



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

June 23, 2004

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**SG Interests, I, Ltd.
Sagle & Schwab Energy Resources
P. O. Box 2677
Durango, Colorado 81302**

Attention: Lynn Garner

Re: *Administrative application (Division administrative application reference No. pMES0-417546110) on behalf of SG Interests, I, Ltd. ("SGI") for an exception to the well location requirements [Rule 7 (a) (1)] provided within the "Special Rules and Regulations for the Basin-Fruitland Coal Gas Pool," as promulgated by Division Order No. R-8768, as amended, for SGI's proposed Federal "29-9-27" Well No. 3 to be drilled at an unorthodox infill coal gas well location 365 feet from the North line and 1935 feet from the West line (Unit C) of Section 27, Township 29 North, Range 9 West, NMPM, Basin-Fruitland Coal (Gas) Pool (71629), San Juan County, New Mexico.*

Dear Mr. Garner:

You state in your application that the proposed SGI well is "encroaching on the S/2 of Section 22, Township 29 North, Range 9 West, NMPM, San Juan County, New Mexico," and that "[t]he off operators are listed" and "will be notified." However, your list does not include BP America Production Company ("BP"), who operates the Florance Well No. 119 (API No. 30-045-23976), a producing Basin Fruitland coal gas well in Lot 1 (Unit A) of Section 22 that is dedicated to 311.97 acres comprising the E/2 equivalent of Section 22.

Please submit proof of notice to BP so that I may continue processing your client's request in a timely fashion. Thank you.

Sincerely,

Michael E. Stogner
Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington

2:19 PM

6/29/2004



State of New Mexico
OIL CONSERVATION COMMISSION

From

MICHAEL E. STOGNER
PETROLEUM ENGINEER

Memo

970-259-2701

To

Voice Mail Message from Marsh

Re: 6-23-2004 letter

2) Returned her call @ 2:28 PM
and explained that BP was
an affected assetting party (operator)
to this well.

P.O. BOX 2088
LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
505-827-5811



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Dear Mr. Garner:

You state in your application that the proposed SGI well is "encroaching on the S/2 of Section 22, Township 29 North, Range 9 West, NMPM, San Juan County, New Mexico," and that "[t]he off operators are listed" and "will be notified." However, your list does not include BP America Production Company ("BP"), who operates the Florance Well No. 119 (API No. 30-045-23976), a producing Basin Fruitland coal gas well in Lot 1 (Unit A) of Section 22 that is dedicated to 311.97 acres comprising the E/2 equivalent of Section 22.

Please submit proof of notice to BP so that I may continue processing your client's request in a timely fashion. Thank you.

Sincerely,

Michael E. Stogner

Engineer/Hearing Officer

MS/mes

cc: New Mexico Oil Conservation Division – Aztec
U. S. Bureau of Land Management – Farmington

*see attached
marcia stogner
Sag & Schwab Energy*

SAGLE & SCHWAB ENERGY RESOURCES

Bob Sagle
President/Engineering

Tripp Schwab
Vice-President/Operations

July 6, 2004

Attn: Bill Pelzmann
BP America Production Company
501 Westlake Park Blvd
(Rm 19.114 WL1)
Houston, TX 77079

RE: SG Interests I, Ltd
Proposed Gas Well
Request for Exception Location
Federal 29-9-27 #3
(NENW) Sec 27-T29N-R9W
San Juan County, NM

Gentlemen:

SG Interests I, Ltd is proposing to drill a Fruitland Coal gas well in the NE/4 NW/4 of Sec 27, Township 29 North, Range 9 West, San Juan County, New Mexico. We staked a location within the window established by the New Mexico Oil Conservation Commission; however, BLM has advised us that the location we staked fell within "the 100 year floodplain of designated ephemeral wash riparian area" of Canyon Largo. BLM also recommended a more suitable location (365' FNL, 1935' FWL of Sec 27, T29N, R9W) even though it is a nonstandard location (See copy of Form C-102 Survey Plat and BLM letter dated June 4, 2004).

As an Offset Operator, if you are agreeable to the proposed non-standard location, please sign in the space below and return this letter to me as soon as possible to the address below. If you have any questions, please call Lynn Garner at (970) 259-2701, or notify the New Mexico Oil Conservation Commission in Aztec, New Mexico in writing if you have any objections.

Sincerely,

SAGLE & SCHWAB ENERGY RESOURCES
AGENT FOR SG INTERESTS I, LTD



Lynn Garner
Operations Manager

SG Interests I, Ltd. consents to the proposed location of the Federal 29-9-27 #3. Location is 365' FNL, 1935' FWL, Sec 27-T29N-R9W, San Juan County, New Mexico

By _____

Date: _____

7002 3150 0001 0831 6715

| U.S. Postal Service TM | |
|--|---------|
| CERTIFIED MAIL TM RECEIPT | |
| (Domestic Mail Only; No Insurance Coverage Provided) | |
| OFFICIAL USE | |
| For delivery information visit our website at www.usps.com | |
| Postage | \$ 0.37 |
| Certified Fee | 2.30 |
| Return Receipt Fee (Endorsement Required) | 1.75 |
| Restricted Delivery Fee (Endorsement Required) | |
| Total | 4.42 |
| Postmark Here | |
| UNIT ID: 0535 | |
| Sent To: Attn: Bill Palzner | |
| Street or PO Box: BP America Production C9M04 | |
| City: 501 Westlake Park Blvd | |
| State: (Rm 19.114) | |
| Zip: 77079 | |
| City: Houston, TX | |
| PS Form 3800, June 2004 | |