3 to be pumped |
| | 112.16 bbls to be pumped |

1ST STAGE
Tail = NONE

| | |
|--------------------|----------------------------|
| Hole Size | - |
| Casing Size | - |
| Depth Cemented at: | - Interval to be Covered |
| Annular Capacity: | - bbls/ft |
| | - ft3/bbl |
| Annular Volume: | - bbls |
| | - ft3 |
| Cement Yield: | - ft3/sx |
| | #DIV/0! Sacks |
| Excess Pumped: | - percent |
| | #DIV/0! Sacks to Be Pumped |
| | - Ft3 Extra |
| | - bbls to be pumped |

2ND STAGE
Tail
8-5/8" SHOE @ 280'
TO SURFACE

| | |
|--------------------|-------------------------------|
| Hole Size | 8.09 |
| Casing Size | 4.50 |
| Depth Cemented at: | 280.00 Interval to be Covered |
| Annular Capacity: | 0.0439 bbls/ft |
| | 0.2465 ft3/bbl |
| Annular Volume: | 12.29 bbls |
| | 69.02 ft3 |
| Cement Yield: | 1.28 ft3/sx |
| | 53.93 Sacks |
| Excess Pumped: | - percent |
| | 53.93 Sacks to Be Pumped |
| | 69.02 Ft3 Extra |
| | 12.29 bbls to be pumped |

Total for 4-1/2" = 552.24 sx & cf = 915.52

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1800 Rio Brazos Rd., Aztec, NM 87410

District IV

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

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised August 15, 2000

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☒ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|--------------------------|--|---|--|---------------------------------|----------------------|
| 1 API Number | | 2 Pool Code 72319 | | 3 Pool Name BLANCO MESAVERDE | |
| 4 Property Code 16598 | | 5 Property Name GRAHAM | | | 6 Well Number 3-8 |
| 7 OGRID No. 141852 | | 8 Operator Name M & G DRILLING COMPANY, INC. | | | 9 Elevation 6281 |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| H | 3 | 27 N | 8 W | | 2490 | North | 660 | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|-----------------------------------|-----------------------|-----------------------|--------------|
| 12 Dedicated Acres E/2 3.20 | 13 Joint or InHH Y | 14 Consolidation Code | 15 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

| | | | |
|--|--|---|--|
| 16 N 89° 49' W 40.020m. | | 17 OPERATOR CERTIFICATION | |
| Lot No. (TYP.) 4 | | I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. | |
| 3 | | Signature Mike Pippin | |
| 2 | | Printed Name MIKE PIPPIN | |
| 1 | | Title AGENT | |
| 2490' | | Date 2/1/04 | |
| 660' | | 18 SURVEYOR CERTIFICATION | |
| LAT. 36.60564° N LONG. 107.66094° W | | 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 belief. | |
| 3 | | Date of Survey MAY 2003 | |
| 79.370m | | Signature and Seal of Professional Surveyor William E. Mahnke II | |
| N 89° 30' W | | Certificate Number 8466 | |

CONDITIONS OF APPROVAL

M & G Drilling Company, Inc.

Graham 3 #8

sec 3, T27N, R8W; 2490' FNL & 660' FEL

- 1) The surface casing for this well must be set at a minimum of 320'. This proposed action will then be in compliance with NMOCD *Minimum Surface Pipe Requirements*.
- 2) Cement volumes will need to be adjusted to achieve circulation of cement to surface as required by BLM.