

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

2003 SEP 30 PM 12:30

070 Farmington, NM

5. Lease Serial No.
NMSF 0076337

6. Indian, Allottee or Tribe Name

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

8. Lease Name and Well No. **32857**
Santa Rosa 29-9-8 #3

9. API Well No.
30-045- **31920**

10. Field and Pool, or Exploratory
Basin Fruitland Coal

11. Sec., T., R., M., or Blk. and Survey or Area
Sec 8 T29N R9W

12. County or Parish
San Juan

13. State
NM

17. Spacing Unit dedicated to this well
320 N/2

20. BLM/BIA Bond No. on file
NM1935 State-wide

23. Estimated duration
30 days

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 II LTD Agent Sagie & Schwab Energy Resources

3a. Address
PO 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 SENW 1815 FNL 2005FWL Lat. 36° 44'30" Long. 107° 48'16"
At proposed prod. zone same

14. Distance in miles and direction from nearest town or post office*
1 1/2 miles east of Blanco, NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) **1815**

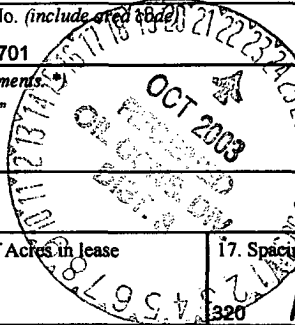
16. No. of Acres in lease
2449.350

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
250'

19. Proposed Depth
2300'

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
5663 GL

22. Approximate date work will start*
October 1, 2003



24. Attachments

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

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized officer.

25. Signature *Lynn Garner* Name (Printed/Typed) Mr. Lynn Garner Date September 3, 2003

Title

Operations Manager

Approved by Signature *David J. Markiewicz* Name (Printed/Typed) Date OCT 20 2003

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)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

NMOCD

District I
 PO Box 1980, Hobbs NM 88241-1980
 District II
 PO Drawer KK, Artesia, NM 87211-0719
 District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 District IV
 PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
 Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
 PO Box 2088
 Santa Fe, NM 87504-2088

Form C-102
 Revised February 21, 1994
 Instructions on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-31920		² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 32857	⁵ Property Name Santa Rosa 29-9-8		⁶ Well Number #3
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS I LTD		⁹ Elevation 5663

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
F	8	29 N	9 W		1815	NORTH	2005	WEST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

⁷ UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
¹² Dedicated Acres 320 N1/2		¹³ Joint or Infill Y		¹⁴ Consolidation Code		¹⁵ 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

	<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Lynn Garner</i> Signature Mr Lynn Garner Printed Name Operations Manager Title September 3, 2003 Date</p>
	<p>¹⁸ SURVEYOR CERTIFICATION</p> <p>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.</p> <p>August 1, 2003 Date of Survey Signature and Seal of Professional Surveyor 7016 Certificate Number</p>

SG Interests I, Ltd.
(Agent: Sagle & Schwab Energy Resources)
PO Box 2677
Durango, CO 81302
(970) 259-2701

Santa Rosa 29-9-8 #3
NWSE Sec 8-T29N-R9W
1815' FNL & 2005' FWL
San Juan County, New Mexico

EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	900'
Kirkland	1050'
Fruitland Coal	1900'
Pictured Cliffs	2200
Total Depth	2350'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	2050'
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3. Minimum Specifications for Pressure Control Equipment:

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

A 3000 psig double ram hydraulic BOP will be used (see attached diagram). Since maximum anticipated formation pressure is 1200 psig, accessories to the BOP will meet BLM requirements for a 2000 psig system (exhibit 1). 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 - Santa Rosa 29-9-8 #3

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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, 3000 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"	0-300'	8-5/8"	24#, J-55, STC
7-7/8"	0-2350'	5-1/2"	17#, J-55, LTC

Surface Casing will be cemented with 210 sx (248 cu ft) class B w/3% 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: Lead cement will be 185sx 65/35 poz with 6% gel, 2% CaCl and 1/4#/sx celloflake (Yield = 1.92 cuft/sx, Weight = 12.6#/gal). Tail cement will be 165 sx Class B containing 2% CaCl and 1/4#/sx celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Total cement = 545 cuft. 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, as required. Cementing equipment will include a guide shoe, float collar and 10 centralizers. Class G or H cement may be used depending on availability of Class B.

5. Mud Program:

A native water based mud system (FW) will be used initially followed by a low-solids, non-dispersed gel system (LSND) 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>
0-300'	FW	± 8.5	30-33	NC
300'-TD	LSND	± 8.7-9.5	30-50	8-10 cc