

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FORM APPROVED
OMB No 1004-0135
Expires November 30, 2000

MAY 09 2008

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.

5. Lease Serial No.

NMSF 078481A

6. If Indian, Allottee or Tribe Name

RCVD MAY 16 '08

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

OIL CONS. DIV.
DIST. 3

8. Well Name and No.

Graham #1B

9. API Well No.

30-045-32645

10. Field and Pool, or Exploratory Area

Basin Dakota & Blanco MV

11. County or Parish, State

San Juan County, NM

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 Walsh Engineering

3a. Address

7415 E. Main, Farmington, NM, 87402

3b. Phone No. (include area code)

505-327-4892

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

2615' FNL and 660' FEL, (H) Sec. 4, T27N, R8W

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

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	Downhole Commingle
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal	

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 recomplete 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 has applied to the NMOCD to downhole commingled the production from the Basin Dakota, Blanco Mesa Verde, and Otero Chacra formation. A copy of this application is attached for your review.

DHC in progress

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

Name (Printed/Typed)

Paul C. Thompson, P.E.

Title

Agent

Signature

Paul C. Thompson

Date

May 1, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Joe Henth

Title

Geo

Date

5-14-08

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.

Office

FFD

Title 18 U.S.C. Section 1001, make 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

District I
1625 N French Drive, Hobbs, NM 88240

District II

1301 W Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Road, Artec NM 87410

District IV

1220 S St Francis Dr Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

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MAY 09 2008

Form C-107A
Revised June 10, 2003

Oil Conservation Division

1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Bureau of Land Management
Farmington Field Office

APPLICATION TYPE

☒ Single Well

Establish Pre-Approved Pools

EXISTING WELLBORE

☒ Yes ☐ No

APPLICATION FOR DOWNHOLE COMMINGLING

M & G Drilling Company c/o Walsh Engineering 7415 E. Main St Farmington, NM 87402

Operator

Graham #1B

Address

H Section 4, T27N, R8W

San Juan County

Lease

Well No

Unit Letter-Section-Township-Range

County

OGRID No. 141852 Property Code 16598 API No. 30-045-32645 Lease Type: ☒ Federal ☐ State ☐ Fee

DATA ELEMENT	UPPER ZONE	INTERMEDIATE ZONE	LOWER ZONE
Pool Name	Otero Chacra	Blanco Mesa Verde	Basin Dakota
Pool Code	82329	72319	71599
Top and Bottom of Pay Section (Perforated or Open-Hole Interval)	3084 - 3093	4305 - 4705	6495 - 6644
Method of Production (Flowing or Artificial Lift)	Flowing	Flowing	Flowing
Bottomhole Pressure (Note: Pressure data will not be required if the bottom perforation in the lower zone is within 150% of the depth of the top perforation in the upper zone)	675 psi Estimated	595 psi Estimated	1175 psi Estimated
Oil Gravity or Gas BTU (Degree API or Gas BTU)	1213	1371	1250
Producing, Shut-In or New Zone	New Zone	New Zone	New Zone
Date and Oil/Gas/Water Rates of Last Production. (Note: For new zones with no production history, applicant shall be required to attach production estimates and supporting data)	Date: Rates:	Date: Rates:	Date: Rates:
Fixed Allocation Percentage (Note: If allocation is based upon something other than current or past production, supporting data or explanation will be required)	Oil Gas 1.8 % 10.2 %	Oil Gas 46.5 % 62.8 %	Oil Gas 51.6 % 27.0 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones?
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail?

Yes ☒ No ☐
Yes ☐ No ☐

Are all produced fluids from all commingled zones compatible with each other?

Yes ☒ No ☐

Will commingling decrease the value of production?

Yes ☐ No ☒

If this well is on, or communitized with, state or federal lands, has either the Commissioner of Public Lands or the United States Bureau of Land Management been notified in writing of this application?

Yes ☒ No ☐

NMOCD Reference Case No. applicable to this well: R-11363

Attachments:

- C-102 for each zone to be commingled showing its spacing unit and acreage dedication.
- Production curve for each zone for at least one year. (If not available, attach explanation.)
- For zones with no production history, estimated production rates and supporting data.
- Data to support allocation method or formula.
- Notification list of working, royalty and overriding royalty interests for uncommon interest cases.
- Any additional statements, data or documents required to support commingling.

**WALSH**

ENGINEERING & PRODUCTION CORP.

Petroleum Engineering Consulting
Lease Management
Contract Pumping7415 East Main
Farmington, New Mexico 87402
(505) 327-4892 • Fax (505) 327-9834

May 7, 2008

Mr. Mark Fesmire, P.E.
NM Oil and Gas Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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MAY 09 2008

Bureau of Land Management
Farmington Field Office

Re: Downhole Commingling
M & G Drilling Company
Graham #1B
Unit H Section 4, T27N, R8W

Dear Mr. Fesmire,

M & G Drilling Company requests administrative approval to downhole commingle the production from the Otero Chacra, Blanco Mesa Verde, and Basin Dakota in the above referenced well. All working and net revenue interests are the same for each of the pools. Downhole commingling will offer an economic method of production, will improve liquids recovery, eliminate redundant surface production equipment, and maximize compressor efficiency.

The proposed allocation percentage is based on the EUR's of all of the offset wells in the surrounding nine sections. Please refer to the attached information.

If you have any questions or need additional information, please don't hesitate to call me at (505) 327-4892.

Sincerely,

Paul C. Thompson, P.E.
Agent/Engineer
M & G Drilling Company

DISTRICT I
1625 N. French Fr., Hobbs, N.M. 88240

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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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

*API Number 30-045-32645		*Pool Code 82329	*Pool Name OTERO CHACRA
*Property Code 16598	*Property Name GRAHAM		*Well Number 18
*OGRD No. 141852	*Operator Name M & G DRILLING COMPANY		*Elevation 5887'

10 Surface Location

UL or lot no.	Section	Township	Range	Lot km	Feet from the	North/South line	Feet from the	East/West line	County
H	4	27-N	8-W		2615	NORTH	660	EAST	SAN JUAN

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot km	Feet from the	North/South line	Feet from the	East/West line	County
*Dedicated Acres 160 Acres NE/4			*Joint or Infill Y		*Consolidation Code		*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

FD. 3 1/4" BC. 1916 GLO		N 89°42'42" W 2639.4' (C)		CALC'D COR	
LOT 4	LOT 3	LOT 2	LOT 1		
				2615'	
				660'	
				S 02°25'44" W 5413.0' (C)	
				FD. 3 1/4" BC. 1955 B.L.M.	

LAT. 36°36'14" N. (NAD 83)
LONG. 107°40'46" W. (NAD 83)

DEC 2004
OIL CONSERVATION DIVISION
DIST. 8

17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
Signature: Paul C. Thompson
Printed Name: PAUL C. THOMPSON, P.E.
Title: AGENT - PETR. ENGR.
Date: 5/7/08

18 SURVEYOR CERTIFICATION
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 knowledge and belief.
Signature: JOHN A. VUKOBICH
Printed Name: JOHN A. VUKOBICH
Title: REGISTERED PROFESSIONAL SURVEYOR
Date: SEP 15 2004
Certificate Number: 44831

DISTRICT I
1626 N. French Fr., Hobbs, N.M. 88240

DISTRICT II
811 South First, Artesia, N.M. 88210

DISTRICT III
1000 Edo Brasse Rd., Aztec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

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Form C-102
Revised August 15, 2000

OIL CONSERVATION DIVISION
Division of Land Management
2040 South Pacheco
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32645		*Pool Code 72319	*Pool Name BLANCO MESAVERDE	
*Property Code 16598	*Property Name GRAHAM		*Well Number 1B	
*OGRID No. 141852	*Operator Name M & G DRILLING COMPANY		*Elevation 5887'	

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	4	27-N	8-W		2615	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
320 E/2			Y						
*Dedicated Acres		*Joint or Infill		*Consolidation Code		*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

LOT 4	LOT 3	LOT 2	LOT 1
FD. 3 1/4" BC. 1916 GLO		N 89°42'42" W 2639.4' (C) CALC'D COR	
		660'	
		S 02°25'44" W 5413.0' (C)	
		LAT. 36°36'14" N. (NAD 83) LONG. 107°40'46" W. (NAD 83)	
		FD. 3 1/4" BC. 1955 B.L.M.	
17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <u>Mike Pippin</u> Signature <u>MIKE PIPPIN</u> Printed Name <u>AGENT - PETR. ENGR.</u> Title <u>10-26-04</u> Date			
18 SURVEYOR CERTIFICATION 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 knowledge and belief. <u>John P. Vukobratovich</u> Signature <u>10-26-04</u> Date <u>14831</u> Certificate Number			

DISTRICT I
1625 N. French Fr., Hobbs, N.M. 88240

DISTRICT II
811 South First, Artesia, N.M. 86210

DISTRICT III
1000 Rio Brancos Rd., Artec, N.M. 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

RECEIVED

Form C-102
Revised August 15, 2000

MAY 09 2008

Submit to Appropriate District Office
State Lease - 4 Copies
and Management Fee Lease - 3 Copies
on Field Office

OIL CONSERVATION DIVISION ^{BUREAU}

2040 South Pacheco
Santa Fe. NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-045-32645	*Pool Code 71599	*Pool Name BASIN DAKOTA
*Property Code 16598	*Property Name GRAHAM	*Well Number 18
*OGRID No. 141852	*Operator Name M & G DRILLING COMPANY	*Elevation 5887'

¹⁰ Surface Location

UL or lot no. H	Section 4	Township 27-N	Range 8-W	Lot Idn	Feet from the 2615	North/South Line NORTH	Feet from the 660	East/West Line EAST	County SAN JUAN
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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
Dedicated Acres 320 E/2			Joint or Infill Y		Consolidation Code		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

LOT 4	FD. 3 1/4" BC. 1916 GLO LOT 3	N 89°42'42" W 2639.4' (C) LOT 2	CALC'D COR LOT 1
		2615'	
		4 LAT. 36°36'14" N. (NAD 83) LONG. 107°40'46" W. (NAD 83)	660' S 02°25'44" W 5413.0' (C)
			FD. 3 1/4" BC. 1955 B.L.M.

17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Paul C. Thompson
Signature

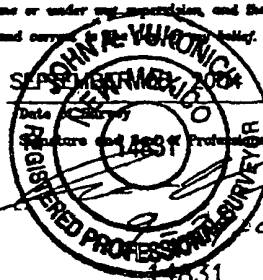
PAUL C. THOMPSON, P.E.
Printed Name

AGENT
Title

2/21/08
Date

18 SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plan 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.



John A. Vukobratovich
Signature and Title of Professional Surveyor

44831
Certificate Number

Graham #1B

Allocation Formula

	Ultimate Oil Bbls	Ultimate Gas Mcf	Number of Offsets	Average Ultimate Gross Oil Bbl/Well	Average Ultimate Gross Gas Mcf/Well	Average MMBtu/Mcf	Average Ultimate Gross Gas MMBtu/Well	% of Total Oil Bbl	% of Total Gas MMBtu
Chacra	3,855	5,922,978	17	227	348,410	1.2125	422,448	1.8	10.2
Mesa Verde	231,965	75,502,034	40	5,799	1,887,551	1.3705	2,586,888	46.5	62.8
Dakota	122,264	16,904,333	19	6,435	889,702	1.25	1,112,127	51.6	27.0
Totals				12,461	3,125,663		4,121,463	100.0	100.0

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Bureau of Land Management
Farmington Field Office

Graham #1B
Allocation Formula
Average MMBtu Calculations

Chacra	Mbtu/Mcf	Mesa Verde	Mbtu/Mcf	Dakota	Mbtu/Mcf
Hammond #52	1228	Marron #42	1368	Florance #66E	1231
Hammond #91	1230	Marron #46	1313	Schwertfeger A #6	1269
Marron #94	1177	Graham #53A	1430		
MarrOn #95	1215	Graham #44	1371		
Average	1212.5		1370.5		1250

EUR CALCULATION (CHACRA)

Annual CashFlow Report

Project: c:\program files\ihs energy\powertools v8.0\projects\m&g drilling.mdb

Summary Lease Report CHACRA

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/2008	17	214	160,008	172	128,006	80.00	7.00	909,767
12/2009	15	288	217,012	230	173,610	80.00	7.00	1,233,682
12/2010	15	254	196,340	203	157,072	80.00	7.00	1,115,734
12/2011	14	225	177,380	180	141,904	80.00	7.00	1,007,708
12/2012	14	199	162,215	159	129,772	80.00	7.00	921,161
12/2013	13	177	146,269	142	117,015	80.00	7.00	830,433
12/2014	11	157	130,906	126	104,725	80.00	7.00	743,138
12/2015	11	140	120,893	112	96,714	80.00	7.00	685,949
12/2016	11	124	111,827	100	89,462	80.00	7.00	634,194
12/2017	11	111	103,615	89	82,892	80.00	7.00	587,330
12/2018	11	99	96,171	79	76,937	80.00	7.00	544,868
12/2019	11	88	89,419	70	71,536	80.00	7.00	506,372
12/2020	11	78	83,292	63	66,634	80.00	7.00	471,449
12/2021	11	70	77,728	56	62,182	80.00	7.00	439,747
12/2022	11	60	72,309	48	57,848	80.00	7.00	408,799
Remainder:		214	1,541,757	171	1,233,405	80.00	7.00	8,647,505
Grand Total:		2,498	3,487,142	1,998	2,789,713	80.00	7.00	19,687,835

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2008	134,000	72,119	703,648	0	703,648	703,648	679,362
12/2009	184,000	97,798	951,884	0	951,884	1,655,531	849,456
12/2010	180,000	88,451	847,283	0	847,283	2,502,814	687,341
12/2011	170,000	79,890	757,818	0	757,818	3,260,632	558,856
12/2012	168,000	73,032	680,129	0	680,129	3,940,762	455,962
12/2013	153,000	65,840	611,593	0	611,593	4,552,355	372,733
12/2014	132,000	58,920	552,219	0	552,219	5,104,573	305,941
12/2015	132,000	54,388	499,561	0	499,561	5,604,134	251,607
12/2016	132,000	50,287	451,907	0	451,907	6,056,041	206,914
12/2017	132,000	46,574	408,756	0	408,756	6,464,797	170,143
12/2018	132,000	43,209	369,659	0	369,659	6,834,456	139,881
12/2019	132,000	40,158	334,214	0	334,214	7,168,669	114,971
12/2020	132,000	37,390	302,059	0	302,059	7,470,728	94,464
12/2021	132,000	34,878	272,869	0	272,869	7,743,597	77,578
12/2022	130,000	32,426	246,373	0	246,373	7,989,971	63,677
Remainder:	1,920,000	686,496	6,041,009	0	6,041,009	14,030,980	355,511
Grand Total:	4,095,000	1,561,855	14,030,980	0	14,030,980	14,030,980	5,384,398

Discount Present Worth:

0.00 %	14,030,980
10.00 %	5,384,398
20.00 %	3,699,314
30.00 %	2,883,609
40.00 %	2,395,031
50.00 %	2,068,083
60.00 %	1,833,255
70.00 %	1,656,016
80.00 %	1,517,230
90.00 %	1,405,422
100.00 %	1,313,286

Economic Dates:

Effective Date	05/2008
Calculated Limit	04/2108
Economic Life	1200 Months
	100 Years 0 Months

Economics Information:

Net Payout Date:	05/2008
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	3,855	5,922,978
Historic Gross	1,226	2,348,708
Gross at Eff Date	1,358	2,435,836
Remaining Gross	2,498	3,487,142
Remaining Net	1,998	2,789,713

EUR CALCULATION (MV)

Annual CashFlow Report

Project: c:\program files\lhs energy\powertools v8.0\projects\m&g drilling.mdb

Summary Lease Report *MESA VERDE*

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/2008	40	1,620	654,006	1,296	523,205	80.00	7.00	3,766,083
12/2009	40	2,060	896,845	1,648	717,476	80.00	7.00	5,154,166
12/2010	40	1,750	811,213	1,400	648,971	80.00	7.00	4,654,787
12/2011	40	1,525	738,113	1,220	590,491	80.00	7.00	4,231,051
12/2012	39	1,352	673,333	1,081	538,666	80.00	7.00	3,857,161
12/2013	39	1,212	617,636	969	494,108	80.00	7.00	3,536,309
12/2014	39	1,096	568,671	877	454,937	80.00	7.00	3,254,686
12/2015	39	969	524,063	775	419,250	80.00	7.00	2,996,740
12/2016	37	847	481,165	677	384,932	80.00	7.00	2,748,709
12/2017	34	761	442,038	609	353,631	80.00	7.00	2,524,118
12/2018	33	687	409,114	550	327,291	80.00	7.00	2,335,025
12/2019	33	632	381,271	505	305,017	80.00	7.00	2,175,537
12/2020	33	588	355,599	471	284,479	80.00	7.00	2,028,997
12/2021	32	546	332,141	437	265,713	80.00	7.00	1,894,923
12/2022	32	508	312,073	406	249,658	80.00	7.00	1,780,104
Remainder:		4,883	8,258,780	3,906	6,607,024	80.00	7.00	46,561,661
Grand Total:		21,033	16,456,059	16,827	13,164,847	80.00	7.00	93,500,057

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2008	321,000	298,146	3,146,937	0	3,146,937	3,146,937	3,038,291
12/2009	480,000	408,120	4,266,046	0	4,266,046	7,412,983	3,806,938
12/2010	480,000	368,638	3,806,149	0	3,806,149	11,219,132	3,087,588
12/2011	480,000	335,116	3,415,935	0	3,415,935	14,635,067	2,519,032
12/2012	472,000	305,523	3,079,637	0	3,079,637	17,714,705	2,064,496
12/2013	468,000	280,124	2,788,186	0	2,788,186	20,502,890	1,699,162
12/2014	468,000	257,826	2,528,860	0	2,528,860	23,031,750	1,401,006
12/2015	462,000	237,414	2,297,326	0	2,297,326	25,329,076	1,157,014
12/2016	439,000	217,787	2,091,922	0	2,091,922	27,420,999	957,765
12/2017	413,000	200,001	1,911,117	0	1,911,117	29,332,115	795,419
12/2018	399,000	185,027	1,750,998	0	1,750,998	31,083,113	662,513
12/2019	396,000	172,394	1,607,143	0	1,607,143	32,690,256	552,798
12/2020	391,000	160,782	1,477,214	0	1,477,214	34,167,471	461,909
12/2021	384,000	150,160	1,360,763	0	1,360,763	35,528,234	386,808
12/2022	384,000	141,064	1,255,040	0	1,255,040	36,783,273	324,321
Remainder:	12,957,000	3,694,340	29,910,321	0	29,910,321	66,693,595	1,886,033
Grand Total:	19,394,000	7,412,462	66,693,595	0	66,693,595	66,693,595	24,801,094

Discount Present Worth:

0.00 %	66,693,595
10.00 %	24,801,094
20.00 %	16,804,083
30.00 %	13,024,515
40.00 %	10,787,594
50.00 %	9,300,182
60.00 %	8,235,841
70.00 %	7,434,444
80.00 %	6,807,943
90.00 %	6,303,824
100.00 %	5,888,782

Economic Dates:

Effective Date	05/2008
Calculated Limit	04/2108
Economic Life	1200 Months
	100 Years 0 Months

Economics Information:

Net Payout Date:	05/2008
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	231,965	75,502,034
Historic Gross	209,997	58,700,053
Gross at Eff Date	210,932	59,045,975
Remaining Gross	21,033	16,456,059
Remaining Net	16,827	13,164,847

EUR CALCULATION (DK) Annual CashFlow Report

Project: c:\program files\lhrs energy\powertools v8.0\projects\m&g drilling.mdb

Summary Lease Report DAKOTA

Date	Well Count	Gross Production		Net Production		Average Prices		Sales Total (\$)
		Oil (Bbl)	Gas (Mcf)	Oil (Bbl)	Gas (Mcf)	Oil (\$/Bbl)	Gas (\$/Mcf)	
12/2008	19	946	150,131	756	120,105	80.00	7.00	901,246
12/2009	19	1,186	203,393	949	162,714	80.00	7.00	1,214,908
12/2010	18	964	180,783	771	144,627	80.00	7.00	1,074,073
12/2011	18	836	163,186	669	130,549	80.00	7.00	967,375
12/2012	18	739	147,749	591	118,199	80.00	7.00	874,671
12/2013	17	655	132,245	524	105,796	80.00	7.00	782,474
12/2014	16	582	117,791	465	94,233	80.00	7.00	696,861
12/2015	15	513	105,685	410	84,548	80.00	7.00	624,651
12/2016	14	442	94,522	353	75,618	80.00	7.00	557,594
12/2017	14	395	86,415	316	69,132	80.00	7.00	509,181
12/2018	12	350	75,522	280	60,418	80.00	7.00	445,312
12/2019	11	313	67,546	250	54,037	80.00	7.00	398,295
12/2020	11	262	61,529	210	49,223	80.00	7.00	361,334
12/2021	10	144	56,286	115	45,029	80.00	7.00	324,428
12/2022	9	125	50,576	100	40,461	80.00	7.00	291,211
Remainder:		680	1,313,930	544	1,051,144	80.00	7.00	7,401,550
Grand Total:		9,130	3,007,291	7,304	2,405,832	80.00	7.00	17,425,166

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2008	155,607	71,222	674,417	250,000	424,417	424,417	401,216
12/2009	230,342	96,077	888,489	0	888,489	1,312,906	793,079
12/2010	219,262	85,007	769,804	0	769,804	2,082,710	624,594
12/2011	218,186	76,596	672,594	0	672,594	2,755,304	496,109
12/2012	218,111	69,280	587,280	0	587,280	3,342,584	393,805
12/2013	208,040	61,997	512,437	0	512,437	3,855,021	312,377
12/2014	192,970	55,232	448,659	0	448,659	4,303,680	248,630
12/2015	181,903	49,528	393,220	0	393,220	4,696,900	198,097
12/2016	169,156	44,050	344,389	0	344,389	5,041,288	157,726
12/2017	168,000	40,214	300,967	0	300,967	5,342,255	125,312
12/2018	147,000	35,168	263,145	0	263,145	5,605,400	99,599
12/2019	136,000	31,454	230,840	0	230,840	5,836,241	79,428
12/2020	130,000	28,547	202,787	0	202,787	6,039,028	63,433
12/2021	120,000	25,681	178,747	0	178,747	6,217,774	50,827
12/2022	110,000	23,054	158,157	0	158,157	6,375,931	40,882
Remainder:	2,193,000	587,313	4,621,237	0	4,621,237	10,997,168	218,750
Grand Total:	4,797,577	1,380,420	11,247,168	250,000	10,997,168	10,997,168	4,303,862

Discount Present Worth:

0.00 %	10,997,168
10.00 %	4,303,862
20.00 %	3,004,536
30.00 %	2,338,838
40.00 %	1,926,726
50.00 %	1,645,067
60.00 %	1,439,797
70.00 %	1,283,210
80.00 %	1,159,598
90.00 %	1,059,376
100.00 %	976,362

Economic Dates:

Effective Date	05/2008
Calculated Limit	04/2108
Economic Life	1200 Months
	100 Years 0 Months

Economics Information:

Net Payout Date:	07/2008
Rate of Return:	>100 %
Return on Investment:	44.99
Disc Return on Invest:	18.22

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	122,264	16,904,333
Historic Gross	112,411	13,795,872
Gross at Eff Date	113,134	13,897,043
Remaining Gross	9,130	3,007,291
Remaining Net	7,304	2,405,832

CHACRA

OFFSET WELLS

Section 3

Township 27N
Range 8W
FEDERAL M (2)
FEDERAL M (3)
GRAHAM (3)

Section 4

Township 27N
Range 8W
DAWSON A (1F)
DAWSON A (1G)
GRAHAM (1A)

Section 5

Township 27N
Range 8W
FILAN (6)

Section 8

Township 27N
Range 8W
SCHWERDTFEGER A (13B)

Section 9

Township 27N
Range 8W
FEDERAL (16)
FEDERAL (21)
GRAHAM C WN FEDERAL COM (1A)

Section 10

Township 27N
Range 8W
GRAHAM (51)
GRAHAM (96)

Section 32

Township 28N
Range 8W
RIDDLE F LS (5)
RIDDLE F LS (5A)

Section 33

Township 28N
Range 8W
BOLACK B LS (1)
BOLACK B LS (1A)
BOLACK B LS (3)

Section 34

Township 28N
Range 8W
HOWELL (3A)
STOREY LS (4)

DAKOTA

Section 3

Township 27N
Range 8W
FEDERAL M (1)

Section 4

Township 27N
Range 8W
DAWSON A (1)
DAWSON A (1F)
DAWSON A (1G)
DAWSON A (1M)

Section 5

Township 27N
Range 8W
FILAN (5)
FILAN (6)

Section 8

Township 27N
Range 8W

SCHWERDTFEGER A (24)
SCHWERDTFEGER A (6)
SCHWERDTFEGER A (6M)
SCHWERDTFEGER A LS (20)
SCHWERDTFEGER A LS (20M)

Section 9

Township 27N
Range 8W
FEDERAL (16)
GRAHAM COM (1)

Section 10

Township 27N
Range 8W
GRAHAM (48)

Section 32

Township 28N
Range 8W
GOOCH (3)
GOOCH (3E)
PHILLIPS (3)
PHILLIPS (3E)

Section 33

Township 28N
Range 8W
BOLACK B (8)
BOLACK B (8E)
BOLACK E (1)
BOLACK E (1M)

Section 34

Township 28N
Range 8W
STOREY LS (4A)

MESAVERDE

Section 3

Township 27N
Range 8W
FEDERAL M (1)
FEDERAL M (1A)
FEDERAL M (1B)
GRAHAM (3)
GRAHAM (44)
GRAHAM 3 (8)

Section 4

Township 27N
Range 8W
DAWSON A (1)
DAWSON A (1F)
DAWSON A (1G)
DAWSON A (1M)
GRAHAM (1)
GRAHAM (1A)

Section 5

Township 27N
Range 8W
FILAN (4)
FILAN (5)
FILAN (6)

Section 8

Township 27N
Range 8W
SCHWERDTFEGER A (13B)
SCHWERDTFEGER A (24)
SCHWERDTFEGER A (6M)
SCHWERDTFEGER A LS (13)
SCHWERDTFEGER A LS (14)
SCHWERDTFEGER A LS (20)
SCHWERDTFEGER A LS (20M)

Section 9

Township 27N

Range 8W

FEDERAL (16)

FEDERAL (16A)

GRAHAM C WN FEDERAL COM (1)

GRAHAM C WN FEDERAL COM (1A)

Section 10

Township 27N

Range 8W

GRAHAM (51)

GRAHAM (51A)

GRAHAM (53)

GRAHAM (53A)

GRAHAM 10 (6)

Section 32

Township 28N

Range 8W

GOOCH (3)

PHILLIPS (1)

PHILLIPS (1A)

RIDDLE F LS (5)

RIDDLE F LS (5A)

Section 33

Township 28N

Range 8W

BOLACK B LS (1)

BOLACK B LS (1A)

BOLACK B LS (3)

BOLACK E (1)

BOLACK E (1M)

Section 34

Township 28N

Range 8W

HOWELL (3)

HOWELL (3A)

STOREY LS (4)

STOREY LS (4A)

PowerTools Map

Project: c:\program files\ihs energy\powertools v8.0\projects\m&g drilling.mdb

Date: 5/7/2008

Time: 11:10 AM

OFFSET WELL MAP.

