

DATE IN 1/7/09	SUSPENSE	ENGINEER W. JONES Brook	LOGGED IN 1/12/09	TYPE DHC 4145	APP NO. PRAA-0901239054
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ABOVE THIS LINE FOR DIVISION USE ONLY

30-045-32728
Graham 10 #07

ADMINISTRATIVE APPLICATION CHECKLIST M&G Drig 141852

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
☒ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

- [D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

- [A] ☐ Working, Royalty or Overriding Royalty Interest Owners
 [B] ☐ Offset Operators, Leaseholders or Surface Owner
 [C] ☐ Application is One Which Requires Published Legal Notice
 [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
 U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] ☐ Waivers are Attached

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Paul C. Thompson
Print or Type Name

Paul C. Thompson
Signature

AGENT
Title

12/31/08
Date

PAUL.C.WALSHENG.NET
e-mail Address

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

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.

1 18

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)

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

5. Lease Serial No.

NMSF 078481A

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

Graham 10 #7 33348

9. API Well No.

30-045-32728

10. Field and Pool, or Exploratory Area

82329 72319 71599
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			
☒ 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.

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 31, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

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

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)

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

Form C-107A
Revised June 10, 2003

Oil Conservation Division

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

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

DAC-4145

Operator Address
Graham 10 #7 B Section 10, T27N, R8W San Juan County

Lease Well No. Unit Letter-Section-Township-Range County
OGRID No. 141852 Property Code 33348 API No. 30-045-32728 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)	3108 - 3120	3820 - 4600	6524 - 6635
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 3.2 % 9.8 %	Oil Gas 44.3 % 74.3 %	Oil Gas 52.5 % 15.8 %

ADDITIONAL DATA

Are all working, royalty and overriding royalty interests identical in all commingled zones? Yes ☒ No ☐
If not, have all working, royalty and overriding royalty interest owners been notified by certified mail? 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.

PRE-APPROVED POOLS

If application is to establish Pre-Approved Pools, the following additional information will be required:

- List of other orders approving downhole commingling within the proposed Pre-Approved Pools
- List of all operators within the proposed Pre-Approved Pools
- Proof that all operators within the proposed Pre-Approved Pools were provided notice of this application.
- Bottomhole pressure data.

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

SIGNATURE Paul C. Thompson TITLE Agent/Engineer DATE 12/30/08

TYPE OR PRINT NAME Paul C. Thompson, P.E. TELEPHONE NO. (505) 327-4892

E-MAIL ADDRESS paul@walsheng.net

December 30, 2008

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

Re: Downhole Commingling
M & G Drilling Company
Graham 10 #7
Unit B Section 10, T27N, R8W

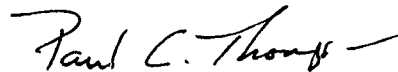
Dear Mr. Fesmire,

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,

A handwritten signature in black ink, reading "Paul C. Thompson" with a stylized flourish at the end.

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

Graham 10 #7

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	4,303	3,418,552	20	215	170,928	1.2125	207,250	3.2	9.8
Mesa Verde	137,103	52,544,121	46	2,981	1,142,264	1.3705	1,565,472	44.3	74.3
Dakota	35,376	2,666,706	10	3,538	266,671	1.25	333,338	52.5	15.8
Totals				6,733	1,579,862		2,106,060	100.0	100.0

Graham 10 #7
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

TRACT I
N. French Dr., Hobbs, N.M. 88240

TRACT II
South First, Artesia, N.M. 88210

TRACT III
Rio Brazos Rd., Aztec, N.M. 87410

TRACT IV
South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

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

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number		*Pool Code 82329		*Pool Name OTERO CHAGRA	
*Property Code		*Property Name GRAHAM 10			*Well Number 7
*OGRID No. 141852		*Operator Name M & G DRILLING COMPANY			*Elevation 5899'

10 Surface Location									
Lot or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	10	27-N	8-W		790	NORTH	1930	EAST	SAN JUAN

11 Bottom Hole Location If Different From Surface									
Lot or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 1.60 NE/4			*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

FD. 3 1/4" BC. 1955 B.L.M.		N 89-28-16 W FD. 3 1/4" BC. 2632.7' (M) 1955 B.L.M.	
LAT. 36°35'38.4" N. (NAD 83)		1930'	
LONG. 107°39'59.6" W. (NAD 83)			
10		N 02-03-04 E 5398.6' (M)	
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.

Mike Pippin
Signature

MIKE PIPPIN
Printed Name

AGENT - PETR. ENGR.
Title

12-6-04
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.

SEP 15 2004
Date of Survey
Signature and Seal of Professional Surveyor:

JOHN A. VORONICH
NEW MEXICO
14831
REGISTERED PROFESSIONAL SURVEYOR

Certificate Number

TRACT I
N. French Dr., Hobbs, N.M. 88240

TRACT II
South First, Artesia, N.M. 88210

TRACT III
Rio Brazos Rd., Aztec, N.M. 87410

TRACT IV
South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

OIL CONSERVATION DIVISION
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	'Pool Code 72319	'Pool Name BLANCO MESAVERDE
'Property Code	'Property Name GRAHAM 10	'Well Number 7
'OGRID No. 41852	'Operator Name M & G DRILLING COMPANY	'Elevation 5899'

¹⁰ Surface Location

or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	10	27-N	8-W		790	NORTH	1930	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

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

FD. 3 1/4" BC. 1955 B.L.M.	N 89-28-16 W FD. 3 1/4" BC. 2632.7' (M) 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 MIKE PIPPIN Printed Name AGENT-PETR. ENGR. Title 12-6-04 Date
LAT. 36°35'38.4" N. (NAD 83) LONG. 107°39'59.6" W. (NAD 83)	1930'	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. SEP 11 2004 Date of Survey JOHN A. VORONICH Signature and Seal of Professional Surveyor 14831 REGISTERED PROFESSIONAL SURVEYOR Certificate Number
790'	5398.6' (M) N 02-03-04 E	
10		
	FD. 3 1/4" BC. 1955 B.L.M.	

DISTRICT I
1620 N. French Dr., Hobbs, N.M. 88240

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

DISTRICT III
1000 Rio Grande 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

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

APN Number 30-045-32728	Foot Name Basin Dakota
Property Code 33348	Property Name GRAHAM 10
Order No. 141852	Operator Name M & G DRILLING COMPANY
	Well Number 7
	Elevation 5899'

¹⁰ Surface Location

TL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
B	10	27-N	8-W		790	NORTH	1930	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

TL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South Line	Feet from the	East/West Line	County
Dedicated Acre:			Joint or well:		Consolidation Code:		Order No.:		
320 E/2									

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. 1955 B.L.M.	N 89-28-18 W FD. 3 1/4" BC. 2632.7' (M) 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 MIKE PIPPIN Printed Name AGENT-PETR. ENGR Title 12-6-04 Date
LAT. 36°35'38.4" N. (NAD 83) LONG. 107°39'58.6" W. (NAD 83)	1930'	18 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of actual survey made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief. SEP 10 2004 NEW MEXICO REGISTERED PROFESSIONAL SURVEYOR 14831
FD. 3 1/4" BC. 1955 B.L.M.	FD. 3 1/4" BC. 1955 B.L.M.	Certificate Number

Annual CashFlow Report

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\Graham 10 #7.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)	
12/2009	4	21	35,995	17	28,796	50.00	5.00	144,814
12/2010	4	19	31,842	15	25,474	50.00	5.00	128,117
12/2011	4	17	28,433	13	22,747	50.00	5.00	114,407
12/2012	4	15	25,563	12	20,450	50.00	5.00	102,858
12/2013	4	14	23,099	11	18,479	50.00	5.00	92,941
12/2014	3	5	14,865	4	11,892	50.00	5.00	59,673
12/2015	2	0	10,683	0	8,547	0.00	5.00	42,734
12/2016	1	0	6,067	0	4,854	0.00	5.00	24,270
12/2017	1	0	5,107	0	4,086	0.00	5.00	20,429
12/2018	1	0	4,955	0	3,964	0.00	5.00	19,819
09/2019	1	0	3,619	0	2,895	0.00	5.00	14,475
Grand Total:		91	190,229	72	152,183	35.85	5.00	764,536

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2009	48,000	53,545	43,269	0	43,269	43,269	41,195
12/2010	48,000	47,368	32,749	0	32,749	76,018	28,349
12/2011	48,000	42,297	24,110	0	24,110	100,128	18,979
12/2012	48,000	38,027	16,831	0	16,831	116,959	12,051
12/2013	48,000	34,362	10,579	0	10,579	127,538	6,895
12/2014	32,000	22,102	5,571	0	5,571	133,109	3,303
12/2015	24,000	15,871	2,863	0	2,863	135,972	1,545
12/2016	14,000	9,014	1,256	0	1,256	137,228	614
12/2017	12,000	7,587	842	0	842	138,069	374
12/2018	12,000	7,361	458	0	458	138,528	186
09/2019	9,000	5,376	99	0	99	138,626	37
Grand Total:	343,000	282,910	138,626	0	138,626	138,626	113,528

Discount Present Worth:

0.00 %	138,626
10.00 %	113,528
20.00 %	96,628
30.00 %	84,562
40.00 %	75,552
50.00 %	68,583
60.00 %	63,038
70.00 %	58,522
80.00 %	54,774
90.00 %	51,612
100.00 %	48,907

Economic Dates:

Effective Date	01/2009
Calculated Limit	09/2019
Economic Life	129 Months
	10 Years 9 Months

Economics Information:

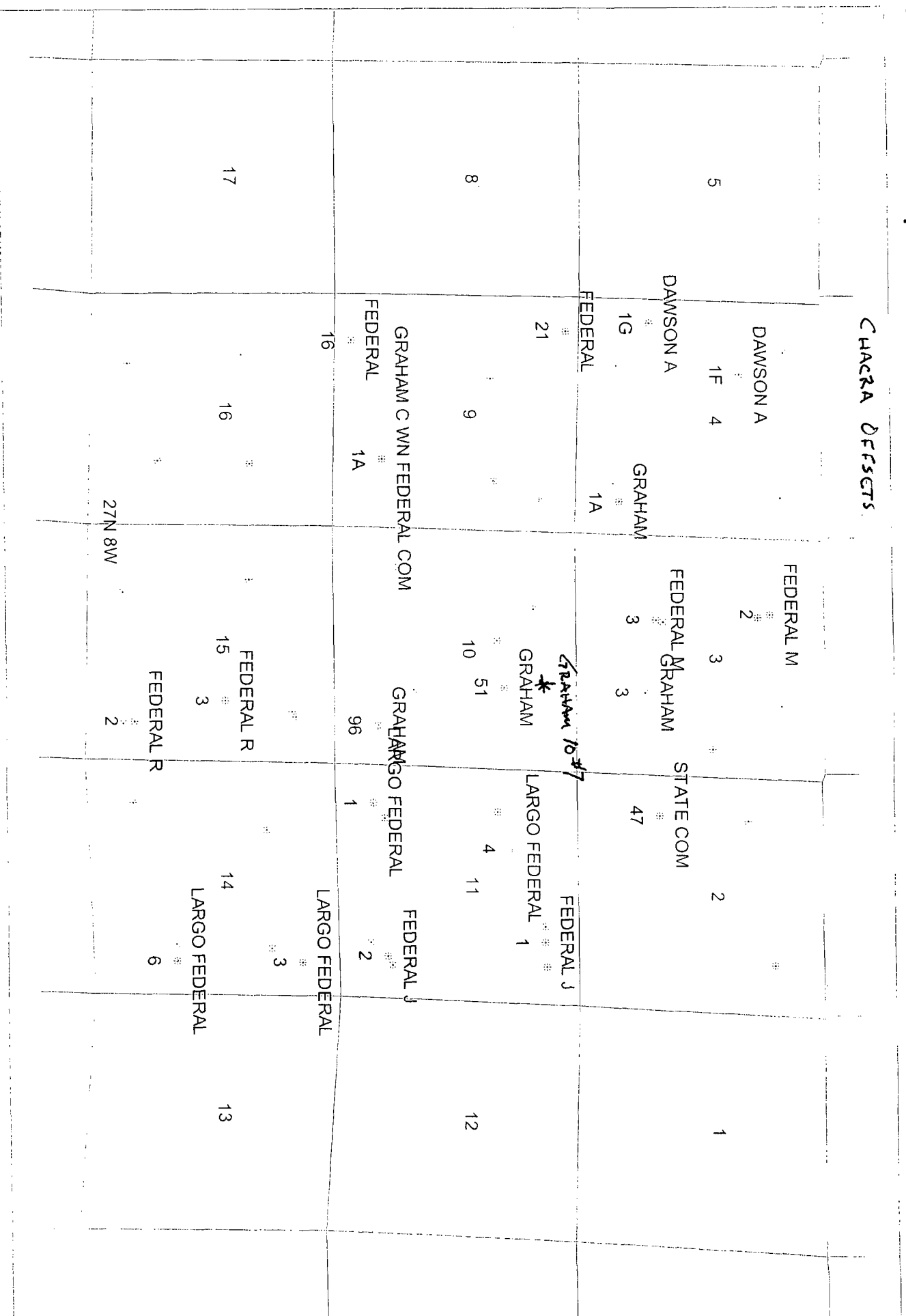
Net Payout Date:	01/2009
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	4,303	3,418,552
Historic Gross	4,207	3,209,701
Gross at Eff Date	4,213	3,228,323
Remaining Gross	91	190,229
Remaining Net	72	152,183

20 WELLS

Date: 12/30/2008
Time: 5:15 PM



Annual CashFlow Report

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\Graham 10 #7.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)	
12/2009	38	1,685	793,469	1,348	634,775	50.00	5.00	3,241,268
12/2010	35	1,333	687,212	1,066	549,770	50.00	5.00	2,802,164
12/2011	33	1,042	604,300	834	483,440	50.00	5.00	2,458,893
12/2012	32	891	534,225	712	427,380	50.00	5.00	2,172,521
12/2013	30	747	471,047	597	376,838	50.00	5.00	1,914,061
12/2014	28	646	416,708	517	333,366	50.00	5.00	1,692,681
12/2015	28	583	373,372	466	298,698	50.00	5.00	1,516,799
12/2016	26	520	330,450	416	264,360	50.00	5.00	1,342,620
12/2017	24	385	291,611	308	233,289	50.00	5.00	1,181,830
12/2018	21	324	251,964	260	201,572	50.00	5.00	1,020,837
12/2019	20	293	227,460	234	181,968	50.00	5.00	921,551
12/2020	20	250	206,966	200	165,573	50.00	5.00	837,870
12/2021	17	179	178,281	144	142,625	50.00	5.00	720,301
12/2022	14	126	154,617	101	123,694	50.00	5.00	623,519
12/2023	13	112	139,399	89	111,519	50.00	5.00	562,067
Remainder:		551	2,754,082	441	2,203,265	50.00	5.00	11,038,381
Grand Total:		9,668	8,415,163	7,734	6,732,130	50.00	5.00	34,047,365

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2009	454,000	1,184,469	1,602,799	0	1,602,799	1,602,799	1,524,858
12/2010	423,000	1,025,426	1,353,738	0	1,353,738	2,956,537	1,170,654
12/2011	400,000	901,270	1,157,624	0	1,157,624	4,114,160	910,024
12/2012	384,000	796,653	991,868	0	991,868	5,106,029	708,835
12/2013	361,000	702,311	850,750	0	850,750	5,956,779	552,710
12/2014	341,000	621,245	730,437	0	730,437	6,687,215	431,403
12/2015	334,000	556,650	626,148	0	626,148	7,313,364	336,200
12/2016	314,000	492,675	535,945	0	535,945	7,849,309	261,602
12/2017	288,000	434,517	459,313	0	459,313	8,308,622	203,815
12/2018	250,000	375,415	395,423	0	395,423	8,704,044	159,500
12/2019	240,000	338,904	342,648	0	342,648	9,046,692	125,649
12/2020	234,000	308,314	295,555	0	295,555	9,342,248	98,531
12/2021	199,000	265,460	255,841	0	255,841	9,598,089	77,531
12/2022	169,000	230,126	224,394	0	224,394	9,822,482	61,814
12/2023	157,000	207,468	197,599	0	197,599	10,020,081	49,483
Remainder:	2,931,000	4,093,327	4,014,054	0	4,014,054	14,034,135	230,446
Grand Total:	7,479,000	12,534,230	14,034,135	0	14,034,135	14,034,135	6,903,054

Discount Present Worth:

0.00 %	14,034,135
10.00 %	6,903,054
20.00 %	5,056,143
30.00 %	4,067,938
40.00 %	3,444,120
50.00 %	3,012,593
60.00 %	2,695,443
70.00 %	2,451,996
80.00 %	2,258,885
90.00 %	2,101,713
100.00 %	1,971,117

Economic Dates:

Effective Date	01/2009
Calculated Limit	12/2108
Economic Life	1200 Months
	100 Years 0 Months
Economics Information:	
Net Payout Date:	01/2009
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	137,103	52,544,121
Historic Gross	126,797	43,840,990
Gross at Eff Date	127,435	44,128,958
Remaining Gross	9,668	8,415,163
Remaining Net	7,734	6,732,130

46 WELLS

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\Graham 10 #7.mdb

MESA VERDE OFFSETS

[illegible]

Annual CashFlow Report

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\Graham 10 #7.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)	
12/2009	5	118	51,383	94	41,107	50.00	5.00	210,236
12/2010	4	92	41,494	74	33,195	50.00	5.00	169,659
12/2011	4	76	36,240	61	28,992	50.00	5.00	148,005
12/2012	4	65	31,675	52	25,340	50.00	5.00	129,310
12/2013	4	57	27,705	46	22,164	50.00	5.00	113,112
12/2014	4	50	23,470	40	18,776	50.00	5.00	95,899
12/2015	3	43	16,836	35	13,468	50.00	5.00	69,079
12/2016	2	39	7,886	31	6,309	50.00	5.00	33,098
12/2017	1	35	4,894	28	3,915	50.00	5.00	20,972
08/2018	1	21	2,988	17	2,390	50.00	5.00	12,803
Grand Total:		597	244,570	478	195,656	50.00	5.00	1,002,173

Date	Operating Expenses (\$)	Taxes (\$)	Operating Income (\$)	Other Costs (\$)	Periodic Cash Flow (\$)	Cumulative Cash Flow (\$)	10% Cash Flow (\$)
12/2009	57,000	76,732	76,504	0	76,504	76,504	72,828
12/2010	48,000	61,954	59,705	0	59,705	136,209	51,667
12/2011	48,000	54,095	45,910	0	45,910	182,119	36,126
12/2012	48,000	47,276	34,034	0	34,034	216,153	24,355
12/2013	48,000	41,352	23,760	0	23,760	239,913	15,466
12/2014	46,000	35,038	14,861	0	14,861	254,773	8,804
12/2015	36,000	25,158	7,921	0	7,921	262,695	4,274
12/2016	18,000	11,847	3,251	0	3,251	265,946	1,594
12/2017	12,000	7,388	1,584	0	1,584	267,530	707
08/2018	8,000	4,510	292	0	292	267,822	121
Grand Total:	369,000	365,351	267,822	0	267,822	267,822	215,942

Discount Present Worth:

0.00 %	267,822
10.00 %	215,942
20.00 %	181,560
30.00 %	157,379
40.00 %	139,563
50.00 %	125,941
60.00 %	115,209
70.00 %	106,544
80.00 %	99,403
90.00 %	93,416
100.00 %	88,323

Economic Dates:

Effective Date	01/2009
Calculated Limit	08/2018
Economic Life	116 Months
	9 Years 8 Months

Economics Information:

Net Payout Date:	01/2009
Rate of Return:	>100 %
Return on Investment:	0.00
Disc Return on Invest:	0.00

Economics Summary:

	Bbl Oil	Mcf Gas
Ultimate Gross	35,376	2,666,706
Historic Gross	34,731	2,401,906
Gross at Eff Date	34,779	2,422,136
Remaining Gross	597	244,570
Remaining Net	478	195,656

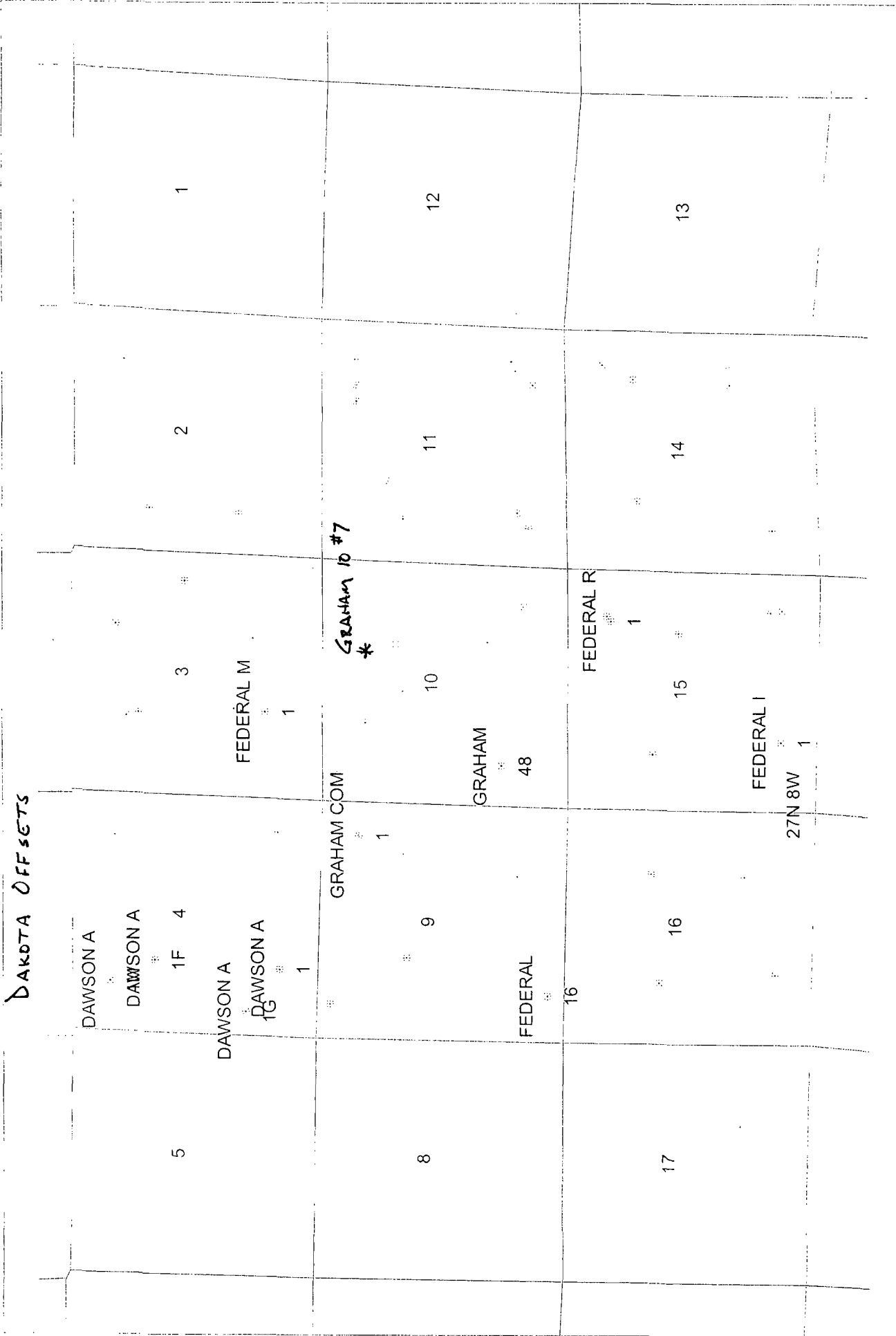
10 WELLS.

PowerTools Map

Project: C:\Program Files\IHS Energy\PowerTools v9.0\Projects\Graham 10 #7.mdb

Date: 12/30/2008
Time: 5:16 PM

DAKOTA OFFSETS



Section 2

STATE COM (47)

Section 3

FEDERAL M (2)

FEDERAL M (3)

GRAHAM (3)

Section 4

DAWSON A (1F)

DAWSON A (1G)

GRAHAM (1A)

Section 9

FEDERAL (16)

FEDERAL (21)

GRAHAM C WN FEDERAL COM (1A)

Section 10

GRAHAM (51)

GRAHAM (96)

Section 11

FEDERAL J (1)

FEDERAL J (2)

LARGO FEDERAL (1)

LARGO FEDERAL (4)

Section 14

LARGO FEDERAL (3)

LARGO FEDERAL (6)

Section 15

FEDERAL R (2)

FEDERAL R (3)

DAKOTA

Section 3

FEDERAL M (1)

Section 4

DAWSON A (1)

DAWSON A (1F)

DAWSON A (1G)

DAWSON A (1M)

Section 9

FEDERAL (16)

GRAHAM COM (1)

Section 10

GRAHAM (48)

Section 15

FEDERAL I (1)

FEDERAL R (1)

MESAVERDE

Section 2

BROOKHAVEN COM F (7)

BROOKHAVEN COM F (7A)

STATE COM (47)

Section 3

FEDERAL M (1)

FEDERAL M (1A)

FEDERAL M (1B)

GRAHAM (3)

✓ GRAHAM (44)

GRAHAM 3 (8)

Section 4

DAWSON A (1)

DAWSON A (1F)

DAWSON A (1G)

DAWSON A (1M)

GRAHAM (1)

GRAHAM (1A)

Section 9

FEDERAL (16)

FEDERAL (16A)

GRAHAM C WN FEDERAL COM (1)

GRAHAM O WN FEDERAL COM (1A)

Section 10

GRAHAM (51)
GRAHAM (51A)
GRAHAM (53)
✓ GRAHAM (53A)
GRAHAM 10 (6)

Section 11

FEDERAL J (1)
FEDERAL J (1A)
FEDERAL J (1B)
FEDERAL J (1C)
FEDERAL J (1R)
LARGO FEDERAL (1)
LARGO FEDERAL (1A)
LARGO FEDERAL (1R)

Section 14

FEDERAL OXNARD B WN COM (1)
FEDERAL OXNARD B WN COM (1A)
LARGO FEDERAL (3)
LARGO FEDERAL (3A)
LARGO FEDERAL (3B)

Section 15

FEDERAL I (1)
FEDERAL I (1A)
FEDERAL R (1)
FEDERAL R (1A)
FEDERAL R (1B)

Section 16

SCHULTZ COM G (13)
SCHULTZ COM G (13A)
SCHULTZ STATE (12)
SCHULTZ STATE (12A)