

PLEASE PROCESS AS AN APD-ROW APPLICATION

Form 3160-3
(September 2001)FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input type="checkbox"/> Oil Well <input type="checkbox"/> REENTER		5. Lease Serial No. SF - 080245	
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 24	
2. Name of Operator SG INTERESTS, LTD Agent Sagle & Schwab Energy Resources		7. If Unit or CA Agreement, Name and No. NM	
3a. Address P. O. Box 2677, Durango, Colorado 81302		8. Lease Name and Well No Federal 29-9-28 #3	
3b. Phone No. (include area code) 970 259-2701		9. API Well No. 30-045- 32096	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SENW 1780 FNL 1950 FWL Lat. 36° 41'56" Long. 107° 47'13" At proposed prod. zone same		10. Field and Pool, or Exploratory Basin Fruitland Coal	
14. Distance in miles and direction from nearest town or post office* 3 miles southeast of Blanco, NM		11. Sec., T., R., M., or Blk. and Survey or Area F Sec. 28 T. 29N., R. 9 W. N.M.P.M.	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1780'		12. County or Parish San Juan County	
16. No. of Acres in lease 928.45		13. State NM	
17. Spacing Unit dedicated to this well 320 W/2			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 600 ft to ConocoPhillips Harmner #5		19. Proposed Depth 2450'	
20. BLM/BIA Bond No. on file NM 1935 State-wide			
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5735 GL		22. Approximate date work will start* January 1, 2004	
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:

- 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 	Name (Printed/Typed) Mr. Lynn Garner	Date 12/23/03
Title Operations Manager		
Approved by (Signature) 	Name (Printed/Typed) David J. Mankiewicz	Date JAN 20 2004
Title Office		NMOC

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 43 CFR 3165.4

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	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 9714	⁵ Property Name Federal 29-9-28	⁶ Well Number # 3
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS I LTD	⁹ Elevation 5735

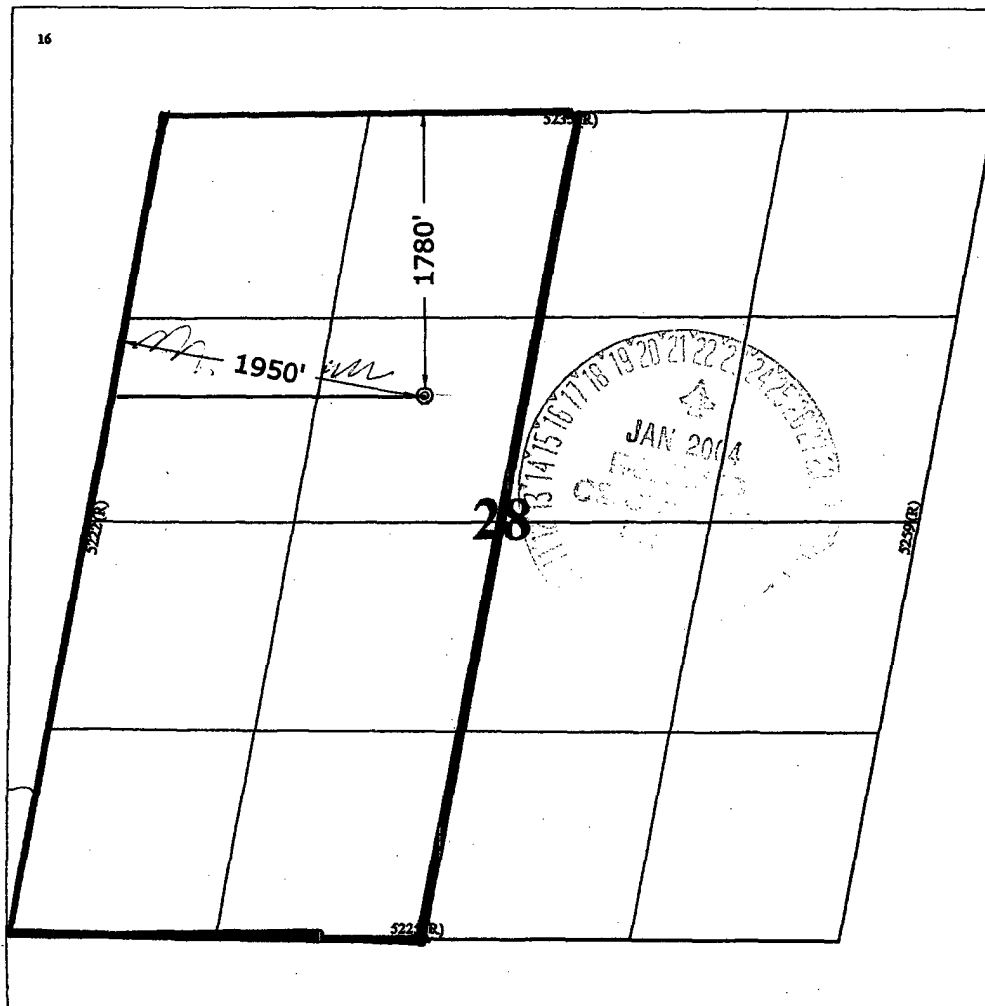
¹⁰ Surface Location

UL or Lot No. F	Section 28	Township 29 N	Range 9 W	Lot Idn	Feet from the 1780	North/South line NORTH	Feet from the 1950	East/West line WEST	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 W1/2 320	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



¹⁷ OPERATOR CERTIFICATION

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

Signature
LYNN GARNER
Printed Name
OPERATIONS MANAGER
Title
11/4/03
Date

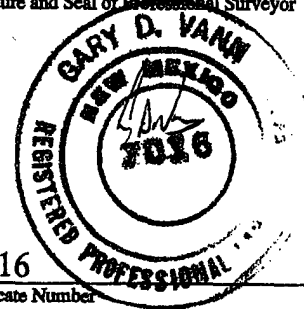
¹⁸ SURVEYOR CERTIFICATION

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 belief.

October 17, 2003

Date of Survey

Signature and Seal of Professional Surveyor



7016
Certificate Number

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

Federal 29-9-28 #3
SENW Sec 28-T29N-R9W
1780' FNL & 1950' FWL
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 29-9-27 #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"	300-2200'	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>loss</u>	<u>Depth</u>	<u>Type</u>	<u>Wt (ppg)</u>	<u>Vis (sec)</u>	<u>Wtr</u>
	0-300'	FW	± 8.5	30-33	NC
	300'-TD	LSND	± 8.7-9.5	30-50	8-10 cc