

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☒ Oil Well ☒ Gas Well ☐ Other

☒ Single Zone ☐ Multiple Zone

2. Name of Operator

SG Interests I, LTD c/o NIKA Energy Operating

3a. Address

P.O. Box 2677 Durango, CO 81302

3b. Phone No. (include area code)

(970) 259-2701

4. Location of Well (Report location clearly and in accordance with any State requirements. \*)

At surface 724' FNL & 1077' FWL

At proposed prod. zone

14. Distance in miles and direction from nearest town or post office\*

approximately 17 miles southeast of Counselor, New Mexico

15. Distance from proposed\* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)

724'

16. No. of Acres in lease

1,576.960

17. Spacing Unit dedicated to this well

N/2 320

18. Distance from proposed location\* to nearest well, drilling, completed, applied for, on this lease, ft.

See attached map

19. Proposed Depth

630'

20. BLM/BIA Bond No. on file

NM 1935

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

6,773' GR

22. Approximate date work will start\*

as soon as permitted

23. Estimated duration

1 month

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature

Name (Printed/Typed)

Date

William Schwab III

6/28/06

Title

President NIKA Energy Operating/ Agent for SG Interests I, LTD

Approved by (Signature)

Name (Printed/Typed)

Date

Title

Office

Application approval 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.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, 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)

SG Interests I, LTD. proposes to drill a well to develop the Basin Fruitland Coal formation at the above described location in accordance with the attached drilling and surface use plans.

The surface is under jurisdiction of the Bureau of Land Management, Farmington Field Office.

This location has been archaeologically surveyed by Aztec Archaeological Consultants. Copies of their report have been submitted directly to the BLM.

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30-031-21092</b>	Pool Code <b>71629</b>	Pool Name <b>Basin Fruitland Coal</b>
Property Code <b>35935</b>	Property Name <b>FEDERAL 20-6-13</b>	Well Number <b>2</b>
GRID No. <b>20572</b>	Operator Name <b>SG INTERESTS I, LTD.</b>	Elevation <b>6773</b>

**10 Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	20N	6W		724	North	1077	West	McKinley

**11 Bottom Hole Location If Different From Surface**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
"Dedicated Acres <b>N/2 320</b>	"Joint or Infill	"Consolidation Code	"Order No.						

*Acres*

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

<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div> </div> </div>	<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg);">80.0 ch.</div> <div style="margin: 0 10px;"> <div style="border: 1px solid black; width: 100px; height: 100px; position: relative;"> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> <div style="position: absolute; top: 0; left: 0; width: 100%; height: 100%; border: 1px solid black;"></div> </div></div></div>
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Submit 3 Copies To Appropriate District Office  
District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Ave., Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
May 27, 2004

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO. <u>30-031-21092</u>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/> FED <input checked="" type="checkbox"/>
6. State Oil & Gas Lease No. Federal NM 113428

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		7. Lease Name or Unit Agreement Name Federal 20-6-13
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	2. Name of Operator SG Interests I, Ltd	8. Well Number #2
3. Address of Operator C/O Nika Energy Operating, PO Box 2677, Durango, CO, 81303	9. OGRID Number	
4. Well Location Unit Letter <u>D: 724 feet from the North line and 1077 feet from the West line</u> Section 13 Township 20N Range 6W NMPM County McKinley		10. Pool name or Wildcat Basin Fruitland Coal
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6,733' GR		
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>		
Pit type <u>Drilling</u> Depth to Groundwater <u>&gt;100 ft.</u> Distance from nearest fresh water well <u>&gt; 1,000 ft.</u> Distance from nearest surface water <u>&lt;1,000 ft.</u>		
Pit Liner Thickness: <u>12</u> mil Below-Grade Tank: Volume <u>1000 Bbls</u> ; Construction Material <u>Synthetic</u>		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: Pit Application <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Drilling Pit application for New Well.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

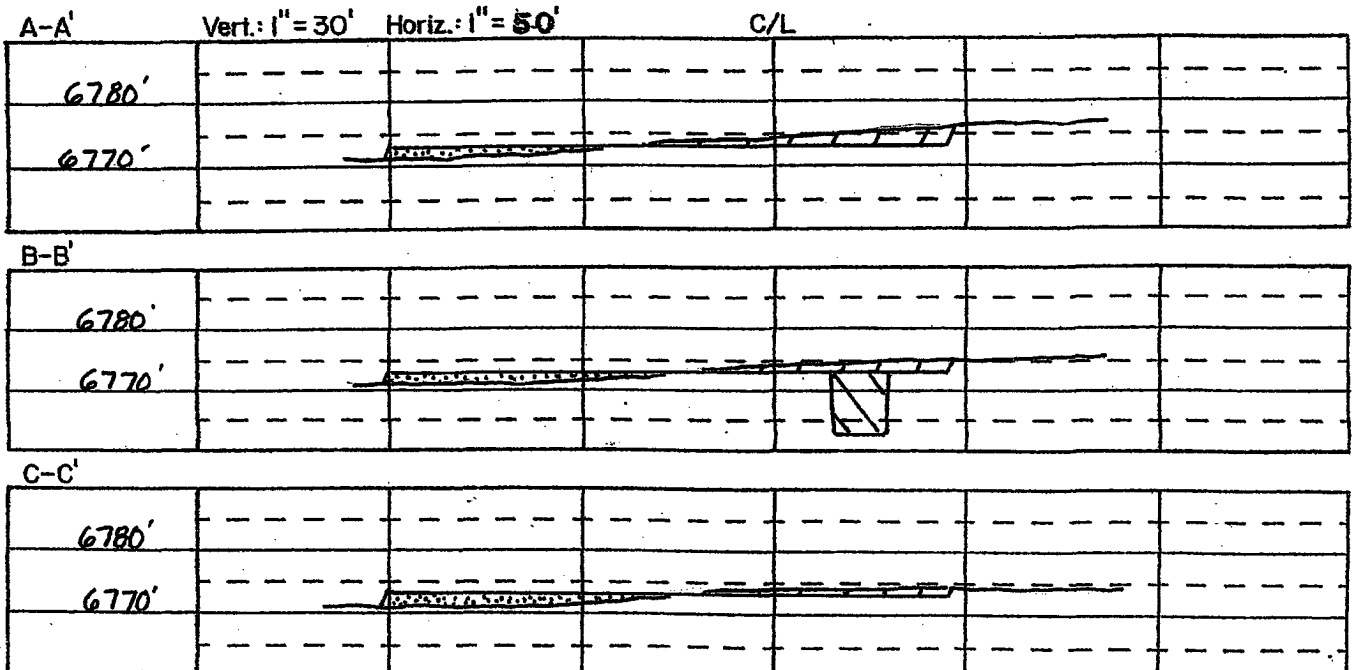
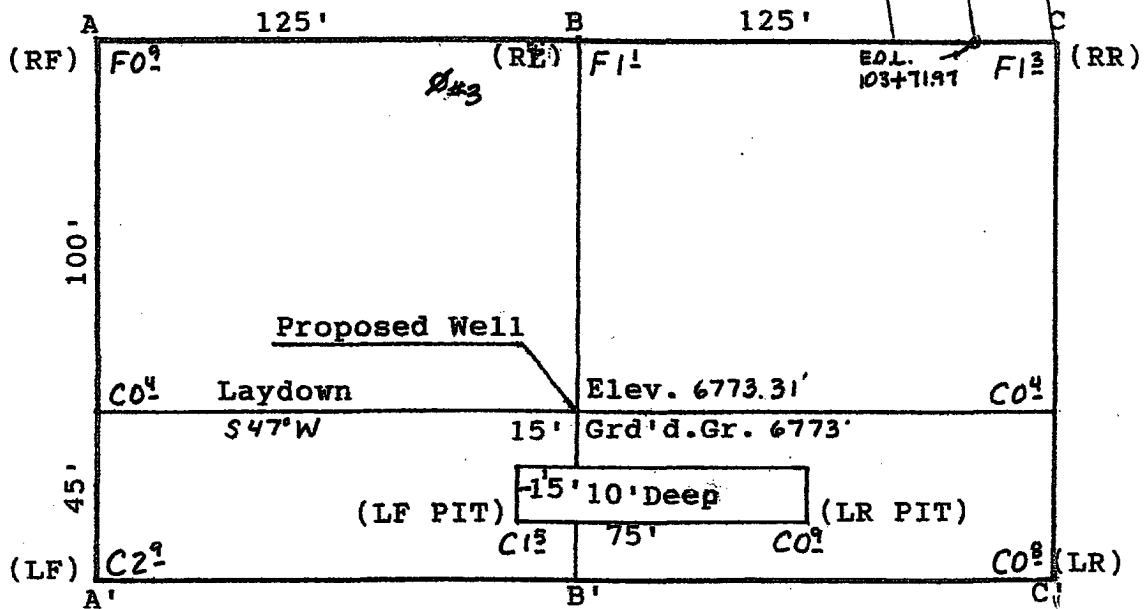
SIGNATURE William Schwab III TITLE Agent for SG Interests, Ltd. DATE 6/28/06

Type or print name William Schwab III E-mail address: tripp@nikaenergy.com Telephone No. 970-259-2701

For State Use Only

APPROVED BY: [Signature] TITLE DEPUTY OIL & GAS INSPECTOR, DIST. 8 DATE AUG 10 2006  
Conditions of Approval (if any):

SG INTERESTS I, LTD.  
 FEDERAL 20-6-13 #2  
 724' FNL & 1077' FWL  
 Sec. 13, T20N, R6W, NMPM  
 McKinley Co., NM



SG Interests I, Ltd.  
(Agent: Nika Energy Operating, LLC)  
PO Box 2677  
Durango, CO 81302  
(970) 259-2701

Federal 20-6-13 #2  
NWNW Sec 13-20N-R6W  
724' FNL & 1077' FWL  
McKinley County, New Mexico

### EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	surface
Kirtland	80'
Fruitland	255'
Pictured Cliffs	480'
Total Depth	630'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	455'
-----------------	------

3. Minimum Specifications for Pressure Control Equipment:

BOP equipment and accessories will meet or exceed BLM requirements outlined in 43 CFR Part 3160.

A 2000 psig double ram hydraulic BOP will be used (see attached diagram). Accessories to the BOP will meet BLM requirements for a 2000 psig system. The accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill line, kill line and line to choke manifold will be 2". BOP's will be function tested every 24 hours and will be recorded on IADC log.

Surface casing will be tested to 1500 psig for 30 minutes.

## Eight Point Drilling Program - Federal 20-6-13 #2

### Page 2

Accessories to BOPE will include upper and lower Kelly cocks with handles, stabbing valve to fit drill pipe on floor at all times, string float at bit, 2000 psig choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge.

#### 4. Casing and Cementing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>Csg Size</u>	<u>Wt, Grd, Jt</u>
12-1/4"	0-150'	7"	20#, J-55, STC
7-7/8"	0-630'	4-1/2"	10.5#, J-55, STC

Surface Casing will be cemented with 140 sx (165 cu ft) class B w/2% CaCl and 1/4#/sx of celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Cement volumes include excess to circulate cement to surface. A guide shoe, insert float and three (3) centralizers will be used. WOC time is 8 hours. The casing will be pressure tested to 1500 psig.

Production Casing will be cemented with <sup>190</sup>90 sx <sup>224</sup>(106 cu ft) class B w/2% CaCl and 1/4#/sx celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Cement volume includes excess to circulate cement to surface. In the event cement is not circulated a temperature survey will be run to determine the actual cement top. Cementing equipment will include a guide shoe, float collar and 7 centralizers. Class G or H cement may be used depending on availability of Class B. *per T. Schwab 7/31/04*

#### 5. Mud Program:

A native water based mud system (FW) will be used initially followed by a low-solids, non-dispersed gel system (LSND) as needed to condition the hole for logs. Adequate amounts of lost circulation and weighting material will be on location if needed as well as sorbitive agents to handle potential spills of fuel or lubricants.

<u>Depth</u>	<u>Type</u>	<u>Wt (ppg)</u>	<u>Vis (sec)</u>	<u>Wtr loss</u>
0-150'	FW	± 8.5	30-33	NC
150'-TD	FW & LSND	± 8.7-9.1	30-50	8-10 cc

6. Testing, Coring and Logging Program:

No DST's or cores are planned. Openhole logs if run will include GR, Induction, Density and Caliper Logs. The GR-Density logs will be run from TD to the top of the Fruitland formation. GR-Induction-Caliper logs will be run from TD to the bottom of the surface casing.

7. Anticipated Abnormal Pressures and Temperatures:

No abnormal pressures or temperatures are expected in this well. Maximum anticipated Fruitland reservoir pressure is 300 psig with a normal temperature gradient.

8. Operations:

Anticipated spud date is July 2006 or as soon as permits are received and work can be scheduled. Estimated drilling time is 4 - 5 days. The Fruitland will be completed as a cased hole completion, perforated and hydraulically fracture stimulated. Completion operations are expected to take 5 - 7 days and will commence as soon after completion of drilling operations and scheduling allow.

NIKA ENERGY OPERATING, LLC  
SG INTERESTS I, LTD.

WELL NAME: Federal 20-6-13 #2  
FIELD NAME: Basin Fruitland Coal  
LOCATION: Sec 13-T20N-R6W  
UL D; 724' FNL & 1077' FWL  
McKinley County, New Mexico

PROPOSED TD: 630'

DRILLING SKELETON:

<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Depth</u>
Surface	12-1/4"	8-5/8"	150'
Production	7-7/8"	4-1/2"	630'

MUD PROGRAM:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Funnel Viscosity</u>	<u>Water Loss</u>
0 - 150'	Native	8.5 - 9.1	30 - 50	N/C
150' - TD	Native/LSND	8.5 - 9.1	30 - 50	8 - 10

CORE PROGRAM: None

ELECTRICAL LOGGING PROGRAM: Openhole logs will include a GR/Caliper and a DIL/Formation Density log from TD to the surface casing shoe

Fruitland Drilling Program - Federal 20-6-13 #2  
Page 2

CASING AND CEMENTING PROGRAM:

<u>Interval</u>	<u>Size, Wt, Grade, Thread</u>	<u>Depth</u>	<u>Cement</u>
Surface	8-5/8", 20#, J-55, ST&C	150'	140 sx Class B w/2% CaCl + 1/4#/sx celloflake
Production	4-1/2", 10.5#, J-55, ST&C	TD	90 sx Class B. Both slurries to contain 1/4#/sx celloflake.

WELLHEAD: 3000# Independent Style

BLOWOUT PREVENTION EQUIPMENT REQUIREMENTS:

<u>Description</u>	<u>Rating</u>
Double Ram Type Preventer	2000 psi
Rotating Head	2000 psi

BOPE testing will be done by third party testers in accordance with Onshore Order No. 2. The test must be performed and recorded using a test pump, calibrated test gauges and properly calibrated strip or chart recorder. The test gauges and recorders must be of the proper range and resolution commensurate with the authorized test pressure. The test must be recorded in the driller's log and will include a low pressure test requirement of 250 psig held for 5 minutes and a high pressure test requirement held for 10 minutes. Casing pressure tests must be held for 30 minutes with no more than 10 percent pressure drop during the test.

## Fruitland Drilling Program - Federal 20-6-13 #2

Page 3

### GEOLOGIC PROGNOSIS:

Elevations: GL ~ 6773', KB ~ 6778'

### Formation Tops:

<u>Formation</u>	<u>Depth</u>
Ojo Alamo	surface
Kirtland	80'
Fruitland	255'
Coal Top	455'
PC	480'
Total Depth	630'

Note: TD will be 150' below the lowest coal. The company man will be on location once coals are penetrated until TD to monitor drilling breaks and to insure that 150' of rathole is drilled. When the hole is logged, if a coal zone is indicated within 150' of bottom, additional hole is to be drilled to provide 150' of rathole. Log of offset well(s) (Federal 20-6-4 #4, Federal 20-6-3 #3) are enclosed for correlation.

### MUD PROGRAM:

A fresh water native mud (using lime, benex & gel additions) will be used to drill the surface hole. The 7-7/8" hole should be drilled with native mud and a LSND mud as necessary for hole stability just before the top of the Fruitland formation is encountered.

At the top of the Fruitland formation mud weights should be sufficient to control pressures; viscosity should be in the 30 - 50 sec range with a water loss of 8 - 10 cc, as needed.

The Fruitland Coals are expected to be under-pressured to normal-pressured and may encounter lost circulation. LCM should be stored on location and used as needed in the

2-M SYSTEM

