

DATE IN <u>9.23.11</u>	SUSPENSE	ENGINEER <u>RE.</u>	LOGGED IN <u>9.23.11</u>	TYPE <u>CTB</u>	APP NO. <u>1126650931</u>
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



Nika Energy
- 4 wells -

ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATION WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
☐ DHC ☒ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or ☐ Does Not Apply
- [A] ☒ Working, Royalty or Overriding Royalty Interest Owners
- [B] ☐ Offset Operators, Leaseholders or Surface Owner
- [C] ☒ Application is One Which Requires Published Legal Notice
- [D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] ☐ Waivers are Attached
- [3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

WILLIAM SCHWAB III (Tripp)
 Print or Type Name

[Signature]
 Signature

Agent for SG INTERESTS, LTD
 Title

9/20/2011
 Date

tripp@nikaenergy.com
 e-mail Address

Nika Energy Operating

RECEIVED OGD

SEP 23 10:17

September 20, 2011

State of New Mexico
Oil Conservation Division
1220 So. St. Francis Drive
Santa Fe, NM 87505

Attn: Mr. Richard Ezeanyim

Re: Amending Orders No. CTB-587, CTB-587-A
And CTB-587-B to Include Additional Wells
Sandoval County, New Mexico

Dear Mr. Ezeanyim:

Attached is an Application to amend our Orders No. CTB-587, CTB-587-A and CTB-587-B, adding four wells to our El Pintado CDP Gas Gathering System (off-lease measurement). Also enclosed are copies of Sundry Notice for each well, submitted to the BLM, Farmington, New Mexico, an Administrative Application Checklist, a copy of Order CTB-587, copies of the amended CTB-587-A and CTB-587-B, a map of the Gathering System and its associated wells, proof of notification to all Revenue Interest Owners, and copies of the Publications for the Albuquerque Journal and the Gallup Independent. Following is a list of the wells to be added:

Federal 21-6-32 #1	E/2 of Sec 32	API #30-043-21069	Lease No. NMNM99732
Federal 21-7-25 #2	W/2 of Sec 25	API #30-043-21072	Lease No. NMNM99739
Federal 21-7-26 #2	N/2 of Sec 26	API #30-043-21068	Lease No. NMNM99739
Federal 21-7-27 #1	N/2 of Sec 27	API#30-043-21071	Lease No. NMNM99739

When added to the El Pintado CDP Gas Gathering System, all of the above wells will be treated, measured, and maintained exactly as the other 29 wells approved in Orders No. CTB-587, CTB 587-A, and CTB 587-B.

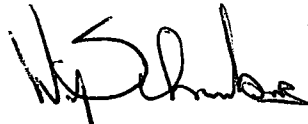
Notification to all revenue owners of all wells in the Gathering System was sent by Certified Mail July 18, 2011. Notices were also be published in the Albuquerque Journal (Sandoval County) and in the Gallup Independent (McKinley County) newspapers.

State of New Mexico
Attn: Mr. Richard Ezeanyim
September 20, 2011
Page 2

Please let me know what additional information you might need. Thanks for your help.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS

A handwritten signature in black ink, appearing to read 'W. Schwab', with a stylized flourish at the end.

William (Tripp) Schwab
President

cc: NMOCD – Aztec, NM

District I
1625 N. French Drive, Hobbs, NM 88240
District II
811 S. First St., Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St Francis Dr, Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-107-B
Revised August 1, 2011

OIL CONSERVATION DIVISION
1220 S. St Francis Drive
Santa Fe, New Mexico 87505

Submit the original
application to the Santa Fe
office with one copy to the
appropriate District Office.

APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)

OPERATOR NAME: SG INTERESTS I, LTD (c/o Nika Energy Operating, LLC)

OPERATOR ADDRESS: P. O. Box 2677, Durango, CO 81302

APPLICATION TYPE:

☐ Pool Commingling ☒ Lease Commingling ☐ Pool and Lease Commingling ☐ Off-Lease Storage and Measurement (Only if not Surface Commingling)

LEASE TYPE: ☐ Fee ☐ State ☒ Federal

Is this an Amendment to existing Order? ☒ Yes ☐ No If "Yes", please include the appropriate Order No. CTB-587

Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling

☒ Yes ☐ No

(A) POOL COMMINGLING

Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production		Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables? ☐ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☐ Yes ☐ No.

(4) Measurement type: ☐ Metering ☐ Other (Specify)

(5) Will commingling decrease the value of production? ☐ Yes ☐ No If "yes", describe why commingling should be approved

(B) LEASE COMMINGLING

Please attach sheets with the following information

(1) Pool Name and Code. Fruitland Coal Formation 71629

(2) Is all production from same source of supply? ☒ Yes ☐ No

(3) Has all interest owners been notified by certified mail of the proposed commingling? ☒ Yes ☐ No

(4) Measurement type: ☒ Metering ☐ Other (Specify)

(C) POOL and LEASE COMMINGLING

Please attach sheets with the following information

(1) Complete Sections A and E.

(D) OFF-LEASE STORAGE and MEASUREMENT

Please attached sheets with the following information

(1) Is all production from same source of supply? ☐ Yes ☐ No

(2) Include proof of notice to all interest owners.

(E) ADDITIONAL INFORMATION (for all application types)

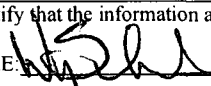
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.

(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.

(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE:  TITLE: Agent for SG INTERESTS I, LTD DATE:

TYPE OR PRINT NAME WILLIAM SCHWAB III (Tripp) TELEPHONE NO.: (970) 259-2701

E-MAIL ADDRESS: tripp@nikaenergy.com

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

JUL 26 2011

5. Lease Serial No. MNM99732

6. If Indian, Allottee or Tribe Name Armington Field Office

7. If Unit or CA/Agreement, Name and/or No. Basin Fruitland Coal

8. Well Name and No. FEDERAL 21-6-32 #1

9. API Well No. 30-043-21069

10. Field and Pool, or Exploratory Area Sandoval County, NM

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
SG Interests I, Ltd., c/o Nika Energy Operating, LLC

3a. Address PO Box 2677, Durango, CO 81302

3b. Phone No. (include area code) (970) 259-2701

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Unit G: 2150' FNL, 1920' FEL (SWNE)
Sec 32-T21N-R6W

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Add Well to
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> El Pintado CDP
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal <input type="checkbox"/> Gathering System

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SG Interests is requesting approval to add this well to their El Pintado CDP (Surface Commingling Order CTB-587 approved Feb, 2008), (Order CTB-587-A approved June, 2009) and (Order CTB-587-B approved Jan. 20, 2010) Gas Gathering System, NW/4 Sec 10-T20N-R6W, McKinley County, NM. This well will produce from the Basin Fruitland Coal Formation, as all other wells going thru the CDP; there will be a gas allocation meter on this wellsite, and production charts will be integrated by R&L Chart Service; well will be maintained and production allocated per Order as all other wells going thru the CDP. Produced water will run thru a pipeline directly to the Federal 21-6-28 SWD #33 disposal well. Please see attached map.

Meter #21063201

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)
Marcia Stewart

Title
Agent for SG Interests I Ltd

Signature
Marcia Stewart

Date
July 12, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by Shu C. Valdez

Title PEA

Date 9/12/11

Conditions of approval, if any, are attached. Approval of this notice 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.

Office FFO

Title 18 U.S.C. Section 1001, makes 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)

OPERATOR

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

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JUL 26 2011

5. Lease Serial No.

NMNM99739

6. If Indian, Allottee or Tribe Name

Farminon Field Office
Bureau of Land Management
If Unit or CA/Agreement, Name and/or No.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

SG Interests I, Ltd., c/o Nika Energy Operating, LLC

3a. Address

PO Box 2677, Durango, CO 81302

3b. Phone No. (include area code)

(970) 259-2701

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

725' FNL, 2315' FWL (NENW) Non-Standard Well Location
C-Sec 25-T21N-R7W

8. Well Name and No.

FEDERAL 21-7-25 #2

9. API Well No.

30-043-21072

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

Sandoval County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Add Well to
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> El Pintado CDP
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal <input type="checkbox"/> Gathering System

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SG Interests is requesting approval to add this well to their El Pintado CDP (Surface Commingling Order CTB-587 approved Feb, 2008), (Order CTB-587-A approved June, 2009) and (Order CTB-587-B approved Jan. 20, 2010) Gas Gathering System, NW/4 Sec 10-T20N-R6W, McKinley County, NM. This well will produce from the Basin Fruitland Coal Formation, as all other wells going thru the CDP; there will be a gas allocation meter on this wellsite, and production charts will be integrated by R&L Chart Service; well will be maintained and production allocated per Order as all other wells going thru the CDP. Produced water will run thru a pipeline directly to the Federal 21-6-28 SWD #33 disposal well. Please see attached map.

Meter # 21072502

14. Thereby certify that the foregoing is true and correct

Name (Printed/Typed)

Marcia Stewart

Title

Agent for SG Interests I Ltd

Signature

Marcia Stewart
Date July 12, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Shea C. Valdez

Title

PEA

Date

9/12/11

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

FFO

Title 18 U.S.C. Section 1001, makes 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)

OPERATOR

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

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JUL 26 2011

5. Lease Serial No.

NMNM99739

7. If Indian, Allottee or Tribe Name

8. If Unit or CA/Agreement, Name and/or No.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

SG Interests I, Ltd., c/o Nika Energy Operating, LLC

3a. Address

PO Box 2677, Durango, CO 81302

3b. Phone No. (include area code)

(970) 259-2701

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Unit C: 700' FNL, 1975' FWL

Sec 26-T21N-R7W (NENW)

8. Well Name and No.

FEDERAL 21-7-26 #2

9. API Well No.

30-043-21068

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

Sandoval County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Add Well to
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon <input type="checkbox"/> El Pintado CDP
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal <input type="checkbox"/> Gathering System

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once. Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SG Interests is requesting approval to add this well to their El Pintado CDP (Surface Commingling Order CTB-587 approved Feb, 2008), (Order CTB-587-A approved June, 2009) and (Order CTB-587-B approved Jan. 20, 2010) Gas Gathering System, NW/4 Sec 10-T20N-R6W, McKinley County, NM. This well will produce from the Basin Fruitland Coal Formation, as all other wells going thru the CDP; there will be a gas allocation meter on this wellsite, and production charts will be integrated by R&L Chart Service; well will be maintained and production allocated per Order as all other wells going thru the CDP. Produced water will run thru a pipeline directly to the Federal 21-6-28 SWD #33 disposal well. Please see attached map.

Meter # 21072602

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Marcia Stewart

Title

Agent for SG Interests I Ltd

Signature

Marcia Stewart

Date

July 12, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Shea C. Voloy

Title

PEA

Date

9/12/11

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Office

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

RECEIVED

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

JUL 26 2011

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Armington Field Office
Bureau of Land Management

5. Lease Serial No.

NMNM99739

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

FEDERAL 21-7-27 #1

9. API Well No.

30-043-21071

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

Sandoval County, NM

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

SG Interests I, Ltd., c/o Nika Energy Operating, LLC

3a. Address

PO Box 2677, Durango, CO 81302

3b. Phone No. (include area code)

(970) 259-2701

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Unit A: Sec 27-T21N-R7W
1200' FNL, 700' FEL (NENE)

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent

☐ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other Add Well to

El Pintado CDP

Gathering System

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleation in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SG Interests is requesting approval to add this well to their El Pintado CDP (Surface Commingling Order CTB-587 approved Feb, 2008), (Order CTB-587-A approved June, 2009) and (Order CTB-587-B approved Jan. 20, 2010) Gas Gathering System, NW/4 Sec 10-T20N-R6W, McKinley County, NM. This well will produce from the Basin Fruitland Coal Formation, as all other wells going thru the CDP; there will be a gas allocation meter on this wellsite, and production charts will be integrated by R&L Chart Service; well will be maintained and production allocated per Order as all other wells going thru the CDP. Produced water will run thru a pipeline directly to the Federal 21-6-28 SWD #33 disposal well. Please see attached map.

Meter # 21072701

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Marcia Stewart

Title

Agent for SG Interests I Ltd

Signature

Marcia Stewart

Date

July 12, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Shea C. Valdez

Title

PEA

Date

9/12/11

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(Instructions on reverse)

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NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

Surface Commingling Order CTB-587

February 27, 2008

SG Interests I Ltd.
C/o NIKA Energy Operating, LLC
PO Box 2677
Durango, CO 81303

Attention: Mr. William Schwab III

SG Interests I Ltd. (OGRID 20572) is hereby authorized to surface commingle gas production from the Basin-Fruitland Coal Gas Pool (71629) within the following-described area (hereinafter referred to as the El Pintado CDP Gas Gathering System Area), Sandoval and McKinley Counties, New Mexico:

El Pintado CDP Gas Gathering System Area

Township 21 North, Range 6 West, NMPM

Section 29: S/2
Section 30: All
Section 31: N/2
Section 32: W/2
Section 34: All
Section 36: W/2

Township 20 North, Range 6 West, NMPM

Section 2: S/2
Section 3: S/2
Section 10: N/2
Section 16: All

This area contains all or portions of Federal Leases No. NM-99732, NM-99733, and NM-24964, State Leases No. VA2322, VA2344, and VA2284.

This area currently contains eighteen (18) wells that are completed in the Basin-Fruitland Coal Gas Pool. All wells within the area are currently operated by SG Interests I Ltd.

Production shall be allocated by metering the gas production from each of the wells within the El Pintado CDP Gas Gathering System Area utilizing individual allocation meters. Gas production shall then be commingled and transported to a Public Service of New Mexico (PNM) gas sales meter located within the NW/4 of Section 10, Township 20 North, Range 6 West. Production

shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the procedure outlined in this application.

All liquids (oil, condensate and water) shall be separated, stored, measured and sold at each individual well.

All meter calibration shall be in conformance with Division Rule No. 19.15.5.303(B)(4)(b).

Additional existing or future drilled wells can be added to the commingling authority granted by this order without additional application or notice to interest owners provided that:

- a) the well(s) are located within the El Pintado CDP Gas Gathering System Area defined by this order;
- b) each new well is equipped with a gas allocation meter; and
- c) the well(s) produce from Basin-Fruitland Coal Gas Pool.

To obtain approval to add wells, SG Interests I Ltd. shall file a C-103 (Sundry Notice) with the Santa Fe and Aztec Offices of the Division that describe the well(s) to be included. Additional notice may be required to the Bureau of Land Management and/or the State Land Office.

To add additional wells located OUTSIDE of the El Pintado CDP Gas Gathering System to the gathering system, SG Interests I Ltd. must apply for an additional order or to amend this order and (per Rule 303) must notify all owners of revenue interests within the existing El Pintado CDP Gas Gathering System as well as all owners of revenue interests in the new wells to be added.


NOTE: This installation shall be installed and operated in accordance with the applicable rules and regulations of the Division applicable to surface commingling. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.


MARK E. FESMIRE, PE
Director

MEF/wvjj

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
State Land Office – Oil, Gas, and Minerals Division



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Surface Commingling Order CTB-587-A

June 11, 2009

SG Interests I Ltd.
C/o NIKA Energy Operating, LLC
PO Box 2677
Durango, CO 81303

Attention: Marcia Stewart:

By Surface Commingling Order No. CTB-587, the Division authorized SG Interests I Ltd. (OGRID 20572) to surface commingle gas production from the Basin-Fruitland Coal Gas Pool (71629) within the following-described area (hereinafter referred to as the El Pintado CDP Gas Gathering System Area), Sandoval and McKinley Counties, New Mexico:

El Pintado CDP Gas Gathering System Area

Township 21 North, Range 6 West, NMPM

Section 29: S/2

Section 30: All

Section 31: N/2

Section 32: W/2

Section 34: All

Section 36: W/2

Township 20 North, Range 6 West, NMPM

Section 2: S/2

Section 3: S/2

Section 10: N/2

Section 16: All



This area contains all or portions of Federal Leases No. NM-99732, NM-99733, and NM-24964, State Leases No. VA2322, VA2344, and VA2284. This area currently contains eighteen (18) wells that are completed in the Basin-Fruitland Coal Gas Pool. All wells within the area are currently operated by SG Interests I Ltd.

SG Interests I Ltd now seeks to add the following eight (8) wells producing from the Basin Fruitland Coal Gas Pool to the El Pintado CDP Gas Gathering System.

Well Name and Number	API Number	Location	Lease Number
Federal 21-6-28 Well No. 3	30-043-21010	Sec.28, T-21N, R-6W	NMNM113429
Federal 21-6-29 Well No. 1	30-043-21056	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-29 Well No. 2	30-043-21057	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 1	30-043-21058	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 2	30-043-21059	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-7-25 Well No. 3	30-043-21017	Sec. 25, T-21N, R-7W	NMNM99739
Federal 21-7-26 Well No. 1	30-043-21062	Sec. 26, T-21N, R-7W	NMNM99739
Federal 21-7-35 Well No. 1	30-043-21060	Sec. 35, T-21N, R-7W	NMNM99739

IT IS THEREFORE ORDERED THAT:

The Surface Commingling Order No. CTB-587 is hereby amended and the applicant, SG Interests I Ltd is hereby authorized to add the above referenced eight (8) wells to the El Pintado Gas Gathering System.

Production shall be allocated by metering the gas production from each of the wells within the El Pintado CDP Gas Gathering System utilizing individual allocation meters. Gas production shall then be commingled and transported to a Public Service of New Mexico (PNM) gas sales meter located within the NW/4 of Section 10, Township 20 North, Range 6 West. Production shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the procedure outlined in the application.

All liquids (oil, condensate and water) shall be separated, stored, measured and sold at each individual well.

All meter calibration shall be in conformance with Division Rule No. 19.15.12.10. NMAC

June 12, 2009

Page 3

Additional existing or future drilled wells can be added to the commingling authority granted by this order without additional application or notice to interest owners provided that:

- a) the well(s) are located within the El Pintado CDP Gas Gathering System Area defined by this order;
- b) each new well is equipped with a gas allocation meter; and
- c) the well(s) produce from Basin-Fruitland Coal Gas Pool.

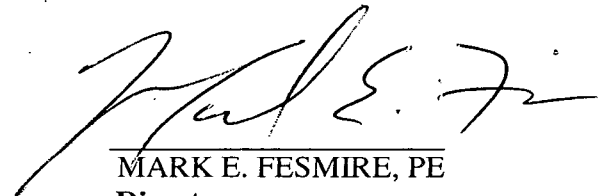
To obtain approval to add wells, SG Interests I Ltd. shall file Form C-103 (Sundry Notice) with the Santa Fe and Aztec Offices of the Division that describe the well(s) to be included. Additional notice may be required to the Bureau of Land Management and/or the State Land Office.

To add additional wells located **OUTSIDE** of the El Pintado CDP Gas Gathering System to the gathering system, SG Interests I Ltd. must apply for an additional order or to amend this order and (per Rule 19.15.12 NMAC) must notify all owners of revenue interests within the existing El Pintado CDP Gas Gathering System as well as all owners of revenue interests in the new wells to be added.

This Order supersedes the Surface Commingling Order No. CTB-587, issued on February 27, 2008.

NOTE: This installation shall be installed and operated in accordance with the applicable rules and regulations of the Division applicable to surface commingling. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.



MARK E. FESMIRE, PE
Director

MEF/re

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
State Land Office – Oil, Gas, and Minerals Division

DATE IN 12/21/09	SUSPENSE	ENGINEER E. J. J. J.	LOGGED IN 12/21/09	TYPE CT	PTGW APP NO. 0935550541
------------------	----------	----------------------	--------------------	---------	----------------------------

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☒ PC ☐ OLS ☒ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☐ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply

[A] ☒ Working, Royalty or Overriding Royalty Interest Owners

[B] ☐ Offset Operators, Leaseholders or Surface Owner

[C] ☒ Application is One Which Requires Published Legal Notice

[D] ☒ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☒ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

CTB-587-B

[3] SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.

[4] CERTIFICATION: I hereby certify that the information submitted with this application for administrative approval is accurate and complete to the best of my knowledge. I also understand that no action will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.


William Schwab III
Print or Type Name

Signature

Agent for SG Interests
Title

12/18/09
Date

tripp@nikaenergy.com
e-mail Address



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Jon Goldstein
Cabinet Secretary

Jim Noel
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



Surface Commingling Order CTB-587-B

January 20, 2010

SG Interests I Ltd.
C/o NIKA Energy Operating, LLC
PO Box 2677
Durango, CO 81303

Attention: Marcia Stewart:

By Surface Commingling Order No. CTB-587, the Division authorized SG Interests I Ltd. (OGRID 20572) to surface commingle gas production from the Basin-Fruitland Coal Gas Pool (71629) within the following-described area (hereinafter referred to as the El Pintado CDP Gas Gathering System Area), Sandoval and McKinley Counties, New Mexico:

El Pintado CDP Gas Gathering System Area

Township 21 North, Range 6 West, NMPM

Section 29: S/2

Section 30: All

Section 31: N/2

Section 32: W/2

Section 34: All

Section 36: W/2

Township 20 North, Range 6 West, NMPM

Section 2: S/2

Section 3: S/2

Section 10: N/2

Section 16: All

Oil Conservation Division * 1220 South St. Francis Drive
* Santa Fe, New Mexico 87505

* Phone: (505) 476-3440 * Fax (505) 476-3462* <http://www.emnrd.state.nm.us>



This area contains all or portions of Federal Leases No. NM-99732, NM-99733, and NM-24964, State Leases No. VA2322, VA2344, and VA2284. This area currently contains eighteen (18) wells that are completed in the Basin-Fruitland Coal Gas Pool. All wells within the area are currently operated by SG Interests I Ltd.

By surface commingling order No. 587-A, SG Interests I Ltd added the following eight (8) wells producing from the Basin Fruitland Coal Gas Pool to the El Pintado CDP Gas Gathering System.

Well Name and Number	API Number	Location	Lease Number
Federal 21-6-28 Well No. 3	30-043-21010	Sec.28, T-21N, R-6W	NMNM113429
Federal 21-6-29 Well No. 1	30-043-21056	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-29 Well No. 2	30-043-21057	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 1	30-043-21058	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 2	30-043-21059	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-7-25 Well No. 3	30-043-21017	Sec. 25, T-21N, R-7W	NMNM99739
Federal 21-7-26 Well No. 1	30-043-21062	Sec. 26, T-21N, R-7W	NMNM99739
Federal 21-7-35 Well No. 1	30-043-21060	Sec. 35, T-21N, R-7W	NMNM99739

SW
NE
NW
NE
NW
SW
NE
NE

SG Interests I Ltd now seeks to add the following three (3) wells producing from the Basin Fruitland Coal Gas Pool to the El Pintado CDP Gas Gathering System.

Federal 20-5-6 Well No. 3 API No. 30-031-21102, W/2 of Sect. 6, Lease No. NMNM99718.

Federal 21-6-19 Well No. 3 API No. 30-043-21047, S/2 of Sect. 19, Lease No. NMNM99731

Federal 21-7-19 Well No. 3 API No. 30-043-21049, W/2 of Sect. 19, Lease No. NMNM99737

All in T-20-N, R-5-W, and T-21-N, R-6, and 7 W, NMPM, Mckinley and Sandoval Counties, New Mexico.

IT IS THEREFORE ORDERED THAT:

The Surface Commingling Order No. CTB-587-A is hereby amended and the applicant, SG Interests I Ltd is hereby authorized to add the above referenced three (3) wells to the El Pintado Gas Gathering System. This approval is subject to like approvals from BLM and SLO.

Production shall be allocated by metering the gas production from each of the wells within the El Pintado CDP Gas Gathering System utilizing individual allocation meters. Gas production shall then be commingled and transported to a Public Service of New Mexico (PNM) gas sales meter

located within the NW/4 of Section 10, Township 20 North, Range 6 West. Production shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the procedure outlined in the application.

All liquids (oil, condensate and water) shall be separated, stored, measured and sold at each individual well.

All meter calibration shall be in conformance with Division Rule No. 19.15.12.10. NMAC

Additional existing or future drilled wells can be added to the commingling authority granted by this order without additional application or notice to interest owners provided that:

- a) the well(s) are located within the El Pintado CDP Gas Gathering System Area defined by this order;
- b) each new well is equipped with a gas allocation meter; and
- c) the well(s) produce from Basin-Fruitland Coal Gas Pool.

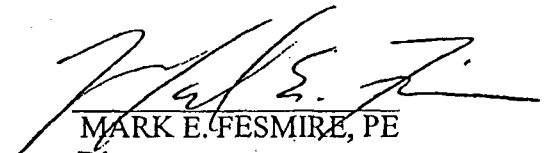
To obtain approval to add wells, SG Interests I Ltd. shall file Form C-103 (Sundry Notice) with the Santa Fe and Aztec Offices of the Division that describe the well(s) to be included. Additional notice may be required to the Bureau of Land Management (BLM) and/or the State Land Office (SLO).

To add additional wells located OUTSIDE of the El Pintado CDP Gas Gathering System to the gathering system, SG Interests I Ltd. must apply for an additional order or to amend this order and (per Rule 19.15.12 NMAC) must notify all owners of revenue interests within the existing El Pintado CDP Gas Gathering System as well as all owners of revenue interests in the new wells to be added.

This Order supersedes the Surface Commingling Order No. CTB-587-A issued on June 11, 2009.

NOTE: This installation shall be installed and operated in accordance with the applicable rules and regulations of the Division applicable to surface commingling. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.

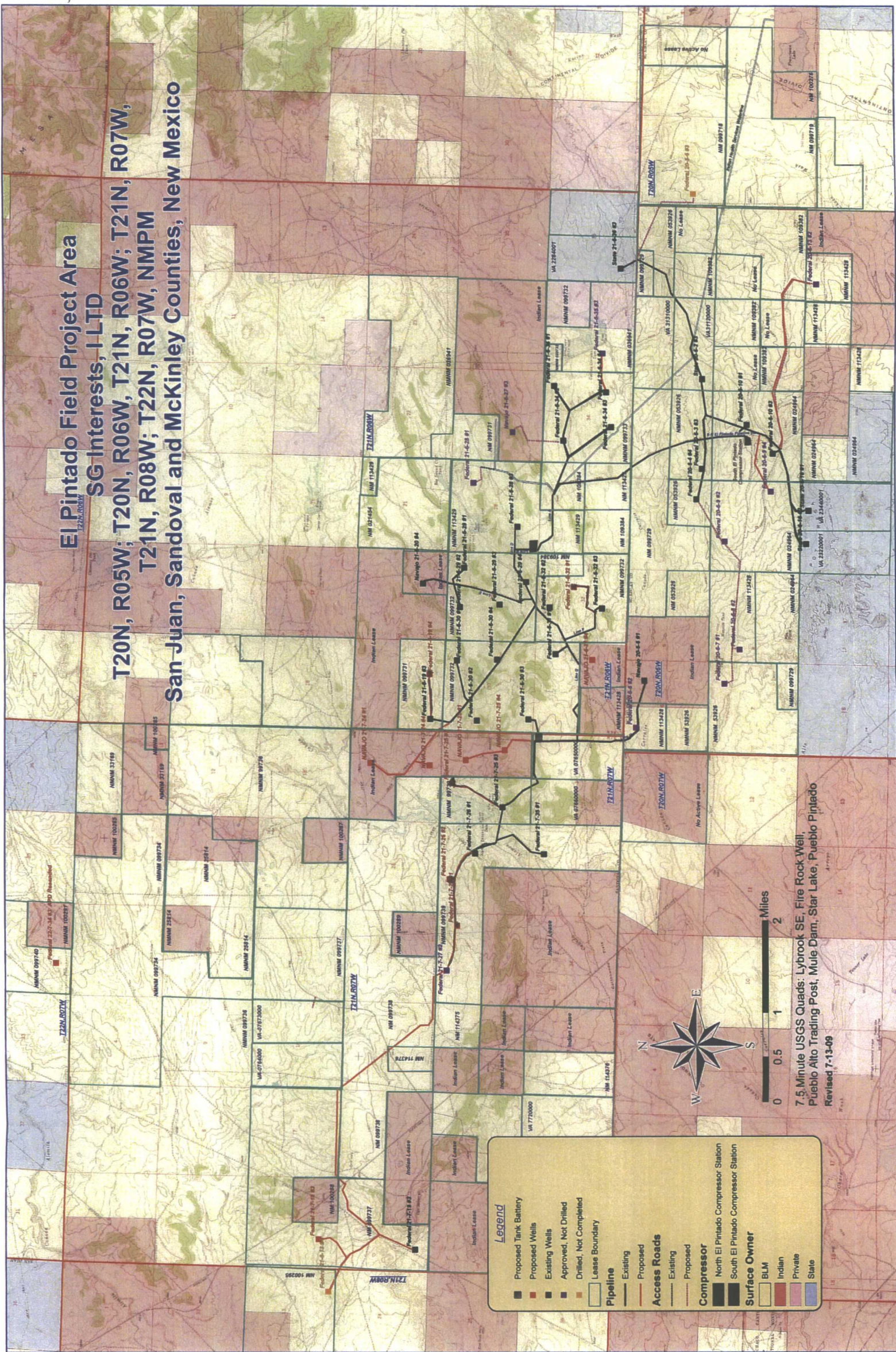

MARK E. FESMIRE, PE
Director

MEF/re

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
State Land Office – Oil, Gas, and Minerals Division

El Pintado Field Project Area SG Interests, ILTD

T20N, R05W; T20N, R06W, T21N, R06W; T21N, R07W,
T21N, R08W; T22N, R07W, NMPM
San Juan, Sandoval and McKinley Counties, New Mexico



Legend

- Proposed Tank Battery
- Proposed Wells
- Existing Wells
- Approved, Not Drilled
- Drilled, Not Completed
- Lease Boundary

Pipeline

- Existing
- Proposed

Access Roads

- Existing
- Proposed

Compressor

- North El Pintado Compressor Station
- South El Pintado Compressor Station

Surface Owner

- BLM
- Indian
- Private
- State

7.5 Minute USGS Quads: Lybrook SE, Fire Rock Well,
Pueblo Alto Trading Post, Mule Dam, Star Lake, Pueblo Pintado
Revised 7-13-09

REVENUE INTEREST OWNERS

Richard Dolecek
330 Conifer Drive
Evergreen, CO 80439

Advanced Tech O&G, Inc.
11547 Riverview Way
Houston, TX 77077

Penwell Employee Royalty Pool
c/o Penwell Energy
200 N. Loraine St.
Midland, TX 79701

William R. Schoen
5110 San Felipe #84-W
Houston, NM 77056

Seel Development Co
PO Box 2043
Austin, TX 78768

Probe Resources, Inc.
700 Louisiana, Suite 4250
Houston, TX 77002

Albert Haertlein
432 Cowan
Houston, TX 77007

Daniel Clark
6010 Burning Tree Dr
Houston, TX 77036

Douglas J. Kirn
3640 W. Warren Ave
Denver, CO 80210

United States of America
Minerals Management Service
PO Box 5810
Denver, CO 80217

Pintado Oil & Gas
100 Waugh Drive, Suite 400
Houston, TX 77007

Snyergy Operating, LLC
PO Box 5513
Farmington, NM 87499

Mr. John T. Cook
1610 Woodstead Court, Suite 180
The Woodlands, TX 77380

Thomas J. Gill
32043 Ponderosa Way
Evergreen, CO 80439

AROX (TEXAS) Inc.
110 Cypress Station
Suite 220
Houston, TX 77090

Merrion Oil & Gas Corp
610 Reilly Avenue
Farmington, Nm 87401-2634

Douglas A. Denton
1501 Princeton Street
Midland, Tx 79701

Ward K. & Jane C. Haas
PO Box 2255
Huntington, CT

Steven W. Weller
415 Bayou Cove Court
Houston, TX 77042

Scott C. Denison
415 Barkers Landing RD #14
Houston, TX 77079

State of New Mexico
Commissioner of Public Lands
PO Box 2308
Santa Fe, NM 87499

NEW:

James E. Geitgey
P. O. Box 51451
Midland, TX 79710

C Mark Wheeler
4929 Rustic Trail
Midland, TX 79707
Paul Barwis
5232 Indian Creek Rd
Loveland, CO 80538

John Thoma
1338 Wolff St.
Denver, CO 80204-7007

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Houston, TX 77079

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Total Postage	\$6.43



Sent To
c/o Penwell Energy
200 N. Loraine Street
Midland, TX 79701

PS Form 3800, August 2006

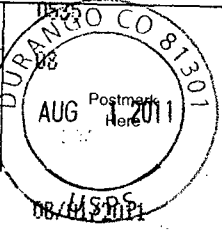
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Seel Development Co.
P. O. Box 2043
Austin, TX 78768

PS Form 3800, August 2006

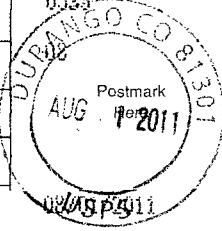
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Advanced Tech O&G, Inc.
11547 Riverview Way
Houston, TX 77077

PS Form 3800, August 2006

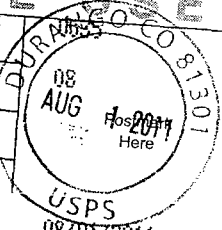
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William R. Schoen
5110 San Felipe #84-W
Houston, TX 77056

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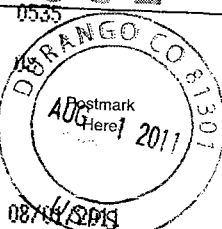
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Sent To
Probe Resources, Inc.
700 Louisiana, Suite 4250
Houston, TX 77002

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Total		\$6.43	

Sent To: Daniel Clark
6010 Burning Tree Drive
Houston, TX 77036

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Total F		\$6.43	

Sent To: John Thoma
1338 Wolff Street
Denver, CO 80204-7007

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Midland, TX 79710

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Total		\$6.43	

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432 Cowan
Houston, TX 77007

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Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Post		\$6.43	

Sent To: C Mark Wheeler
4929 Rustic Trail
Midland, TX 79707

Postmark Here: AUG 1 2011

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For delivery information visit our website at www.usps.com
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Postage	\$	\$1.28	0535
Certified Fee		\$2.85	
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Post		\$6.43	

Sent To: State of New Mexico
Commissioner of Public Lands
P. O. Box 2308
Santa Fe, NM 87499

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Certified Fee		\$2.85	08
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Postage		\$6.43	08/01/2011

Sent To
AROX (TEXAS) Inc.
110 Cypress Station, Suite 220
Houston, TX 77090

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

PS Form 3800, August 2006

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Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Postage		\$6.43	08/01/2011

Sent To
Synergy Operating, LLC
P. O. Box 5513
Farmington, NM 87499

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

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Certified Fee		\$2.85	08
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Post		\$6.43	08/01/2011

Sent To
United States of America
Minerals Management Service
P. O. Box 5810
Denver, CO 80217

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

PS Form 3800, August 2006

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Certified Fee		\$2.85	08
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total P.		\$6.43	08/01/2011

Sent To
Thomas J. Gill
32043 Ponderosa Way
Evergreen, CO 80439

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

PS Form 3800, August 2006

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Certified Fee		\$2.85	08
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Postage		\$6.43	08/01/2011

Sent To
Pintado Oil & Gas
100 Waugh Drive, Suite 400
Houston, TX 77007

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

PS Form 3800, August 2006

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Postage	\$	\$1.28	0535
Certified Fee		\$2.85	08
Return Receipt Fee (Endorsement Required)		\$2.30	
Restricted Delivery Fee (Endorsement Required)		\$0.00	
Total Pos		\$6.43	08/01/2011

Sent To
Douglas J. Kirn
3640 SW. Warren Ave
Denver, CO 80210

Street, Apt. No.,
or PO Box No.
City, State, ZIP+

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7010 3090 0002 9927 8456

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 SPRING TX 77300

Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Pos		\$6.43

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AUG 1 2011

Sent To Mr. John T. Cook
 1610 Woodstead Court, Suite 180
 The Woodlands, TX 77380

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7006 1300 0002 1275 7506

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 SPRING TX 77300

Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total F		\$6.43

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Sent To Ward K. & Jane C. Haas
 P. O. Box 2255
 Huntington, CT 06484

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 MIDLAND TX 79701

Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Po		\$6.43

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Sent To Douglas A. Denton
 1501 Princeton Street
 Midland, TX 79701

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7010 3090 0002 9927 8579

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For delivery information visit our website at www.usps.com
 EVERGREEN CO 80439

Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total F		\$6.43

08/01/2011

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Sent To Richard Dolecek
 330 Conifer Drive
 Evergreen, CO 80439

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7006 1300 0002 1275 7490

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For delivery information visit our website at www.usps.com
 HOUSTON TX 77042

Postage	\$	\$1.28
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Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Pos		\$6.43

08/01/2011

Postmark Here
AUG 1 2011

Sent To Steven W. Weller
 415 Bayou Cove Court
 Houston, TX 77042

PS Form 3800, August 2006

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7010 3090 0002 9927 8425

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For delivery information visit our website at www.usps.com
 FARMINGTON NM 87401

Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Po		\$6.43

08/01/2011

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Sent To Merrion Oil & Gas Corp
 610 Reilly Avenue
 Farmington, NM 87401-2634

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09/20/2011

17-28/09/2011

OFFICIAL RECEIPT

10 SEP 20 2011

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Postage	\$	\$1.28
Certified Fee		\$2.85
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total		\$6.43

Sent to

Mr. Paul Barwis

5232 Indian Creek Rd

Loveland, CO 80538

Sent by

Siree or PC

City

PS Form 3800, August 2006

See Reverse for Instructions

7010 3090 0002 9927 8647



Nika Energy Operating

July 26, 2011

Scott C. Denison
415 Barkers Landing Rd #14
Houston, TX 77079

Re: Proposed Additions to Off-Lease Measurement & Commingling
Of Sales through SG Interests I, LTd
El Pintado CDP Gas Gathering System
Section 10-T210N-R6W
Sandoval County, NM

Dear Mr. Denison:

During the last four years, SG Interests I, Ltd (100 Waugh Drive, Suite 400, Houston, TX 77007) submitted and received approval for Off-Lease Measurement and Commingling of Sales through the El Pintado Compressor Site (aka CDP: Central Delivery Point) Gas Gathering System for gas wells drilled in Townships 20N and 21N, Ranges 6 W and 7W, McKinley and Sandoval Counties, New Mexico. Those wells are located within the following leases in which you own some interest in the production being commingled (including royalty and overriding royalty interests).

Federal NMNM 99718
Federal NMNM 99731
Federal NMNM 99732
Federal NMNM99733
Federal NMNM99737
Federal NMNM53296
Federal NMNM24964
State Lease VA 2284
State Lease VA 3112
State Lease VA 2322
State Lease VA 2344
Federal NMNM99732
Federal NMNM99739
Federal NMNM113429

SG is currently requesting approval from the New Mexico Conservation Division to add four new Fruitland Coal wells to the El Pintado Gathering System. The additional wells have been drilled in Township 21N, Ranges 6 & 7W, Sandoval County, New Mexico; they are located within Federal leases NMNM99732 and NMNM99739.

The wells drilled on the subject leases are minimal producers at present (until they have been "de-watered"); it is necessary for the off-lease measurement and commingling of gas through the compressor to produce the wells, as these wells do not have enough pressure or make enough gas to power individual wellsite compression.

The New Mexico Conservation Division requires that all Revenue Interest Owners be notified by certified mail, return receipt requested, of SG Interests' intentions. Each Interest Owner has 20 days to notify the New Mexico Conservation Division (1220 Francis Drive, Santa Fe, NM 87505) **in writing** if they have any objection to SG's proposed project.

The division may approve SG's application administratively, without hearing, if no Interest Owner has filed an objection within the 20-day period. If any objections are received, the application shall be set by the State Office for a hearing. Please see the enclosed attachments for more detailed information on this project application.

Thank you in advance for your comments.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD

A handwritten signature in black ink, appearing to read "W. Schwab", is written over the printed name.

William (Tripp) Schwab
President

cc: SG Interests – Houston, TX
NMOCD – Aztec, NM
NMOCD – Santa Fe, NM

WS:jb

f

RECEIVED
AUG 10 2011
BY: _____

Salesperson: **Ad Taker:** 004

Ad#	Start	Stop	Publication	Description	Amount
00017262	07/30/2011	08/03/2011	01 The Independent	LE # 12756	258.00
00017262				Tax	20.82

SO. ATL. TEL. CO. LTD.

Project _____

A/E No. _____

Project is for _____ Corp.

For _____ Equip.

U.S. A/C No. _____

U.S. _____

Notes _____

App. ovals _____

ORIGINAL

El Pintado
surface comingling

Please return a copy with payment

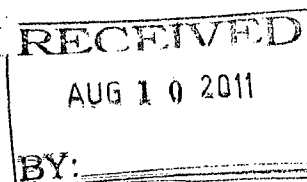
Total Due

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Legal # 12756 Published in The Independent July 30, 2011. August 1 & 3, 2011.

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Account Information

Phone: (970) 259-2701
Name: NIKA ENERGY OPERATING LLC
Account #: C81079
Address: PO BOX 2677

DURANGO, CO 81302

Client:
Email:
Placed by:
Fax #:

Ad Information

Classification: -
Start date: 08-09-11
Stop date:
Insertions:
Description:
Rate code:
Publications:

Size: 1 x
Billed size: 0.00 Inches
Ad #: 6924213
Ad type: Liner Ad

SG INTERESTS V. LTD.

Project	_____
AFE No.	_____
Tangibles Drig.	_____ Comp. _____
IDC Drig.	_____ Comp. _____
W/C IDC Cap	_____ Exp. _____
LOE:	_____
Other	_____
Approvals	_____

Ad Cost: \$ 0.00
Tax @ 7.0000%: \$
Tax @ 7.4375%: \$
Tax @ 8.1875%: \$
Total: \$ 0.00

Ad Copy:

*Statement to come at
the end of the month.*

STATE OF NEW MEXICO
County of Bernalillo

SS

On behalf of SG Interests I, Ltd. (100 Waugh Dr., Suite 400, Houston, TX 77007), Nika Energy Operating, LLC (PO Box 2677, Durango, CO 81302) is proposing to add 4 new Fruitland Coal wells to Off-Lease Gas Measurement & Commingling of Sales through SG Interests I, Ltd. El Pintado CDP Gas Gathering System (Central Delivery Point - Sec 10-T20N-R6W, Sandoval County, NM). SG Interests I, Ltd. received approval from BLM and the State of New Mexico OCD in 2008 for Off-Lease Measurement through the El Pintado CDP Gas Gathering System for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, NM (Order CTB-587), 2009 for gas wells drilled in Townships 21N, Ranges 6W and 7W Sandoval County, NM (Order CTB-587-A) and in 2010 for gas wells drilled in Township 20N, Range 5W, McKinley County, NM and in Township 21N, Ranges 6W and 7W in Sandoval County, NM (Order CTB-587-B). The current

Linda MacEachen, being duly sworn, declares and says that she is Classified Advertising Manager of **The Albuquerque Journal**, and that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, and that payment therefore has been made of assessed as court cost; that the notice, copy of which is hereto attached, was published in said paper in the regular daily edition, for 3 times, the first publication being on the 3rd day of August, 2011, and the subsequent consecutive publications on August 5 + 7

Linda MacEachen

Sworn and subscribed before me, a Notary Public, in and for the County of Bernalillo and State of New Mexico this 8th day of August of 2011.

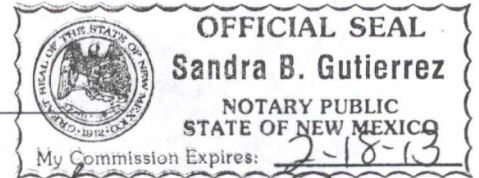
PRICE

\$98.19

Statement to come at end of month.

ACCOUNT NUMBER

C81079



Sandra B. Gutierrez

CLA-22-A (R-1/93)