

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

OCT 20

5. Lease Serial No.
2008 NMSF 078481A

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

Bureau of Land Management
Farmington

6. If Indian, Allottee or Tribe Name
RCVD OCT 23 '08

SUBMIT IN TRIPLICATE - Other instructions on reverse side

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

OIL CONS. DIV.
DIST. 3

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.

Graham 10 #7

2. Name of Operator

M&G Drilling Company, Inc. c/o Walsh Engineering

9. API Well No.

30-045-32728

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)

790' FNL and 1930' FEL, (B) Sec. 10, T27N, R8W

10. Field and Pool, or Exploratory Area

Otero CH, Blanco MV, Basin DK

11. County or Parish, State

San Juan County, NM

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 checked="" 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 checked="" type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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 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 plans to drill this well as a downhole commingled Otero Chacra, Blanco Mesa Verde, and Basin Dakota well according to the attached Operations Plan. All other aspects of the APD will remain the same.
The anticipated spud date for this well is December 1, 2008

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.

APD expires 2/10/2008

No DHC or Lw 11/03/08 RP

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

October 16, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Troy L. Salyers

Title

Petroleum Engineer

Date

10/22/2008

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

Ffo

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

M&G DRILLING Company
OPERATIONS PLAN
GRAHAM #10 #7

I. Location: 790' FNL & 1930' FEL Date: October 16, 2008
 Sec 10, T27N, R8W
 San Juan County, NM

Field: Otero CH, Blanco MV, & Basin Dakota Elev: GL 5899'
Surface: BLM
Minerals: NMSF 078481A
API: 30-045-32728

II. Geology: Surface formation _ San Jose

<u>A. Formation Tops</u>	<u>Depths</u>
Ojo Alamo	1220'
Kirtland	1350'
Fruitland	1870'
Pictured Cliffs	2135'
Chacra	3060'
Cliff House	3685'
Point Lookout	4540'
Gallup	5535'
Greenhorn	6300'
Dakota	6360'
Total Depth	6685'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:

Water and gas - 1870', 3060', 3685', 4540', 5525', and 6360'.

B. Logging Program: Induction/GR and density logs at TD.

C. No over pressured zones are expected in this well. No H₂S zones will be penetrated in this well. Max. BHP = 2000 psig.

III. Drilling

A. Contractor: D&J Rig #1

B. Mud Program:

The surface hole will be drilled with a fresh water mud.

The intermediate hole will be drilled with a fresh water polymer mud. The weighting material will be drill solids or if conditions dictate, barite. The maximum mud weight expected is 9.5 ppg.

The production hole will be drilled with air or air/mist.

C. Minimum Blowout Control Specifications:

Double ram type 2000 psi working pressure BOP with a rotating head. See the attached Exhibit #1 for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi.

The blind rams will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a kelly cock, floor safety valve, and choke manifold all rated to 2000 psi.

IV. Materials

A. Casing Program:

Hole Size	Depth	Casing Size	Wt. & Grade
12-1/4"	120'	9-5/8"	36# J-55
8-3/4"	2560'	7"	20# J-55
6-1/4"	6685'	4-1/2"	10.5# J-55

B. Float Equipment:

a) Surface Casing: Notched collar on bottom and 3 centralizers on the bottom 3 joints.

b) Intermediate Casing: 7" cement guide shoe and self fill insert float collar. Place float one joint above shoe. Ten centralizers spaced every other joint above shoe and ten turbolizers every other joint from 1500'.

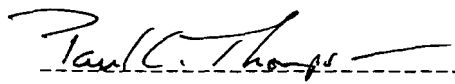
c) Production Casing: 4-1/2" whirler type cement nosed guide shoe and a float collar on top of the bottom joint.

V. Cementing:

Surface casing: 9-5/8" - Use 65 sx (77 cu. ft.) of Type 5 with 3% CaCl_2 and $\frac{1}{4}$ #/sk celloflake (Yield = 1.18 cu. ft./sk; slurry weight = 15.6 PPG). 100% excess to circulate cement to surface. WOC 12 hours. Pressure test surface casing to 1000 psi for 30 min.

Intermediate Casing: 7" - Before cementing circulate hole with at least 1-1/2 hole volumes of mud. Precede cement with 30 bbls of fresh water. **Lead** with 285 sx (587 cu.ft) of Type 5 with 2% sodium metasilicate, 5 #/sk gilsonite, and $\frac{1}{4}$ #/sk. celloflake. (Yield = 2.06 cu.ft./sk; slurry weight = 12.5 PPG). **Tail** with 150 sx (185 cu.ft.) of Type 5 with 5 #/sk gilsonite, 1.0 % CaCl_2 and $\frac{1}{4}$ #/sk. celloflake. (Yield = 1.23 cu. ft./sk; slurry weight = 15.6 PPG). Total cement volume is 772 cu.ft. (100% excess to circulate cement to surface). WOC for 12 hrs. Pressure test the BOP and casing to 1500 psi.

Production Casing: 4-1/2" - Blow hole clean. Precede cement with 20 bbls of gel water and 10 bbls of water. Cement with 540 sx (713 cu.ft.) of Type G 50:50 poz with 2% gel, 0.6% Halad-9, 0.1% HR-5, $\frac{1}{8}$ #/sk celloflake, and 5 #/sk gilsonite. (Yield = 1.32 cu.ft./sk; slurry weight = 13.5 PPG). Total cement volume is 713 cu.ft. (60% excess to circulate 200' above the intermediate casing).



Paul C. Thompson, P.E.