District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1300 Rio Brazos Road, Aztec, NM 87410
District IV

State of New Mexicon Energy Minerals and Natural Resources

Form C-101 May 27, 2004

Oil Conservation Division 1220 South St. Francis Gr. appropriate District Office

District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505 APPLICATION FOR PERMIT TO DRILL, RE-F							~ XC2	-101.8	۸,	· A —	MENDED REPORT			
APPI	JCATI	ON I	FOI	R PERMIT	TO D	RILL	. RE-E	NTE	R. DI	EEPE	SPEUGBA	ČK.	OR AD	D A ZONE
Operator Name and Address						<u>,</u>				20572 OGRID Number				
a/	SG Interests I, Ltd c/o Nika Energy Operating, LLC PO Box 2677 Durango, C						rango C	30 - 143 API Jamber 000			00			
	rty Code	icigy	Орел	atting, LLC PC) BOX 20		Property N		12		130-072		° Wel	ll No.
351	93				mark-	S	tate 20-6	5-16						2
				Proposed Pool 1 n Fruitland Co	al.			ŀ			¹⁰ Prop	osed F	Pool 2	
			Dasi	II I Tuldalid CC		⁷ Sı	ırface I	Cocatio	on		·· · · · · · · · · · · · · · · · · · ·			
UL or lot no.	t no. Section Township 16 20N		Range 6W	-						Feet from the 1980	East/West line West		County Sandoval	
				⁸ Propo	sed Bott	om Hol	le Locati	ion If D	iffere	nt From	Surface			
UL or lot no.	Section	Town	ship	Range	Lot 1	Idn	Feet from	m the	North/S	h/South line Feet from the		East/West line		County
	<u> </u>					ldition	al Wel	ll Info	rmati	on				
	Type Code			12 Well Type Co	de		13 Cable/	-		14	Lease Type Code		15 Grou	and Level Elevation
	N Iultiple			G 17 Proposed Dep	th		R 18 Form		tion		S 19 Contractor		6843' 20 Spud Date	
	N			640'	_		in Fruit	land C	P			as soo	oon as permitted	
Depth to Grou	ındwater				Distanc >1,00		earest fresh	h water w	ell				rest surface w	rater
>1,000ft. <u>Pit:</u> Liner	: Synthetic	\boxtimes	12	mils thick Cla	1		: 1000	> 1,000 ft. bbls Drilling Method:						
	ed-Loop Sys			_	,				Fr		Brine Di	esel/O	il-based 🔲	Gas/Air
				21	Propos	sed Ca	sing ar	nd Cer						
Hole S	ize		Cas	ing Size		g weight		Setting Depth Sacks of Cement Estimated			Estimated TOC			
Surface	12¼"			7"		1		150')'		S		ur face	
Production 6¼"		4½"		64		640'),			5	urface			
												+		
					 		-							
Describe the Describe the	he proposed blowout pr	d progr evention	am. I on pro	f this application gram, if any. Us	is to DEE e additiona	PEN or I	PLUG BA	.CK, give ry.	the dat	a on the p	resent productive z	one a	nd proposed	new productive zone.
See attac	hed Dri	lling	Pro	gram and E	OP									
Drilling/Completion pit to be located approximately 15 feet from wellhead. Pit multi-use drilling and completion to avoid additional site disturbance and pit will be considered out of service once production tubing set. Pit to be 75 feet long by 15 feet wide by 10 feet deep. Pit to be constructed, operated and closed in accordance with NMOCD guidelines and SGI procedures.														
²³ I hereby certify that the information given above is true and complete to the					OIL CONSERVATION DIVISION									
best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .					Approved by:									
Printed name: William Schwab III						Title: DEPUTY OIL & GAS INSPECTOR, DESV.								
Title: agent for SG Interests I, Ltd						Approv	al Date:	OCT	2 4 2005	Expirat	tion Date:	OCT 2 4 200		
E-mail Addre	ess: tripp@	nikae	energ	gy.com										
Date: 21 October 2005 Phone: (970)259-2701				Condition	ons of A	pproval A	ttached							

District I 1625 N. Freisch Dr., Hobbs, NM 88240 District II 1301 W. Grand Avenue, Artesia, NM 88210 District III 1000 Rio Brazos Rd., Aztec, NW 87410

District IV

State of New Mexico Energy, Minerals & Natural Resources Department OIL CONSERVATION DIVISION 1220 South St. Francis Dr. Santa Fe, NM 87505

Form C-102 Revised June 10, 2003 Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

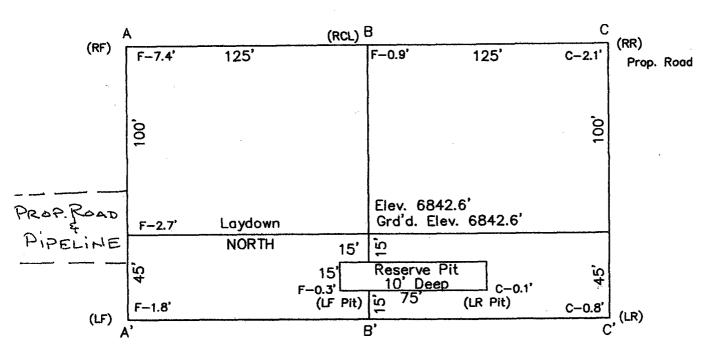
AMENDED REPORT

1220 S. St. Francis	Dr., Santa F	c, NM 87505						L	_ AME	NDED REPORT	
		V	ELL LO	CATIO	N AND ACR	EAGE DEDIC	ATION PLA	T			
30-09	API Number		71	Pool Code		sinfritt					
Property Code					Property?	Property Name (ATE 20-8-18				* Well Number 2	
'OGRID No. 20572				*Operator Name SQ INTERESTS 1, L.TD.					`Elevation 6843'		
10 Surface Location											
UL or lot no. C	Section 16	Township 20N	Range 6W	Let Ide			Feet from the 1960		/West line 181	County McKINLEY	
11 Bottom Hole Location If Different From Surface											
UL or lot so.	Section	Township	Range	Lot Ida			Feet from the	East	/West Bac	County	
"Dedicated Acres	"Joint or	Infili "C	casolidation	Code "Or	der No.				<u>,</u>		

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 80.28 ch. WEST 17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and 1980 LAT. 35,97038°N LONG. 107,48075°W trive @ wike ENDREY. Com AGENT FOR SETUTORIESTS 8000 ch 18SURVEYOR 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 belief. N99'56'W 80.27 ch

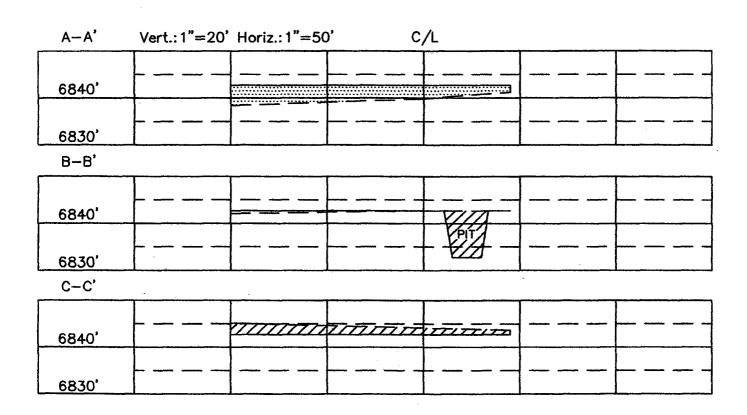
SG INTERESTS I, LTD.

STATE 20-6-16 #2 660' FNL, 1980' FWL SECTION 16, T20N, R6W, NMPM McKINLEY COUNTY, N.M.



Scale: 1"=50'





NIKA ENERGY OPERATING, LLC SG INTERESTS I, INC. FRUITLAND DRILLING PROGRAM

New Well Permit Information

DATE: September 2005

WELL NAME:

State 20-6-16 #2

FIELD NAME:

Basin Fruitland Coal

LOCATION:

NW Section 16-T20N-R6W

Sandoval County, New Mexico

UNIT

Standup

DRILLING SKELETON:

Interval	Hole <u>Size</u>	Casing <u>Size</u> <u>De</u>		
Surface	12-1/4"	7"	150'	
Production	6-1/4"	4-1/2"	640'	

<u>Formation</u>	<u>Depth</u>
Ojo Alamo	surface
Kirtland	65'
Fruitland	260'
Coal Top	465'
PC	490'
Total Depth	640'

DATE:

September 2005 State 20-6-16 #2

WELL NAME:

CASING AND CEMENTING PROGRAM:

Interval	Size, Wt, Grade, Thread	<u>Depth</u>	Cement
Surface	7", 20#, J-55, ST& <i>C</i>	150'	140 sx (165 cu. ft) Class B w/2% CaCl 1/4#/sx celloflake 80 sx (95 su. ft)
Production	4-1/2", 10.5#, J-55, ST&C	640'	80 sx (95 cu. ft) Class B. 1/4#/sx celloflake!

Cement Slurry Designs and Notes

Slurry	Water <u>Requirements</u>	Weight	<u>Yield</u>		
Surface	5.2 gals/sx	15.6 ppg	1.18 cu. ft/sk		
Production	5.2 gals/sx	15.6 ppg	1.18 cu. ft/sk		

