

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-078481A

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

GRAHAM #3

9. API Well No.

30-045-22485

10. Field and Pool, or Exploratory Area

Blanco Mesaverde / Otero Chacra

11. County or Parish, State

San Juan County, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on reverse side

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)

1450' FSL 1830' FEL (J) Sec. 3 T27N R08W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other

COMMINGLE

APPLICATION

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 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 recompleat 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 approval to downhole commingle the OTERO CHACRA (82329) and BLANCO MESAVERDE (72319), which are both included in the pre-approved pools established by State Division Order R-11363. Following approval, this well will be surface commingled & the downhole commingle workover sundry submitted.

- Proposed allocation factors will be used for both surface/subsurface
Both intervals have common ownership & produce essentially dry gas. We do not anticipate any significant cross flows between these commingled two intervals, & all the fluids are compatible. Commingling these zones should improve recovery of gas, liquids, eliminate redundant surface equipment, and maximize productivity. There are several other wells in the vicinity that are commingled in these zones.

Allocation of production is recommended to be:

| | MESAVERDE | CHACRA |
|-----|-----------|--------|
| GAS | 86% | 14% |
| OIL | 100% | 0% |

DHC 1580 AZ

These allocations were calculated using the ratio of the well's cumulatives for each producing interval. See the attached calculation sheet.

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)

Mike Pippin

Title

Petr. Engr. (Agent)

Signature

Mike Pippin

Date

August 19, 2004

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

John Lovelace

Title

Petr. Eng.

Date

8/30/04

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)

NMOCD

M & G DRILLING COMPANY
GRAHAM #3 MV/CHACRA
J Section 3 T27N R8W
8/19/2004

Commingle Allocation Calculations

GAS

The gas allocations are based on each formation's cumulative production numbers, which have accumulated since the well was first delivered in 1977 as a dual Mesaverde / Chacra gas well.

| | |
|---------------------------|-----------|
| Chacra Gas Cumulative: | 160 MMCF |
| Mesaverde Gas Cumulative: | 992 MMCF |
| Total Gas Cumulative: | 1152 MMCF |

$$\% \text{ Chacra} = \frac{160}{1,152} = 14\%$$

$$\% \text{ Mesaverde} = \frac{992}{1,152} = 86\%$$

OIL

The oil allocations are based on each formation's cumulative production numbers, which have accumulated since the well was first delivered in 1977 as a dual Mesaverde / Chacra gas well.

| | |
|---------------------------|-----------|
| Chacra Oil Cumulative: | 0 MMCF |
| Mesaverde Oil Cumulative: | 3674 MMCF |
| Total Oil Cumulative: | 3674 MMCF |

$$\% \text{ Chacra} = \frac{0}{3,674} = 0\%$$

$$\% \text{ Mesaverde} = \frac{3,674}{3,674} = 100\%$$