P. O. Box 1980
Hobbs, NM 88241-1980
District II - (505) 748-1283
811 S. First
Artesia, NM 88210
District III - (505) 334-6178
1000 Rio Brazos Road
Aztec, NM 87410
District IV

New Mexico
Energy Minerals and Natural Resources Department
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

Form C-140
Originated 11/1/95

Submit Original
Plus 2 Copies
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District Office

APPLICATION FOR QUALIFICATION OF WELL WORKOVER PROJECT AND CERTIFICATION OF APPROVAL

THREE COPIES OF THIS APPLICATION AND ALL ATTACHMENTS MUST BE FILED WITH THE APPROPRIATE DISTRICT OFFICE OF THE OIL CONSERVATION DIVISION.

I. Operator: M&G DRILLING COMPANY OGRID #: 141852

Address: c/o KM PRODUCTION COMPANY, PO BOX 2406, FARMINGTON, NM 87499

Contact Party: KEVIN MCCORD Phone: (505) 325-6900

II. Name of Well: SCHLOSSER #26 API #: 30-045-07200
Location of Well: Unit Letter A, 1080 Feet from the North line and 1060 feet from the East line,
Section 27, Township 28N, Range 11W, NMPM, SAN JUAN County

III. Date Workover Procedures Commenced: 8/19/95
Date Workover Procedures were Completed: 9/10/95

IV. Attach a description of the Workover Procedures undertaken to increase the projection from the Well.

V. Attach an estimate of the production rate of the Well (a production decline curve or other acceptable method, and table showing monthly oil and/or gas Project Production) based on at least twelve (12) months of established production which shows the future rate of production based on well performance prior to performing Workover.

VI. Pool(s) on which Production Projection is based:

Basin Fruitland Sand

RECEIVED
APR 25 1996
OIL CON. DIV.
DIST. 3

VII. AFFIDAVIT:

State of NEW MEXICO)
) ss.
County of SAN JUAN)

KEVIN MCCORD being first duly sworn, upon oath states:

1. I am the Operator or authorized representative of the Operator of the above referenced Well.

2. I have made, or caused to be made, a diligent search of the production records which are reasonably available and contain information relevant to the production history of this Well.

3. To the best of my knowledge, the data used to prepare the Production Projection for this Well is complete and accurate and this projection was prepared using sound petroleum engineering principles.

Kevin D. McCord
(Name)

PETROLEUM ENGINEER
(Title)

SUBSCRIBED AND SWORN TO before me this 24th day of April, 19 96

Pamela Westmoreland

Notary Public

My Commission expires: April 8, 2000

FOR OIL CONSERVATION DIVISION USE ONLY:

VIII. CERTIFICATION OF APPROVAL:

This Application for Qualification of Well Workover Project is hereby approved and the above referenced Well is designated as a Well Workover Project pursuant to the "Natural Gas and Crude Oil Production Incentive Act" (Laws 1995, Chapter 15, Sections 1 through 8). The Oil Conservation Division hereby verifies the Production Projection for the Well Workover Project attached to this application. By copy of this Application and Certification of Approval, the Division notifies the Secretary of the Taxation and Revenue Department of this Approval and certifies that this Well Workover Project has been completed as of 9/10, 1995.

District Supervisor, District 3
Oil Conservation Division

Date: 5/10/96

IX. DATE OF NOTIFICATION TO THE SECRETARY OF THE TAXATION AND REVENUE DEPARTMENT.

DATE: _____

M&G DRILLING COMPANY
SCHLOSSER #26
1080 FNL & 1060 FEL
NENE, SECTION 27, T28N R11W
SAN JUAN COUNTY, NEW MEXICO

The workover performed on the Schlosser #26 well repaired a casing leak and placed a packer in the hole. Compression was also added to help this well lift liquids by decreasing backpressure on the well and increasing it's flow rate. This workover started on 8/19/95 and was completed on 9/10/95.

M&G DRILLING COMPANY
SCHLOSSER #26
NENE, SECTION 27, T28N R11W
SAN JUAN COUNTY, NEW MEXICO

CASING REPAIR

8-19-95 Moved in and rigged up completion unit. Blowdown well. Nipple down wellhead and nipple up BOP. Found 2 joints of 2 3/8" tubing in hole. Lay down tubing and shut down for the night.

8-20-95 Shut down, Sunday.

8-21-95 Trip in hole with 1 jt of tubing on sandline to check for fish. Found nothing. Pick up bit, casing scraper, and 2 3/8" 4.7 #/ft J55 EUE yellowband used tubing. Tag bridgeplug at 1520 ft RKB. Trip tubing, casing scraper, and bit out of hole. Trip in hole with packer on tubing and set at 1310 ft RKB. Rigged up Cementers Inc pump truck. Attempted to pressure test casing. Pumped into hole in casing and circulated through the bradenhead to the surface. Moved the packer several times and isolated the hole in casing from 445 to 477 ft. Trip tubing and packer out of hole. Trip in hole with bridgeplug and packer on tubing. Set bridgeplug at 1285 ft RKB (above Fruitland sand perforations) and set packer at 1248 ft RKB. Pressure tested bridgeplug to 500 psi, held OK. Moved packer to 510 ft RKB (just below hole in casing). Pressure tested casing from 510 to 1285 ft to 500 psi, held OK. Tripped tubing and packer out of hole. Cemented hole in casing with 350 sx of class B cement with 2% CaCl. Good circulation to the surface through the bradenhead throughout the job. Circulated 3/4 barrels of cement to the surface. Shut well in. Shut down for the night.

8-22-95 Trip in hole with bit on tubing. Tag cement at 380 ft RKB. Drilled 97 ft of cement to 477 ft and fell through cement. Pressure tested casing to 500 psi, held OK. Trip tubing and bit out of hole. Trip in hole with retrieving head on tubing. Circulated sand from bridgeplug at 1285 ft RKB, and retrieved bridgeplug. Trip out of hole with bridgeplug and tubing. Trip in hole with production tubing and cup type packer. Could not get packer to go through squeeze spot in casing. Shut down for the night.

8-23-95 Trip tubing and packer out of hole. Trip in hole with bit and casing scraper on tubing. Work casing scraper through squeeze spot in casing. Trip tubing, casing scraper, and bit out of hole. Trip in hole with production tubing and cup type packer and land as follows:

Description	Length	Depth
KB to landing point	5.00	0- 5
17 jts of 2 3/8" 4.7#/ft J55 EUE yellowband used tubing	521.08	5- 526
1 cup type packer	2.05	526- 528
25 jts of 2 3/8" 4.7#/ft J55 EUE yellowband used tubing	776.90	528-1305
1 seating nipple	1.00	1305-1306
1 jt of 2 3/8" tubing	31.75	1306-1338
1 sawtooth collar	.50	1338-1338
	1 338.28	

Nipple down BOP. Nipple up wellhead. Rigged to swab. Made a total of 54 swab runs recovering 82 bbls of fluid. At the end of the day the well was making very little fluid and going on a vacuum after each swab run. Shut in well, shut down for the night.

8-24-95 Overnight shutin on tubing, puff of gas. Annulus gained 60 psi, packer seems to be leaking slightly. Rigged to swab. Initial fluid level at 400 ft. Made 22 swab runs and recovered approximately 16 barrels of fluid. Well was swabbed down and going on a vacuum after each run. Shut in well and shut down for the night.

8-25-95 Overnight shutin pressure on tubing is a puff of gas, annulus 60 psi. Rigged to swab. Initial fluid level at 1000 ft. Made 20 swab runs and recovered approximately 12 barrels of fluid. Well was swabbed down and going on a vacuum after each run. Shut in well and shut down for the night.

8-26-95 Overnight shutin pressure on tubing is a puff of gas, annulus 70 psi. Rigged to swab. Initial fluid level at 600 ft. Made 13 swab runs and recovered approximately 20 barrels of fluid. Well was swabbed down and going on a vacuum after each run. Shut in well. Released rig.

9-10-95 Move in and rig up completion unit. Pull tubing and cup type packer. Replace with slip type tension packer and land well in same position as before. Replace donut in wellhead with slips. Rig to swab. Make 12 swab runs. Well swabbed dry with no well response. Rig down unit. Released rig. Installed compressor.

M&G DRILLING COMPANY

SCHLOSSER #26

HISTORICAL PRODUCTION

	YEAR	MONTH	GAS (MCF)	COND (BBLS)	PROD DAYS
1	1982	JAN	1280	0	31
2	1982	FEB	950	0	28
3	1982	MAR	549	0	31
4	1982	APR	579	0	30
5	1982	MAY	1191	0	31
6	1982	JUN	1742	0	30
7	1982	JUL	943	0	31
8	1982	AUG	161	0	31
9	1982	SEP	1501	0	30
10	1982	OCT	1393	0	23
11	1982	NOV	0	0	0
12	1982	DEC	98	0	18
13	1983	JAN	1021	0	31
14	1983	FEB	569	0	18
15	1983	MAR	1851	0	31
16	1983	APR	1636	0	23
17	1983	MAY	0	0	0
18	1983	JUN	0	0	0
19	1983	JUL	0	0	0
20	1983	AUG	150	0	4
21	1983	SEP	173	0	7
22	1983	OCT	614	0	21
23	1983	NOV	1321	0	28
24	1983	DEC	99	0	31
25	1984	JAN	106	0	31
26	1984	FEB	468	0	29
27	1984	MAR	0	0	0
28	1984	APR	1858	0	26
29	1984	MAY	2557	0	31
30	1984	JUN	2394	0	30
31	1984	JUL	758	0	21
32	1984	AUG	88	0	5
33	1984	SEP	561	0	30
34	1984	OCT	681	0	31
35	1984	NOV	1392	0	30
36	1984	DEC	2144	0	31
37	1985	JAN	2107	0	0
38	1985	FEB	1877	0	28
39	1985	MAR	1478	0	31
40	1985	APR	1119	0	30
41	1985	MAY	1297	0	31
42	1985	JUN	250	0	7
43	1985	JUL	352	0	23
44	1985	AUG	703	0	23
45	1985	SEP	538	0	20
46	1985	OCT	998	0	26
47	1985	NOV	658	0	30
48	1985	DEC	1084	0	31

M&G DRILLING COMPANY					
SCHLOSSER #26					
HISTORICAL PRODUCTION					
			GAS	COND	PROD
	YEAR	MONTH	(MCF)	(BBLS)	DAYS
49	1986	JAN	1903	0	31
50	1986	FEB	1403	0	28
51	1986	MAR	1349	0	31
52	1986	APR	922	0	13
53	1986	MAY	0	0	0
54	1986	JUN	0	0	0
55	1986	JUL	0	0	0
56	1986	AUG	0	0	0
57	1986	SEP	0	0	0
58	1986	OCT	0	0	0
59	1986	NOV	0	0	0
60	1986	DEC	0	0	0
61	1987	JAN	0	0	0
62	1987	FEB	0	0	0
63	1987	MAR	0	0	0
64	1987	APR	0	0	0
65	1987	MAY	0	0	0
66	1987	JUN	0	0	0
67	1987	JUL	0	0	0
68	1987	AUG	0	0	0
69	1987	SEP	0	0	0
70	1987	OCT	0	0	0
71	1987	NOV	0	0	0
72	1987	DEC	1253	0	21
73	1988	JAN	1889	0	25
74	1988	FEB	418	0	5
75	1988	MAR	0	0	0
76	1988	APR	0	0	0
77	1988	MAY	2446	0	30
78	1988	JUN	209	0	2
79	1988	JUL	0	0	0
80	1988	AUG	0	0	0
81	1988	SEP	0	0	0
82	1988	OCT	0	0	0
83	1988	NOV	0	0	0
84	1988	DEC	353	0	3
85	1989	JAN	1452	0	20
86	1989	FEB	1248	0	15
87	1989	MAR	0	0	0
88	1989	APR	0	0	0
89	1989	MAY	0	0	0
90	1989	JUN	851	0	16
91	1989	JUL	1281	0	31
92	1989	AUG	1074	0	31
93	1989	SEP	1268	0	30
94	1989	OCT	1253	0	27
95	1989	NOV	1877	0	30

M&G DRILLING COMPANY
SCHLOSSER #26

HISTORICAL PRODUCTION

	YEAR	MONTH	GAS (MCF)	COND (BBLS)	PROD DAYS
96	1989	DEC	1928	0	31
97	1990	JAN	2240	0	31
98	1990	FEB	2015	0	28
99	1990	MAR	2233	0	31
100	1990	APR	1209	0	21
101	1990	MAY	0	0	0
102	1990	JUN	695	0	17
103	1990	JUL	764	0	31
104	1990	AUG	500	0	26
105	1990	SEP	482	0	30
106	1990	OCT	457	0	26
107	1990	NOV	367	0	29
108	1990	DEC	1202	0	31
109	1991	JAN	981	0	31
110	1991	FEB	146	0	20
111	1991	MAR	31	0	17
112	1991	APR	0	0	0
113	1991	MAY	0	0	0
114	1991	JUN	0	0	0
115	1991	JUL	257	0	28
116	1991	AUG	9	0	28
117	1991	SEP	0	0	0
118	1991	OCT	0	0	0
119	1991	NOV	2	0	27
120	1991	DEC	13	0	31
121	1992	JAN	32	0	31
122	1992	FEB	382	0	29
123	1992	MAR	350	0	29
124	1992	APR	133	0	30
125	1992	MAY	302	0	24
126	1992	JUN	160	0	25
127	1992	JUL	576	0	31
128	1992	AUG	592	0	30
129	1992	SEP	344	0	26
130	1992	OCT	302	0	31
131	1992	NOV	1048	0	30
132	1992	DEC	1317	0	31
133	1993	JAN	1213	0	31
134	1993	FEB	1223	0	28
135	1993	MAR	1068	0	31
136	1993	APR	341	0	30
137	1993	MAY	429	0	30
138	1993	JUN	323	0	30
139	1993	JUL	157	0	31
140	1993	AUG	175	0	31
141	1993	SEP	167	0	30
142	1993	OCT	293	0	30

M&G DRILLING COMPANY

SCHLOSSER #26

HISTORICAL PRODUCTION

	YEAR	MONTH	GAS (MCF)	COND (BBLS)	PROD DAYS
143	1993	NOV	928	0	30
144	1993	DEC	1528	0	31
145	1994	JAN	970	0	31
146	1994	FEB	1000	0	28
147	1994	MAR	700	0	31
148	1994	APR	352	0	30
149	1994	MAY	456	0	31
150	1994	JUN	411	0	29
151	1994	JUL	374	0	30
152	1994	AUG	8	0	30
153	1994	SEP	0	0	0
154	1994	OCT	182	0	31
155	1994	NOV	311	0	30
156	1994	DEC	786	0	31
157	1995	JAN	1125	0	31
158	1995	FEB	1105	0	28
159	1995	MAR	927	0	31
160	1995	APR	0	0	0
161	1995	MAY	1797	0	31
	TOTAL		105,156	0	

HISTORICAL PRODUCTION DECLINE FIT CHECK

Initial Rate (January 1982):	961 MCFM
Final Rate (May 1995):	419 MCFM
Effective Decline Rate:	6.0%
Gas Reserves:	105,119 MCF

M&G DRILLING COMPANY
SCHLOSSER #26
1080 FNL & 1060 FEL
NENE, SECTION 27, T28N R11W
SAN JUAN COUNTY, NEW MEXICO

DECLINE CURVE ANALYSIS

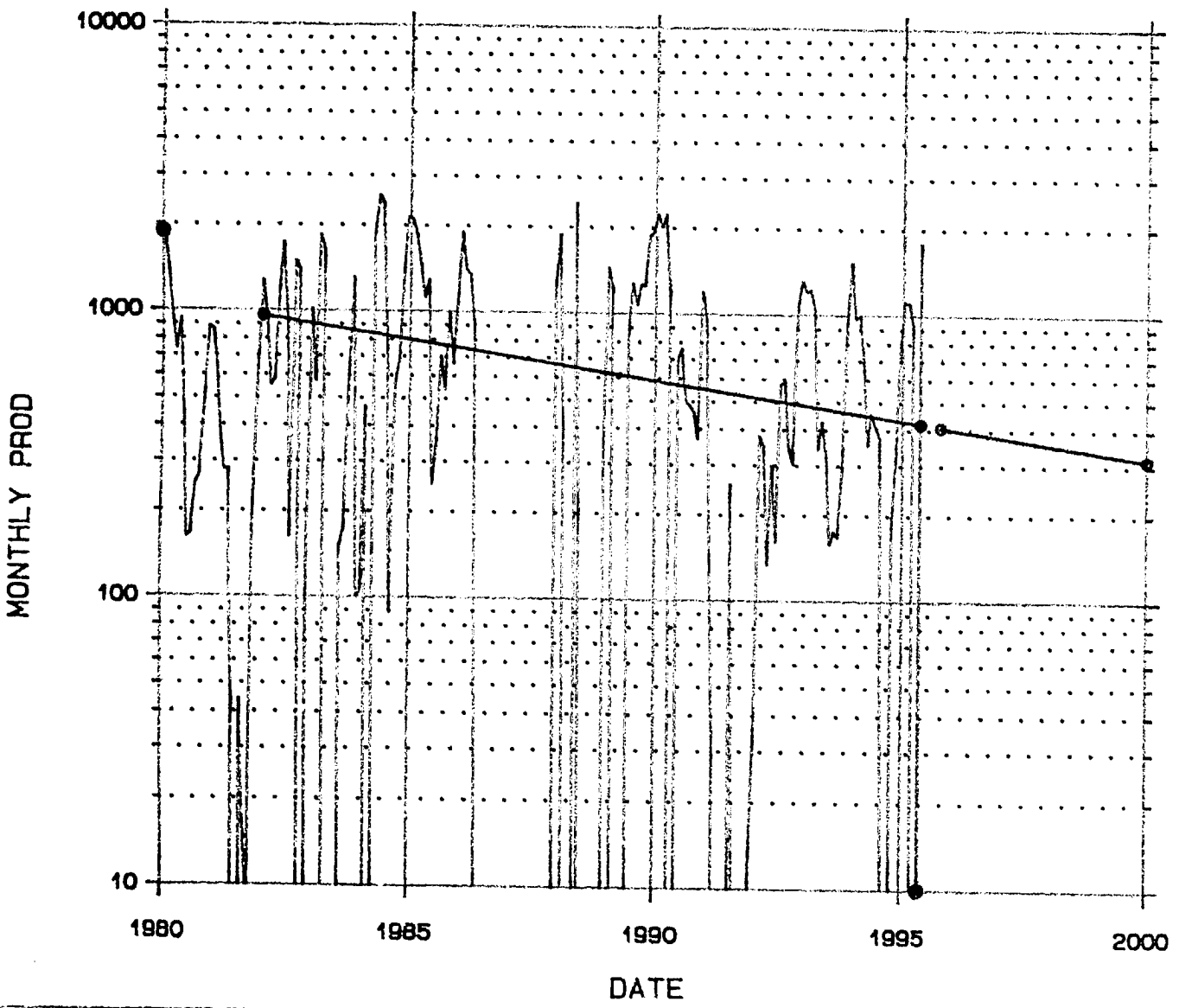
The Schlosser #26 well produces from the Kutz Fruitland (sand) pool. This well does not produce or sell any condensate. It is apparent from the gas production decline curve from this well that a 6% annual decline existed between January of 1982 and May of 1995 (161 months). The total production calculated from a 6% decline fit through the monthly production during this period compares very nicely to the actual total production from the well during this period (105,119 MCF calculated vs 105,156 MCF actual).

The future production projection before the workover on the Schlosser #26 was performed by extending the historical production decline trend. This projection has a starting rate of 410 MCF per month in October of 1995 and continues at a 6% annual decline. The monthly tabular production is presented for a 10 year period of time.

KHM
Multiphase Curve Analysis
Rate vs Time

M&G DRILLING COMPANY
SCHLOSSER #26
GAS PRODUCTION

4/24/1996
Project:
MG SCHLOSSER 26



Production Curves

GAS: * GAS DATA
O History 1/70 - 6/95
* HISTORICAL DECLINE FIT
CPD 1/82 - 5/95
Qi : 981.000 MCF/M
Di : 6.000 %
Qe : 418.976 MCF/M
Np : 105.119 MMCF
* FUTURE PROD HIST TREND
CPD 10/95 - 12/05
Qi : 410.000 MCF/M
Di : 6.000 %
Qe : 204.396 MCF/M
Np : 39.874 MMCF

M&G DRILLING COMPANY				
SCHLOSSER #26				
FUTURE PRODUCTION PROJECTION BEFORE				
WORKOVER USING HISTORICAL TREND				
Initial Rate (Oct 1995):			410 MCFM	
Effective Decline Rate:			6.0%	
			GAS	COND
	YEAR	MONTH	(MCF)	(BBLS)
1	1995	OCT	409	0
2	1995	NOV	407	0
3	1995	DEC	405	0
4	1996	JAN	403	0
5	1996	FEB	401	0
9	1996	MAR	399	0
10	1996	APR	396	0
11	1996	MAY	394	0
12	1996	JUN	392	0
13	1996	JUL	390	0
14	1996	AUG	388	0
15	1996	SEP	386	0
16	1996	OCT	384	0
17	1996	NOV	382	0
18	1996	DEC	380	0
19	1997	JAN	378	0
20	1997	FEB	377	0
21	1997	MAR	375	0
22	1997	APR	373	0
23	1997	MAY	371	0
24	1997	JUN	369	0
25	1997	JUL	367	0
26	1997	AUG	365	0
27	1997	SEP	363	0
28	1997	OCT	361	0
29	1997	NOV	359	0
30	1997	DEC	358	0
31	1998	JAN	356	0
32	1998	FEB	354	0
33	1998	MAR	352	0
34	1998	APR	350	0
35	1998	MAY	349	0
36	1998	JUN	347	0
37	1998	JUL	345	0
38	1998	AUG	343	0
39	1998	SEP	341	0
40	1998	OCT	340	0
41	1998	NOV	338	0
42	1998	DEC	336	0
43	1999	JAN	334	0
44	1999	FEB	333	0
45	1999	MAR	331	0

M&G DRILLING COMPANY
SCHLOSSER #26

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (Oct 1995):	410 MCFM
Effective Decline Rate:	6.0%

	YEAR	MONTH	GAS (MCF)	COND (BBLS)
46	1999	APR	329	0
47	1999	MAY	328	0
48	1999	JUN	326	0
49	1999	JUL	324	0
50	1999	AUG	323	0
51	1999	SEP	321	0
52	1999	OCT	319	0
53	1999	NOV	318	0
54	1999	DEC	316	0
55	2000	JAN	314	0
56	2000	FEB	313	0
57	2000	MAR	311	0
58	2000	APR	310	0
59	2000	MAY	308	0
60	2000	JUN	306	0
61	2000	JUL	305	0
62	2000	AUG	303	0
63	2000	SEP	302	0
64	2000	OCT	300	0
65	2000	NOV	299	0
66	2000	DEC	297	0
67	2001	JAN	296	0
68	2001	FEB	294	0
69	2001	MAR	292	0
70	2001	APR	291	0
71	2001	MAY	289	0
72	2001	JUN	288	0
73	2001	JUL	287	0
74	2001	AUG	285	0
75	2001	SEP	284	0
76	2001	OCT	282	0
77	2001	NOV	281	0
78	2001	DEC	279	0
79	2002	JAN	278	0
80	2002	FEB	276	0
81	2002	MAR	275	0
82	2002	APR	274	0
83	2002	MAY	272	0
84	2002	JUN	271	0
85	2002	JUL	269	0
86	2002	AUG	268	0
87	2002	SEP	267	0
88	2002	OCT	265	0

M&G DRILLING COMPANY

SCHLOSSER #26

FUTURE PRODUCTION PROJECTION BEFORE WORKOVER USING HISTORICAL TREND

Initial Rate (Oct 1995):	410 MCFM
Effective Decline Rate:	6.0%

	YEAR	MONTH	GAS (MCF)	COND (BBLS)
89	2002	NOV	264	0
90	2002	DEC	262	0
91	2003	JAN	261	0
92	2003	FEB	260	0
93	2003	MAR	258	0
94	2003	APR	257	0
95	2003	MAY	256	0
96	2003	JUN	254	0
97	2003	JUL	253	0
98	2003	AUG	252	0
99	2003	SEP	251	0
100	2003	OCT	249	0
101	2003	NOV	248	0
102	2003	DEC	247	0
103	2004	JAN	245	0
104	2004	FEB	244	0
105	2004	MAR	243	0
106	2004	APR	242	0
107	2004	MAY	240	0
108	2004	JUN	239	0
109	2004	JUL	238	0
110	2004	AUG	237	0
111	2004	SEP	236	0
112	2004	OCT	234	0
113	2004	NOV	233	0
114	2004	DEC	232	0
115	2005	JAN	231	0
116	2005	FEB	230	0
117	2005	MAR	228	0
118	2005	APR	227	0
119	2005	MAY	226	0
120	2005	JUN	225	0
121	2005	JUL	224	0
122	2005	AUG	223	0
123	2005	SEP	221	0
124	2005	OCT	220	0
125	2005	NOV	219	0
126	2005	DEC	218	0
127	2006	JAN	217	0
128	2006	FEB	216	0
129	2006	MAR	215	0
130	2006	APR	214	0

M&G DRILLING COMPANY				
SCHLOSSER #26				
FUTURE PRODUCTION PROJECTION BEFORE				
WORKOVER USING HISTORICAL TREND				
Initial Rate (Oct 1995):			410 MCFM	
Effective Decline Rate:			6.0%	
			GAS	COND
	YEAR	MONTH	(MCF)	(BBLS)
131	2006	MAY	212	0
132	2006	JUN	211	0
133	2006	JUL	210	0
134	2006	AUG	209	0
135	2006	SEP	208	0
136	2006	OCT	207	0
137	2006	NOV	206	0
138	2006	DEC	205	0