

DATE IN <u>7/29/09</u>	SUSPENSE	ENGINEER <u>Brooks</u>	LOGGED IN <u>7/29/09</u>	TYPE <u>NSL</u>	APP NO. <u>PTGW 0921054515</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



30-043-  
 Federal 21.7-25#2  
 Nika Energy agent for  
 SG Interests

**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

[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.

MARCIA STEWART  
 Print or Type Name

Marcia Stewart  
 Signature

AGENT FOR SG INTERESTS  
 Title

7/22/09  
 Date

marcia@nikaenergy.com  
 e-mail Address

# Nika Energy Operating

July 22, 2009

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

Attention: Mr. Richard Ezeanyim

RE: Application for Non-Standard Location  
FEDERAL 21-7-25 #2 Proposed Gas Well  
725' FNL, 2315' FWL (NENW)  
Sec 25-T21N-R4W  
Sandoval County, NM

RECEIVED OCD  
2009 JUL 29 P 1:28

Dear Mr. Ezeanyim:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (100 Waugh Dr, Suite 400, Houston, TX 77007) is requesting approval from the New Mexico Conservation Division for an exception location for the captioned well. NMOCD Rules state that if a well is located less than 660' from the lease line of the spacing unit, an approval for a non-standard location is required. The lease/spacing unit for the captioned well is the W/2 of Sec 25 (see Survey Plat attached).


The reason for our exception location request is topography. There is a lake/flood plain covering most of the NW/4 of Section 26; if the proposed wellsite were moved further west in order to qualify for a "standard location", the well would be within or too close to the flood plain (please see map attached).

As required by NMOCD, a certified letter has been sent to FIMO on behalf of the closest adjacent lease owner, Allottee 1700. A copy of the letter and proof of mailing is included with this application.

If you have any questions or need additional information, please give me a call at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC  
AGENT FOR SG INTERESTS

  
Marcia Stewart  
Engineering Assistant

cc: Robbie Guinn  
SG Interests - Houston, TX

NMOCD  
Aztec, NM  
P.O. Box 2677 • Durango, Colorado 81302 • 970.259.2701 • Fax: 970.385-1598

1625 N. French Dr, Hobbs, NM 88240  
District II  
 1301 W. Grand Avenue, Artesia, NM 88210  
District III  
 1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
 1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals & Natural Resources Department  
OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Revised October 12, 2005  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

<sup>1</sup> API Number 30-043-21072		<sup>2</sup> Pool Code 71629	<sup>3</sup> Pool Name Basin Fruitland Coal	
<sup>4</sup> Property Code	<sup>5</sup> Property Name FEDERAL 21-7-25			<sup>6</sup> Well Number 2
<sup>7</sup> OGRID No. 20572	<sup>8</sup> Operator Name SG INTERESTS I, LTD.			<sup>9</sup> Elevation 6685

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South Line	Feet from the	East/West Line	County
C	25	21 N	7 W		725	North	2315	West	Sandoval

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South Line	Feet from the	East/West Line	County
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12 Dedicated Acres 320 W/2	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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.

<p>16</p> <p>N 89°40' W</p> <p>80.66 Ch.</p> <p>2315'</p> <p>725'</p> <p>Lat. 36.02742° N Long. 107.52969° W</p> <p>Sec.</p>	<p>79.79 Ch.</p> <p>80.76 Ch.</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns the working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>William E. Mahinke II</i> Signature 11/30/2008 Date</p> <p>William E. Mahinke II Printed Name</p>
<p>N 0°05' W</p> <p>N 89°35' W</p>	<p>25</p> <p>79.51 Ch.</p>	<p>18 SURVEYOR CERTIFICATION</p> <p>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.</p> <p>05 Dec 2008 Date of Survey</p> <p><i>William E. Mahinke II</i> Signature and Seal of Professional Surveyor</p> <p>William E. Mahinke II Certificate Number 8466</p>

### Bearings from GLO Plat

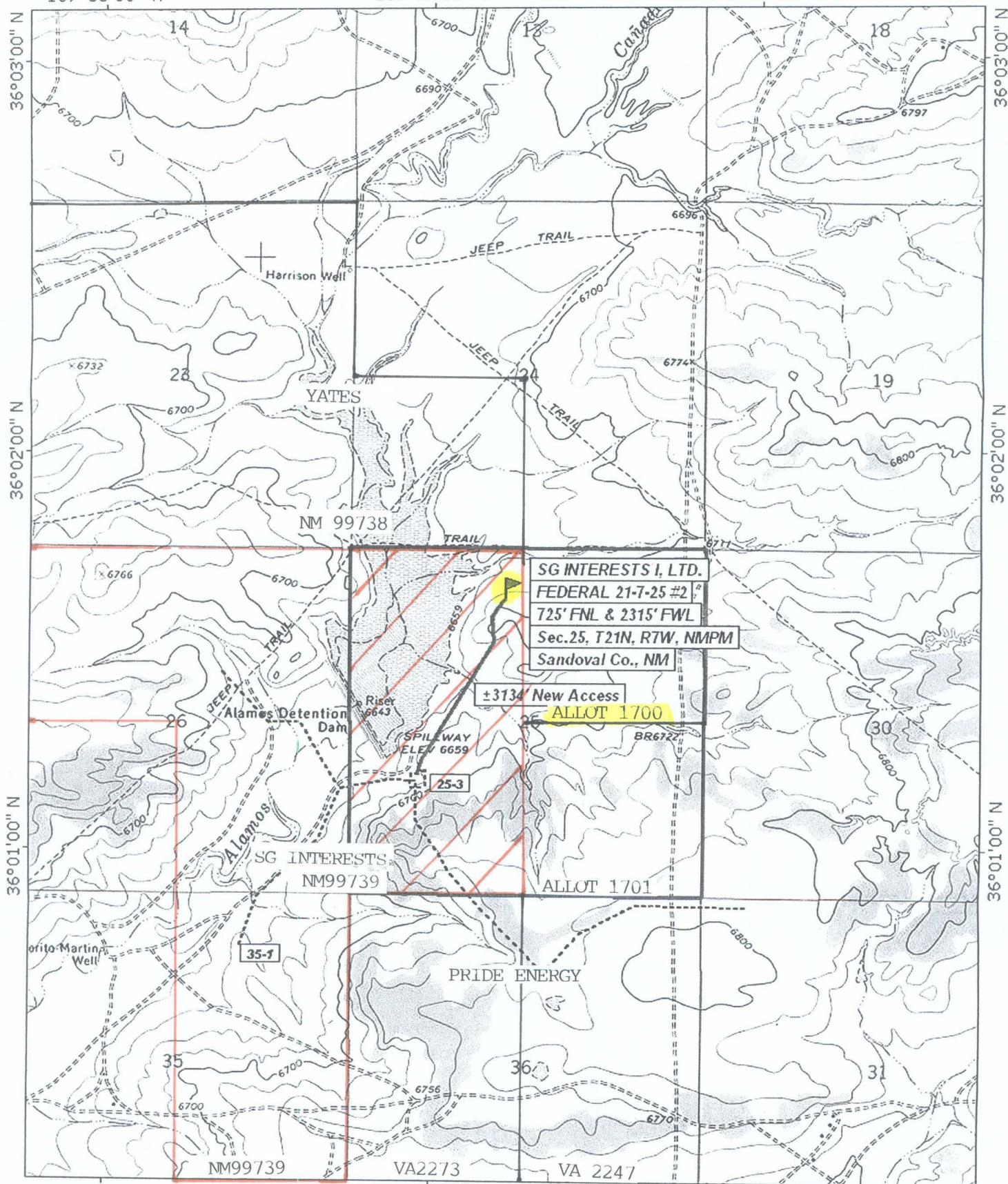


FEDERAL 21-7-25 #2

107°33'00" W

107°32'00" W

WGS84 107°31'00" W



TN★MN  
10½°

Map created with TOPO!® ©2003 National Geographic (www.nationalgeographic.com/topo)

# *Nika Energy Operating*

July 22, 2009

FIMO  
1235 La Plata Highway, Suite B  
Farmington, NM 87401

Attention: Christine Bitsoi

RE: Non-Standard Well Location  
Federal 21-7-25 #2 Proposed Gas Well  
725' FNL, 2315' FWL  
(NENW) Sec 25-T21N-R7W  
Sandoval County, New Mexico  
Federal Lease No. 099739  
Closest Adjacent Lease Owner – Allotee 1700

Dear Ms. Bitsoi:

Nika Energy Operating, LLC (PO Box 2677, Durango, Colorado), on behalf of SG Interests I, Ltd (100 Waugh Drive, Suite 400, Houston, TX 77007), proposes to drill a Fruitland Coal Gas Well as captioned above. The dedicated spacing unit is the W/2 of Sec 25. A standard location requires the wellsite to be at least 660 feet from the outer boundary of the quarter section line; Our proposed wellsite location is only 317 feet from the N/S line of the section due to the close proximity of the Alamos Detention Dam (see attached map). If the wellsite is moved far enough west to comply with standard location regulations, the wellsite will be within the flood plane or inside the boundary of the dam itself.

In order to receive approval to drill on a non-standard wellsite, New Mexico Oil Conservation Division requires that all owners of the closest adjacent spacing unit be notified by Certified Mail. The owner has 20 days from the date of receipt of this letter to file an objection to our non-standard location with the New Mexico Oil Conservation Division, 1220 So. St. Francis Drive, Santa Fe, NM 87505. The director may grant an exception to the standard location requirements upon receipt of a waiver from the affected party or if no affected person has filed an objection within the 20-day period.

If you have any questions or need additional information, please give me a call at the phone number listed on the bottom of the letterhead page.

Sincerely,

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

*Marcia Stewart*

Marcia Stewart  
Engineering Assistant

cc: Robbie Guinn  
SG - Houston, TX

7008 1300 0002 1275 7209

U.S. Postal Service™ <b>CERTIFIED MAIL™ RECEIPT</b> (Domestic Mail Only; No Insurance Coverage Provided)		
For delivery information visit our website at <a href="http://www.usps.com">www.usps.com</a>		
<b>OFFICIAL USE</b>		
Postage	\$	\$0.44
Certified Fee		\$2.80
Return Receipt Fee (Endorsement Required)		\$2.30
Restricted Delivery Fee (Endorsement Required)		\$0.00
Total Postage & Fees	\$	\$5.54
Attn: Christine Bitsoi FIMD FIMD 1235 La Plata Highway, #B Farmington, NM 87401		
PS Form 3800, June 2009		

Postmark Here  
JUL 22 2009  
DURANGO CO 81301