

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

30-045-217-16

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

PLUG BACK ☐

b. TYPE OF WELL

OIL
WELL ☐

GAS
WELL ☒

OTHER

SINGLE
ZONE ☒

MULTIPLE
ZONE ☐

2. NAME OF OPERATOR

SG Interests I. Ltd.

3. ADDRESS OF OPERATOR

P.O. Box 421, Blanco, NM 87412

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)

At surface

1330' FNL, 1275' FEL

At proposed prod. zone

same

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

2 miles northwest of Blanco

15. DISTANCE FROM PROPOSED*

LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drig. unit line, if any)

1275'

18. DISTANCE FROM PROPOSED LOCATION*

TO NEAREST WELL, DRILLING, COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

170'

16. NO. OF ACRES IN LEASE

19. PROPOSED DEPTH

2450'

17. NO. OF ACRES ASSIGNED

TO THIS WELL

N 315.61 316.80

20. ROTARY OR CABLE TOOLS

Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

5852 GL, 5864' KB

22. APPROX. DATE WORK WILL START*

July 8, 1992

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	8-5/8"	24#, J-55	250'	200 sx Class B w/2% CaCl ₂
7-7/8"	5-1/2"	15.5#, J-55	2450'	215 sx 65/35 Pozmix cmt w/6% gel
				+100 sx Class B neat tail

SG Interests I, Ltd., is proposing to drill a vertical well to develop the Basin Fruitland Coal formation at the above described site in accordance with the drilling program attached to this application.

This APD is also serving as an application to obtain BLM road Right-of-Way. The right-of-way will be on an existing road extending from NM 575 to the proposed location. The length of the right-of-way is approximately 0.38 miles and the requested width for the ROW is 30 feet. The ROW crosses the southwest quarter of the northeast quarter and terminates at the well location in the northeast quarter of the northeast quarter of Section 11, T29N, R10W, San Juan County, New Mexico.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24.

SIGNED

A. M. O'Hane

TITLE Agent for SG Interests I, Ltd.

DATE 6/20/92

(This space for Federal or State office use)

PERMIT NO.

APPROVED BY

CONDITIONS OF APPROVAL, IF ANY:

RECEIVED
JUL 10 1992

OIL CON. DIV.

*See Instructions on Reverse Side

APPROVED
AS AMENDED

JUL 08 1992

AREA MANAGER

10-11-1944

10-11-1944

10-11-1944

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10-11-1944

Submit to Appropriate
District Office
State Lease - 4 copies
Fee Lease - 3 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

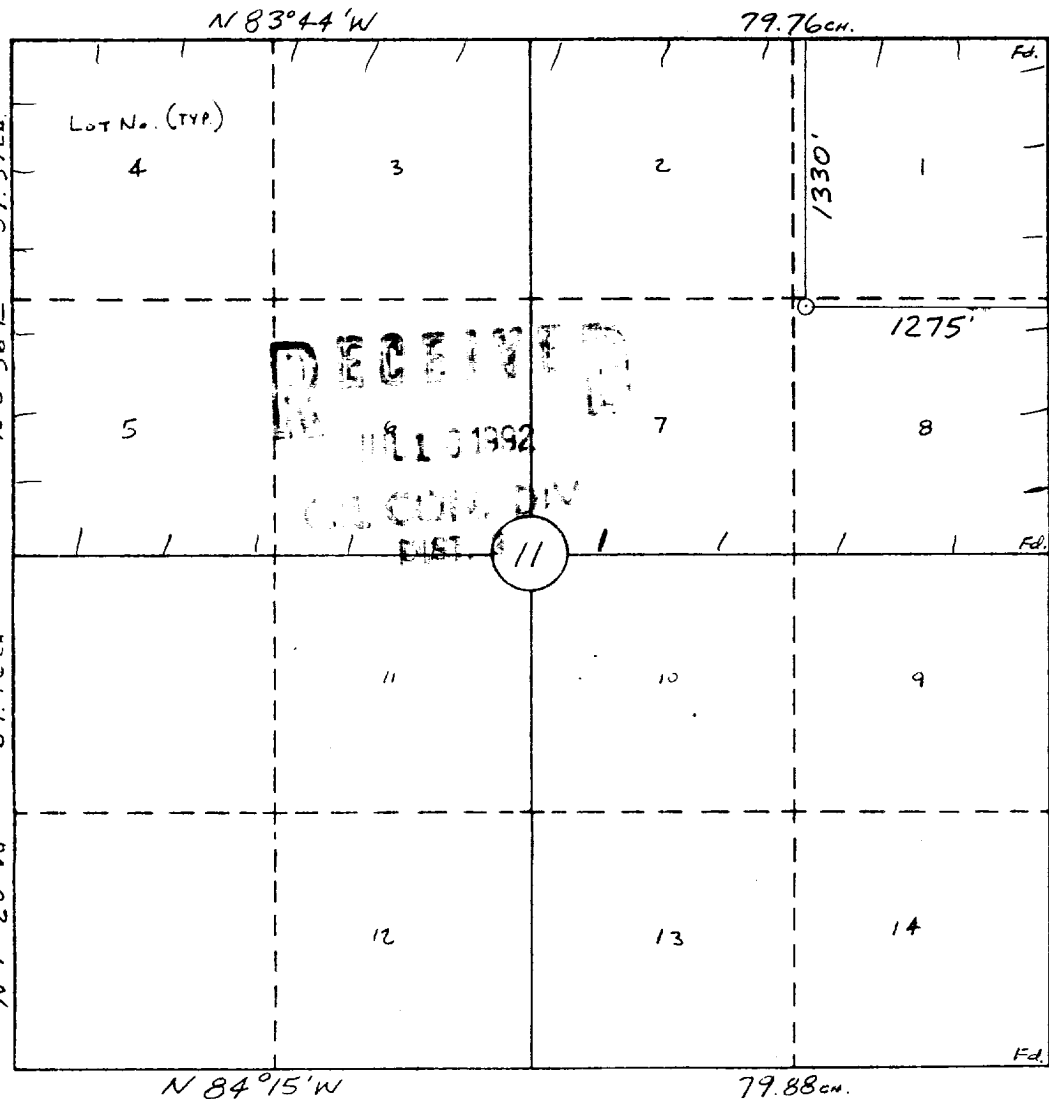
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019 FARMINGTON, N.M.

Operator S G INTERESTS I, LTD.			Lease FEDERAL 29-10-11		Well No. 1
Unit Letter H	Section 11	Township 29 N	Range 10 W	County San Juan	
Actual Footage Location of Well: 1330 feet from the North line and 1275 feet from the East line					
Ground level Elev. 5852	Producing Formation Basin Fruitland		Pool Basin Fruitland Coal	Dedicated Acreage 315.61 Acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation _____ If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____ No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					

0 330 660 990 1320 1650 1980 2310 2640 2970 3300 3630 3960 0



OPERATOR CERTIFICATION

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

Signature <i>A. M. O'Hare</i>
Printed Name A. M. O'Hare
Position President
Company Agent Maralex Resources, Inc.
Date 6/20/92

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 knowledge and belief.

Date Surveyed 6-9-92
Signature & Seal of Professional Surveyor William E. Mahnke II
Certificate No. 8466

SG INTERESTS I, LTD.
FEDERAL 29-10-11 NO. 1
1330' FNL x 1275' FEL,
Section 11, T29N, R10W
SAN JUAN COUNTY, NEW MEXICO
CEMENTING PROGRAM

Cementing of both surface and production strings of casing will be accomplished in separate single stage operations. All cement volumes are calculated to circulate cement to surface. The following volumes are identical to those submitted on the original APD, but are presented in cubic feet to assist you in understanding the volumes previously submitted.

<u>Casing</u>	<u>Cement Type and Volumes</u>	<u>Casing Tools</u>
8-5/8", 24#, J-55	236 cubic feet Class B w/2% CaCl_2	Insert float & 3 centralizers on first, third and fifth joints
5-1/2", 15.5#, J-55	389 cubic feet 65/35 Pozmix w/6% gel lead slurry and 118 cubic feet of Class B neat tail slurry.	Standard guide shoe and float collar w/ten centralizers spaced out to just above the Ojo Alamo sand on every other joint starting on the bottom joint.

SG INTERESTS I, LTD.
FEDERAL 29-10-11 NO. 1
1330' FNL x 1275' FEL,
Section 11, T29N, R10W
SAN JUAN COUNTY, NEW MEXICO
DRILLING PROGRAM

1. Estimated Tops of important Geologic Markers:

Ojo Alamo	1349'
Kirtland	1423'
Fruitland	1924'
Fruitland Coal	2105'
Pictured Cliffs	2303'

2. Estimated depths of anticipated water, oil, gas, or other mineral bearing formations which are expected to be encountered:

Water and Gas 2105'; Gas 2303'.

3. Minimum Blowout Control Specifications:

Double ram type 3000 psi working pressure BOP with a rotating head. See the attached exhibits (#1 through #3) for details on the BOP equipment. All ram type preventers and related equipment will be hydraulically tested at nipple-up and after any use under pressure to 1000 psi. The blind ram will be hydraulically activated and checked for operational readiness each time pipe is pulled out of the hole. All checks of the BOP stack and equipment will be noted on the daily drilling report. The BOP equipment will include a Kelly cock, floor safety valve, and choke manifold all rated to 3000 psi.

4. Supplementary Information:

Plan to catch samples at 20 foot intervals from approximately 1850 feet to Total Depth.

5. Proposed Circulating Medium:

The surface hole will be drilled with a gel and lime based fresh water mud.

The production hole will be drilled with a low solids non-dispersed fresh water mud. The weighting material will be barite. The maximum mud weight expected is 9.0 ppg. The water loss will be reduced to less than 10 cc at the top of the Fruitland.

6. No cores or drill stem tests are planned for this well. A full suite of logs, including gamma ray, density porosity, and resistivity, will be run after T.D. is reached.
7. The maximum expected bottom hole pressure is 1075 psi. This abnormal pressure will be contained as specified in No. 5 above. No other potential hazards are anticipated.
8. Optimum solids control equipment will be used to keep the mud in good shape. If feasible, bulk barite equipment will be on location to facilitate quick weight up of the mud system.

Construction of the wellpad will begin as soon as the APD is approved.

Exhibit #1
BOP Stack Arrangement

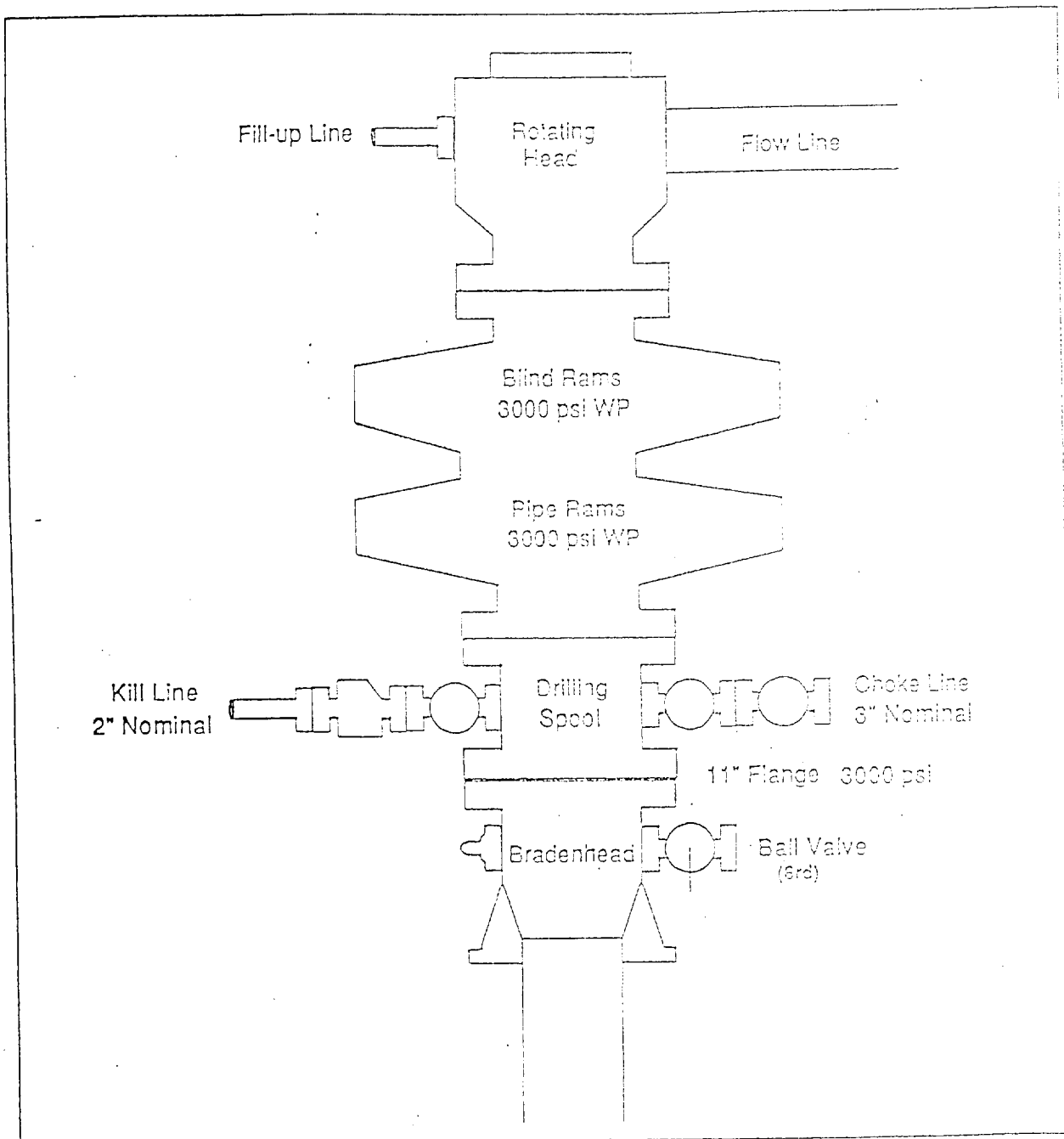


Exhibit #2
Choke Manifold & Accumulator Schematic

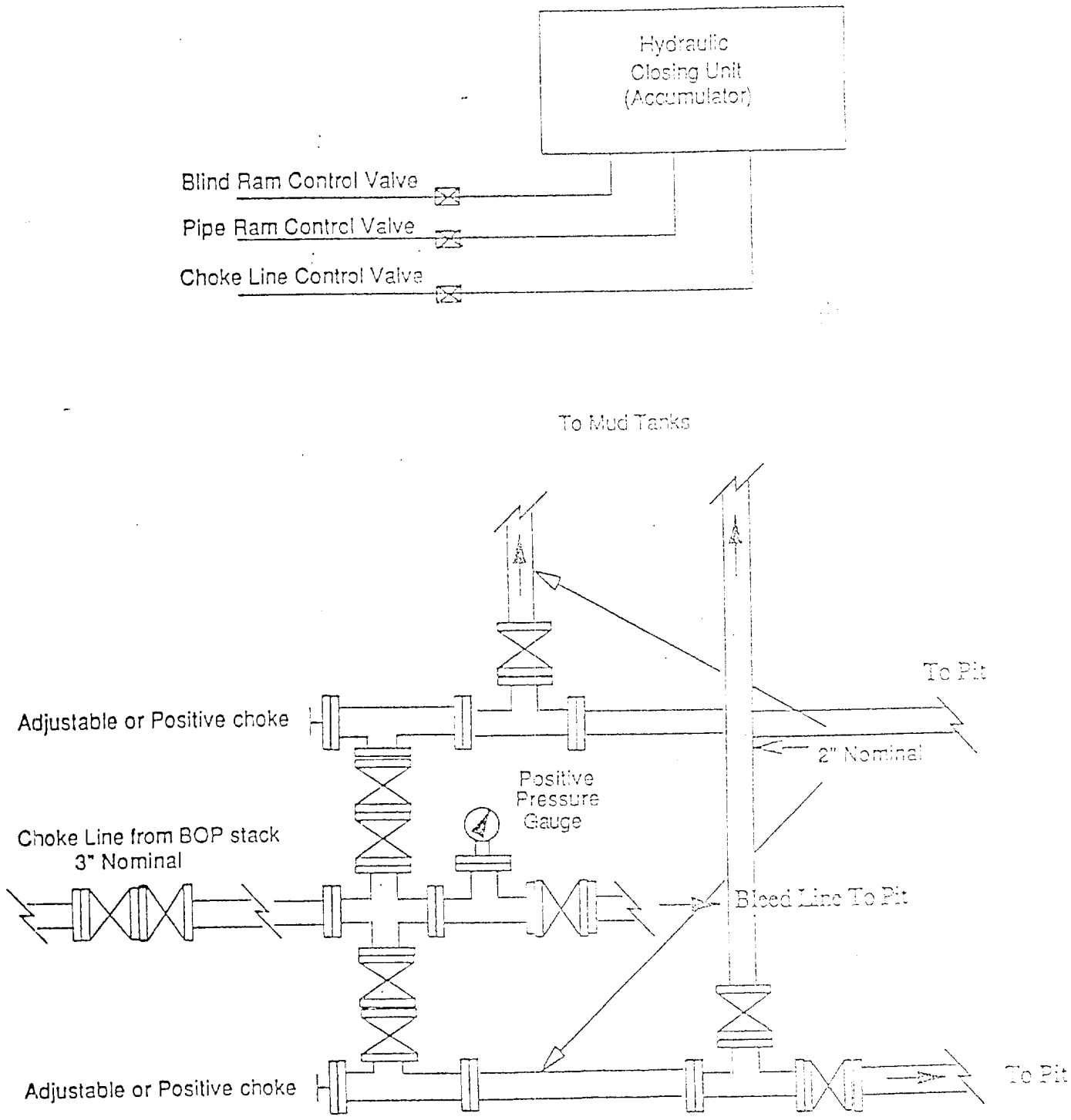


Exhibit #3
Blowout Prevention Equipment Specifications

1. All BOP equipment shall be fluid and/or mechanically operated.
2. BOP's and all fittings will be in good working condition.
3. Equipment through which the bit must pass shall be at least as large as the casing size being drilled.
4. The nipple above the BOP shall be at least the same size as the last casing set.
5. The upper kelly cock with handle and lower kelly cock shall be rated at the BOP working pressure.
6. A floor safety valve (full opening) or drill string BOP with appropriate pressure ratings shall be available on the rig floor with connections or subs to fit any tool joint in the string.
7. The minimum size choke line shall be 3 inches nominal diameter, with a minimum size for vent lines downstream of chokes of 2 inches nominal, and vent lines which by-pass shall be a minimum of 3 inches nominal and as straight as possible.
8. All valves, fittings and lines between the closing unit and the blowout preventer stack should be of steel construction with rated working pressure at least equal to working pressure rating of the stack. Lines shall be bundled and protected from damage.
9. Minimum size for kill line is 2 inches nominal.
10. Ram type preventers shall be equipped with extension hand wheels or hydraulic locks.

SG INTERESTS I, LTD.
FEDERAL 29-10-11 NO. 1
1330' FNL x 1275' FEL,
Section 11, T29N, R10W
SAN JUAN COUNTY, NEW MEXICO
SURFACE USE PLAN

1. Existing roads and existing wells are shown on Attached Plat No. 1.
2. The new location will share an existing location and no new road construction will be required to accommodate the location. The existing access roads will be maintained in at least the current condition and will be upgraded where necessary to provide uninterrupted access to the proposed well.
3. See No. 1.
4. The location of the anticipated production facilities both on and off the well pad are shown on Attached Plat No. 2.
5. Water will be trucked from the San Juan River at Blanco (approximately 2.0 miles southeast of the location) to the location for use in drilling and completing the well.
6. Materials for the construction of the location are expected to be limited to the soil on site. Fills will be made with the material taken from cuts.
7. All waste materials will be buried on location. Drill cuttings will be allowed to dry and then spread evenly in the reserve pit and buried. Garbage and nonflammable waste produced during the drilling or testing will be handled in a trash bin. All fluids will be handled in the reserve pit. Fluids will be allowed to evaporate before the reserve pit is reclaimed. The reserve pit will be fenced on three sides while the drilling rig is on location with the fourth side being fenced immediately upon removal of the drilling rig.
8. No camp or airstrip will be constructed for the drilling of this well.
9. The well site layout is shown on Attached Plat No. 3. The reserve pit will be lined with an 8-10 mil reinforced liner.
10. The location will be cleaned up, the reserve pit will be filled and

leveled after drying, the unused portion of the location will be reseeded with seed mixture No. 2. all permanent production equipment will be painted BLM tan, and the road and location will be maintained until such time as the well is abandoned.

11. The surface is owned by the United States of America.

12. Geologic name of the surface formation is San Jose.

The location has been spotted so as to minimize damages to the surface. The nearest dwellings are near Blanco, New Mexico located approximately 2 miles to the southeast. An archaeological survey has been conducted and no cultural or historical sites were found. A report detailing the survey will be submitted directly from the Archaeologist to the BLM. The dirt contractor will be furnished with an approved copy of the Surface Use Plan and any stipulations prior to beginning construction of the location.

13. Operator's Representative:

A. M. (Mickey) O'Hare
P.O. Box 421
Blanco, NM 87412-0421
(505) 325-5599

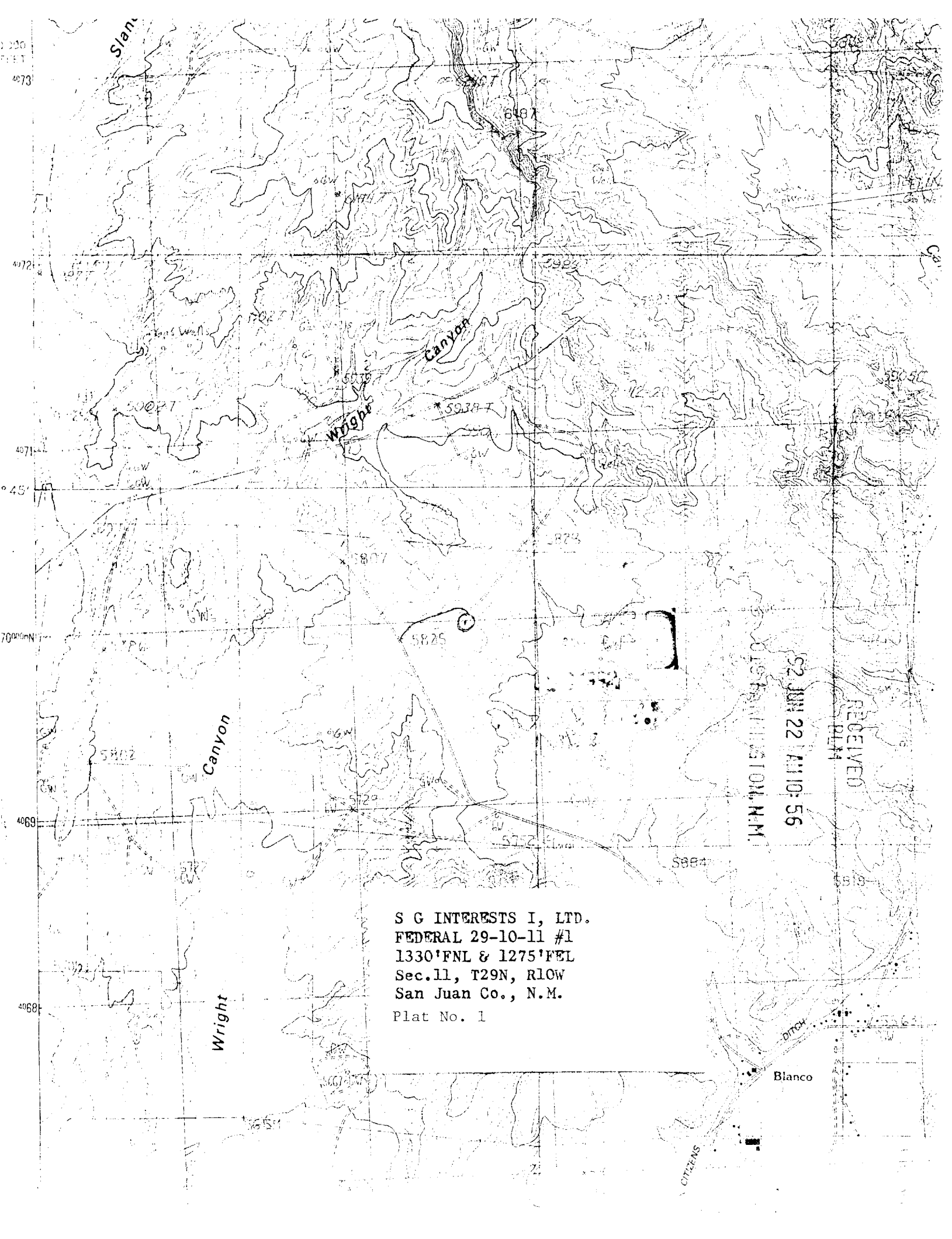
Certification:

I hereby certify that I, or persons under any direct supervision, have inspected the proposed well site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by SG Interests I, Ltd., and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved.

Name: A. M. O'Hare

Date: 6/20/92

A. M. O'Hare, P.E.
President, Maralex Resources, Inc.,
Agent for SG Interests I, Ltd.



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S G INTERESTS I, LTD.
FEDERAL 29-10-11 #1
1330'FNL & 1275'FEL
Sec.11, T29N, R10W
San Juan Co., N.M.
Plat No. 1

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U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Blanco

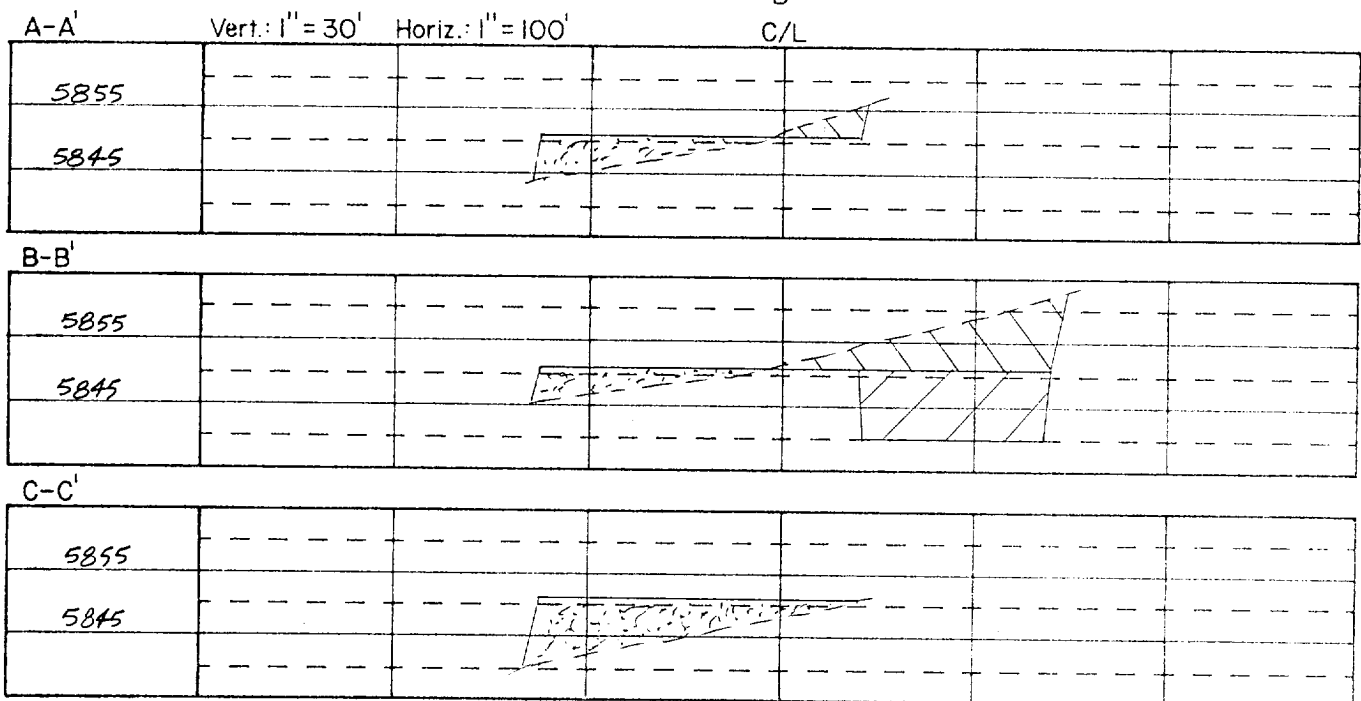
CITIZENS

Plat No. 2

Schematic Diagram of
Production Facilities



Plat No. 3



Plat No. 3A

Proposed Rig Layout

