

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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.*

5. Lease Serial No.  
NMNM-03603A  
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**

|  |   |  |
|--|---|--|
| 1. Type of Well<br><input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other |   | 8. Well Name and No.<br>HAMMOND 41A & HAMMOND #92                        |
| 2. Name of Operator<br>M&G DRILLING COMPANY, INC.  |   | 9. API Well No.<br>30-045-22578 / 30-045-23579                           |
| 3a. Address<br>PO Box 5940, Farmington, NM 87499-5940  | 3b. Phone No. (include area code)<br>(505) 325-6779 | 10. Field and Pool, or Exploratory Area<br>Blanco-Mesaverde/Otero Chacra |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)<br>SEC. 25, T27N-R8W                                      |   | 11. County or Parish, State<br>San Juan, 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 type="checkbox"/> Other             |
|  | <input type="checkbox"/> Change Plans         | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon       | <input type="checkbox"/> SURFACE COMMINGLE |
|  | <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 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 administrative approval for surface commingling natural gas production from the Hammond 41A (Blanco-Mesaverde 72319) and Hammond #92 (Otero Chacra 82329) wells.

Both wells produce from a common Federal Lease No. NMNM-03603A 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 Hammond #41A 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 Hammond #92 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 Hammond #41A. Produced liquid will not be surface commingled.

Notice has been filed concurrently on Form C-107A with the NMOCD.

|  |                                  |                                       |
|--|----------------------------------|---------------------------------------|
| 14. I hereby certify that the foregoing is true and correct<br>Name (Printed/Typed)<br>Miranda Wells   |                                  | Title<br>PRODUCTION ASSISTANT         |
| Signature<br><i>Miranda Wells</i>  | Date<br>August 28, 2006          | APPROV                                |
| THIS SPACE FOR FEDERAL OR STATE OFFICE USE   |                                  |                                       |
| Approved by<br><i>Nancy R. Gibson</i>  | Title<br><i>Prod. Act. Tech.</i> | Date<br>OCT 19 2006                   |
| 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<br><i>Farmington Field Off</i> |
| 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. |                                  |                                       |

NMOCD

HAMMOND #41A AND HAMMOND #92  
SURFACE COMMINGLE

|                 |                       |                       |
|-----------------|-----------------------|-----------------------|
| Well Name       | Hammond #41A          | Hammond #92           |
| API#            | 30-045-22578          | 30-045-23579          |
| Sec.-T-R        | O, Sec. 25, T27N-R08W | O, Sec. 25, T27N-R08W |
| FNL/FSL         | 1157 FSL              | 1014 FSL              |
| FEL/FWL         | 1850 FEL              | 1980 FEL              |
| Lease No.       | NMNM-03603A           | NMNM-03603A           |
| Pool            | Blanco-Mesaverde      | Otero Chacra          |
| Permits         | N/A                   | N/A                   |
| Spacing         | 160                   | 160                   |
| Gravity         | 50.4                  | N/A                   |
| BTU             | 1379                  | 1217                  |
| Est. Daily Rate | 74                    | 18                    |
| 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.