

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

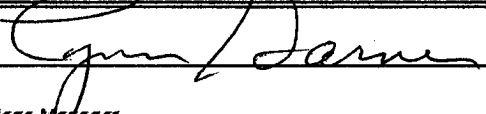
APPLICATION FOR PERMIT TO DRILL OR REENTER PLEASE
PROCESS AS AN

1a. Type of Work: <input type="checkbox"/> Oil Well <input type="checkbox"/> REENTER APD-ROW APPLICATION		5. Lease Serial No. SF - 079947
1b. Type of Well: <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name PN 12: 23
2. Name of Operator SG INTERESTS LTD Agent Sagie & Schwab Energy Resources		7. If Unit or CA Agreement, Name and No.
3a. Address P. O. Box 2677, Durango, Colorado 81302	3b. Phone No. (include area code) 970 259-2701	8. Lease Name and Well No Federal 29-9-33 #2
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface SESE: 1165 FSL 750 FEL Lat 36° 40'43" Long. 107° 48'52" At proposed prod. zone same		9. API Well No. 30-045- 32092
14. Distance in miles and direction from nearest town or post office* 4 miles southeast of Blanco, NM		10. Field and Pool, or Exploratory Basin Fruitland Coal
15. Distance from proposed* location to nearest property or lease, ft. 750' (Also to nearest drig. unit line, if any)	16. No. of Acres in lease 640	11. Sec., T., R., M., or Bk. and Survey or Area P Sec. 33 T. 29N. R. 9 W. NMPM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 500 ft to ConocoPhillips Helen-Jackson #4	19. Proposed Depth 2450'	12. County or Parish San Juan County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5869 GL	22. Approximate date work will start* January 1, 2004	13. State NM
17. Spacing Unit dedicated to this well 320 E/2		
20. BLM/BIA Bond No. on file NM 1935 State-wide		
23. Estimated duration 30 days		

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) Mr. Lynn Garner	Date 12/23/03
Title Operations Manager		
Approved by (Signature) David J. Mankiewicz	Name (Printed/Typed)	Date JAN 15 2004
Title	Office NMOCD	

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 application 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".

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 30-045-32092	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 9717	⁵ Property Name Federal 29-9-33	⁶ Well Number # 2
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS I LTD	⁹ Elevation 5869

¹⁰ Surface Location

UL or Lot No. P	Section 33	Township 29 N	Range 9 W	Lot Idn	Feet from the 1165	North/South line SOUTH	Feet from the 750	East/West line EAST	County SAN JUAN
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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 E1/2 320	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

¹⁶ 5140(R) 5189(R)	⁵²²⁵ (R)				¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature <u>Lynn Garnett</u> Printed Name <u>LYNN GARNETT</u> Title <u>OPERATIONS MANAGER</u> Date <u>11/4/03</u> 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 belief. October 17, 2003 Date of Survey Signature and Seal of Professional Surveyor GARY D. VANN NEW MEXICO REGISTERED PROFESSIONAL LAND SURVEYOR 7016 Certificate Number
	33				
	750' 1165'				

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

Federal 29-9-33 #2
SESE Sec 33-T29N-R9W
1165' FSL & 750' FEL
San Juan County, New Mexico

EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	1000'
Kirtland	1150'
Fruitland Coal	2000'
Pictured Cliffs	2300'
Total Depth	2450'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	2150'
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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 - Federal 29-9-33 #2
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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"	300-2450'	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