Form 3160-5
(August 1999)

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 DEC 0 5 2008

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

SUBMIT IN TRIPLICATE – Other instructions on reverse side

5. Lease Serial No: NMNM 05791

6 If Indian, Allottee or Tribe Name:

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

1 Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8 Well Name and No: Graham 10 #9

2 Name of Operator: *M&G Drilling Company, Inc c/o Walsh Engineering*

9. API Well No: 30-045-32729

3a Address: *7415 E. Main, Farmington, NM, 87402*

3b. Phone No. *(include area code)*: *505-327-4892*

10. Field and Pool, or Exploratory Area: Blanco MV, Basin DK

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*: *1010' FSL and 700' FEL, (P) Sec. 10, T27N, R8W*

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			
☒ 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	
	☐ 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 plans to drill this well as a downhole commingled Blanco Mesa Verde and Basin Dakota well according to the attached Operations Plan. All other aspects of the APD will remain the same.

RCVD DEC 31 '08
OIL CONS. DIV.
DIST. 3

HOLD C104 FOR C102 for Basin Dakota

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: December 5, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by: Troy L. Salyers | Title: PE | Date: 12/29/2008

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 #9

I. Location: 1010' FSL & 700' FEL
Sec 10, T27N, R8W
San Juan County, NM

Date: December 5, 2008

Field: Blanco MV & Basin Dakota
Surface: Fee Leo Pacheco
Minerals: NMNM 05791
API: 30-045-32729

Elev: GL 5975'

II. Geology: Surface formation _ San Jose

A.

Formation Tops	Depths
Ojo Alamo	1295'
Kirtland	1425'
Fruitland	1945'
Pictured Cliffs	2210'
Chacra	3135'
Cliff House	3760'
Point Lookout	4615'
Gallup	5610'
Greenhorn	6375'
Dakota	6735'
Total Depth	6760'

Estimated depths of anticipated water, oil, gas, and other mineral bearing formations which are expected to be encountered:
Water and gas - 1945', 2210', 3760', 4615', 5610', and 6735'.

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

C. No over pressured zones are expected in this well. No H_2S 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"	2635'	7"	20# J-55
6-1/4"	6760'	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 ¼ #/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 295 sx (608 cu.ft) of Type 5 with 2% sodium metasilicate, 5 #/sk gilsonite, and ¼#/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 ¼#/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, 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

Paul C. Thompson, P.E.