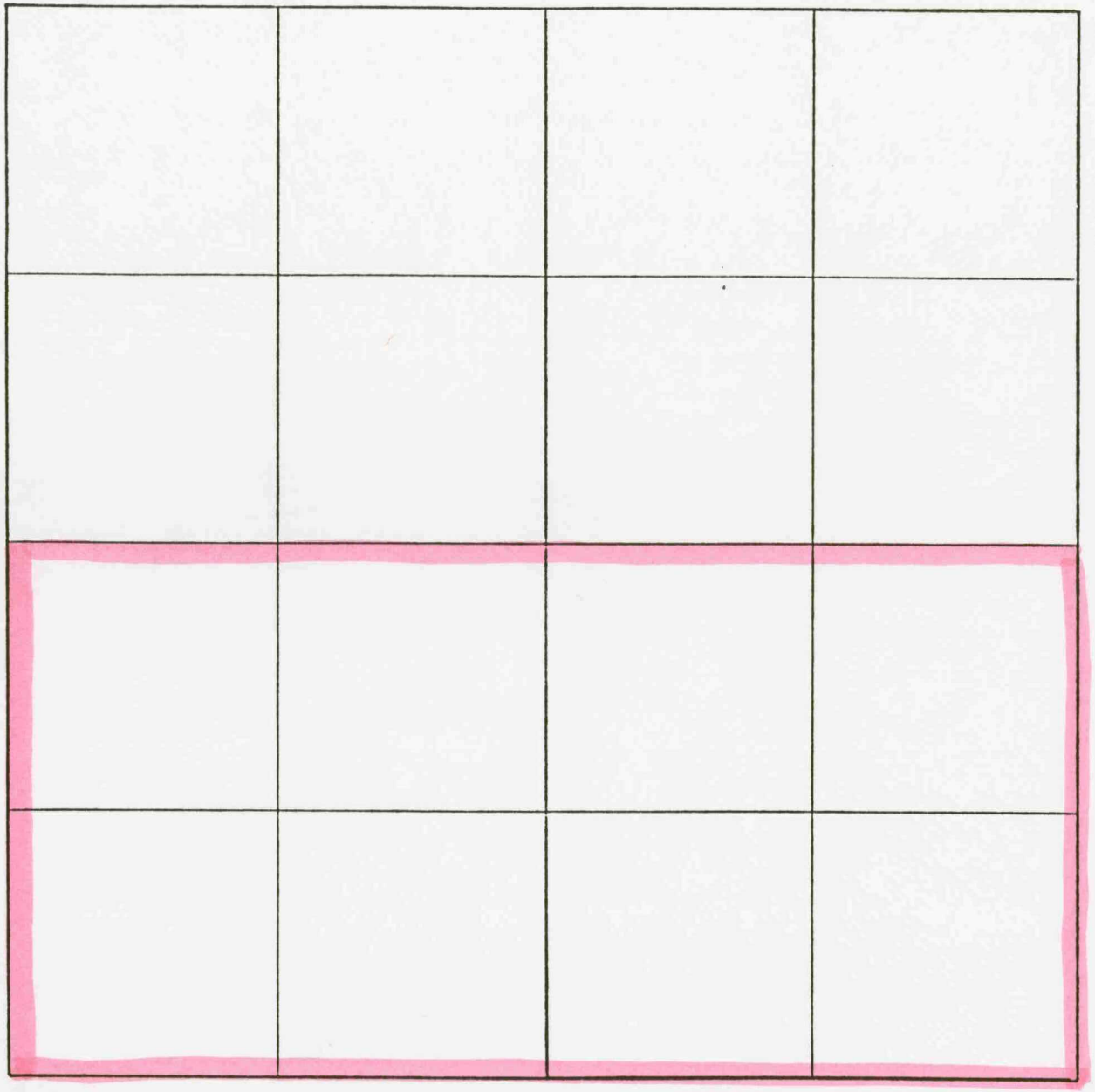


SECTION 2 TOWNSHIP 29 North RANGE 9 West

Submit to Appropriate
District Office
State Lease – 6 copies
Fee Lease – 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

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

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

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

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

92 AUG 10 PM 9:30

RECEIVED

AUG 06 1992

OIL CON. DIV.
DIST. 3

API NO. (assigned by OCD on New Wells)
30-045-28737

5. Indicate Type of Lease STATE [XX] FEE [ ]

6. State Oil & Gas Lease No.
E-1203-11

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:
DRILL [X] RE-ENTER [ ] DEEPEN [ ] PLUG BACK [ ]

b. Type of Well:
OIL WELL [ ] GAS WELL [X] OTHER SINGLE ZONE [X] MULTIPLE ZONE [ ]

7. Lease Name or Unit Agreement Name
State 29-9-2

2. Name of Operator
SG Interests I, Ltd.

8. Well No.
2 S/32.0

3. Address of Operator
P.O. BOX 421, Blanco, NM 87412-0421

9. Pool name or Wildcat
Basin Fruitland Coal

4. Well Location
Unit Letter L : 1725' Feet From The South Line and 1190 Feet From The West Line

Section 2 Township 29N Range 9W NMPM San Juan County

10. Proposed Depth	11. Formation	12. Rotary or C.T.
3160'	Fruitland Coal	Rotary

13. Elevations (Show whether DF, RT, GR, etc.)	14. Kind & Status Plug. Bond	15. Drilling Contractor	16. Approx. Date Work will start
6400' GL, 6413' KB	Blanket	Walters Drilling	August 15, 1992

17. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12-1/4"	8-5/8"	24#, J-55	250'	200 Class Bw/2% $CaCl_2$	surface
7-7/8"	5-1/2"	15.5#, J-55	3160'	660 65/35 Pozmix w/ 6% gel & 100 sx Class B neat tail.	surface

SG Interests I, Ltd., proposes to drill a vertical hole to develop the Fruitland Coal formation at the above described site. A fresh water based low solids non-dispersed mud will be used to drill to TD. A double ram type preventer with a choke assembly will be used to maintain well control at all times during drilling operations. Schematic sketches of the of the BOP equipment and choke assembly along with a description of the equipment are included as exhibits to this application. A full suite of open hole logs will be run upon reaching TD. Both strings of casing will be cemented back to surface in separate single stage cement jobs. A high density cement will be placed across the pay zone and at least five hundred feet above the bottom of the hole. A minimum of ten centralizers will be used to optimize placement of the cement around the pipe.

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. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

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

SIGNATURE A. M. O'Hare TITLE Agent for SG Interests I, Ltd. DATE August 4, 1992

TYPE OR PRINT NAME A. M. O'Hare TELEPHONE NO. (505) 325-55[illegible]

(This space for State Use)

APPROVED BY Ernie Busch TITLE DEPUTY OIL & GAS INSPECTOR, DIST. #3 DATE AUG 10 1992

CONDITIONS OF APPROVAL, IF ANY:

APPROVAL EXPIRES 2-10-93
UNLESS DRILLING [illegible] COMMENCED.
SPUD NOTICE [illegible] SUBMITTED
WITHIN 10 DAYS.

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

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

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

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator	Lease	Well No.
S G INTERESTS I, LTD.	State 29-9-2	2

Unit Letter	Section	Township	Range	County
L	2	29 N	9 W NMPM	San Juan

Actual Footage Location of Well:
1725 feet from the South line and 1190 feet from the West line

Ground level Elev.	Producing Formation	Pool	Dedicated Acreage:
6400	Fruitland Coal	Basin Fruitland	320 Acres

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.

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).

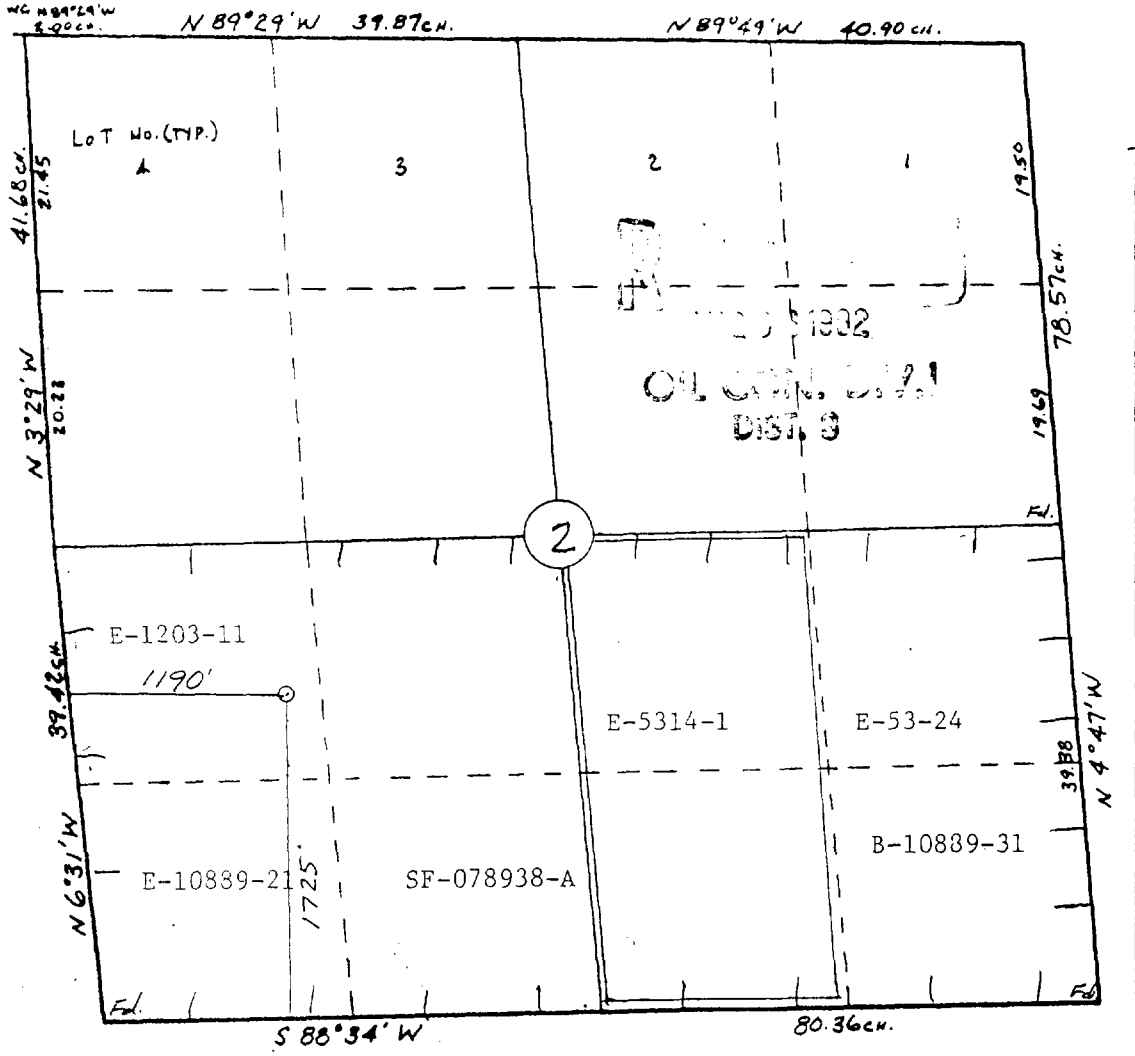
3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

[X] Yes [ ] No If answer is "yes" type of consolidation Communitization

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.

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0



OPERATOR CERTIFICATION

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

Signature: A. M. O'Hare

Printed Name: A. M. O'Hare

Position: President/Agent

Company: Maralex Resources, In
Agent for SG Interests I,

Date: August 4, 1992

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 supervison, and that the same is true and correct to the best of my knowledge and belief.

8-3-92

Date Surveyed

William E. Mahnke II

Signature & Seal of Professional Surveyor

WILLIAM E. MAHNKE II
NEW MEXICO
#8466
REGISTERED PROFESSIONAL LAND SURVEYOR

Certificate No. 8466

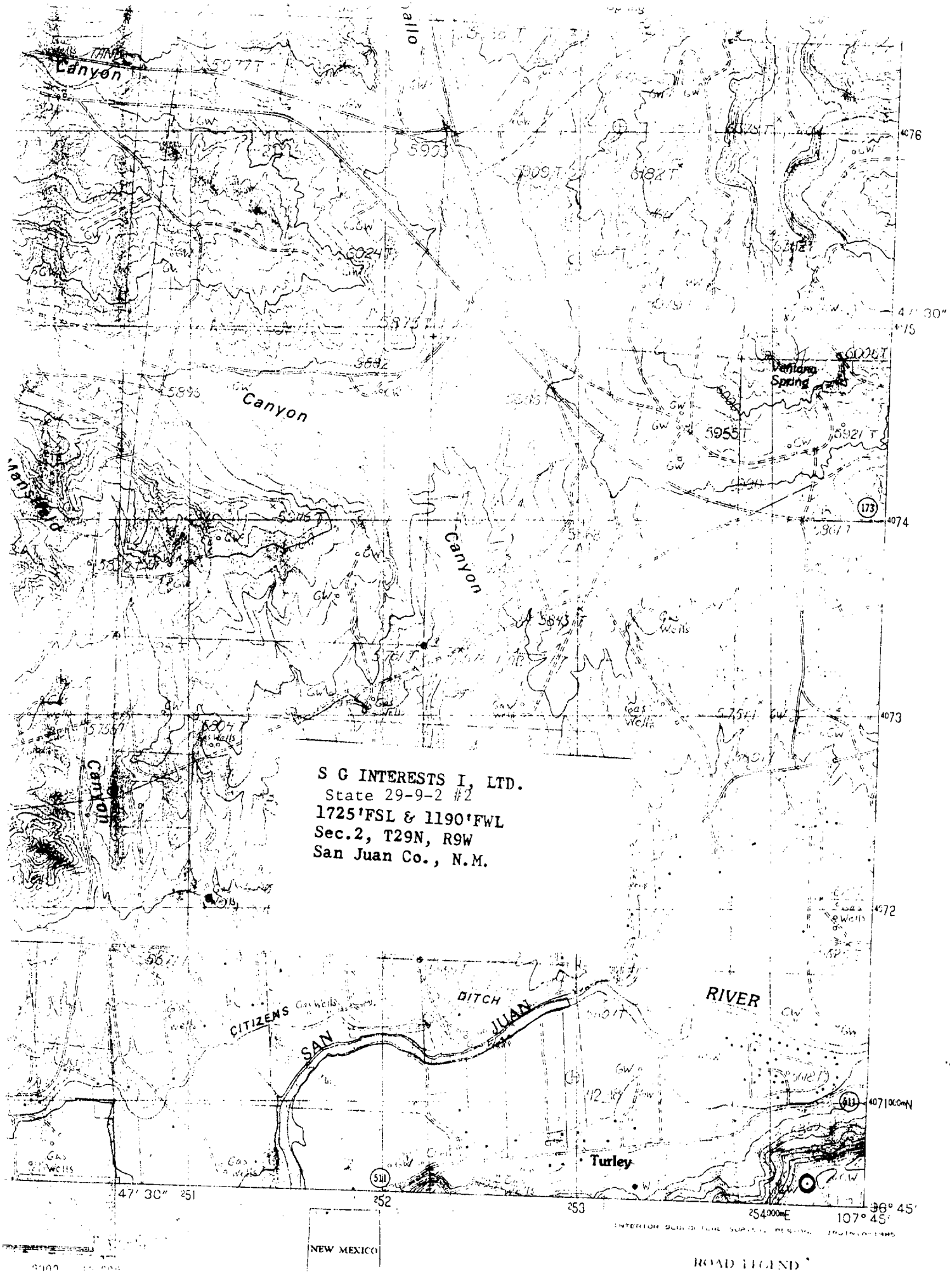

S G INTERESTS I, LTD.
State 29-9-2 #2
1725'FSL & 1190'FWL
Sec.2, T29N, R9W
San Juan Co., N.M.
Canyon
Canyon
Canyon
Ventana Spring
SAN JUAN
DITCH
CITIZENS
RIVER
Turley
NEW MEXICO
ROAD LEGEND
47' 30"
36° 45'
107° 45'
4076
4075
4074
4073
4072
4071000mN
254000mE
251
252
253

Exhibit #1

BOP Stack Arrangement

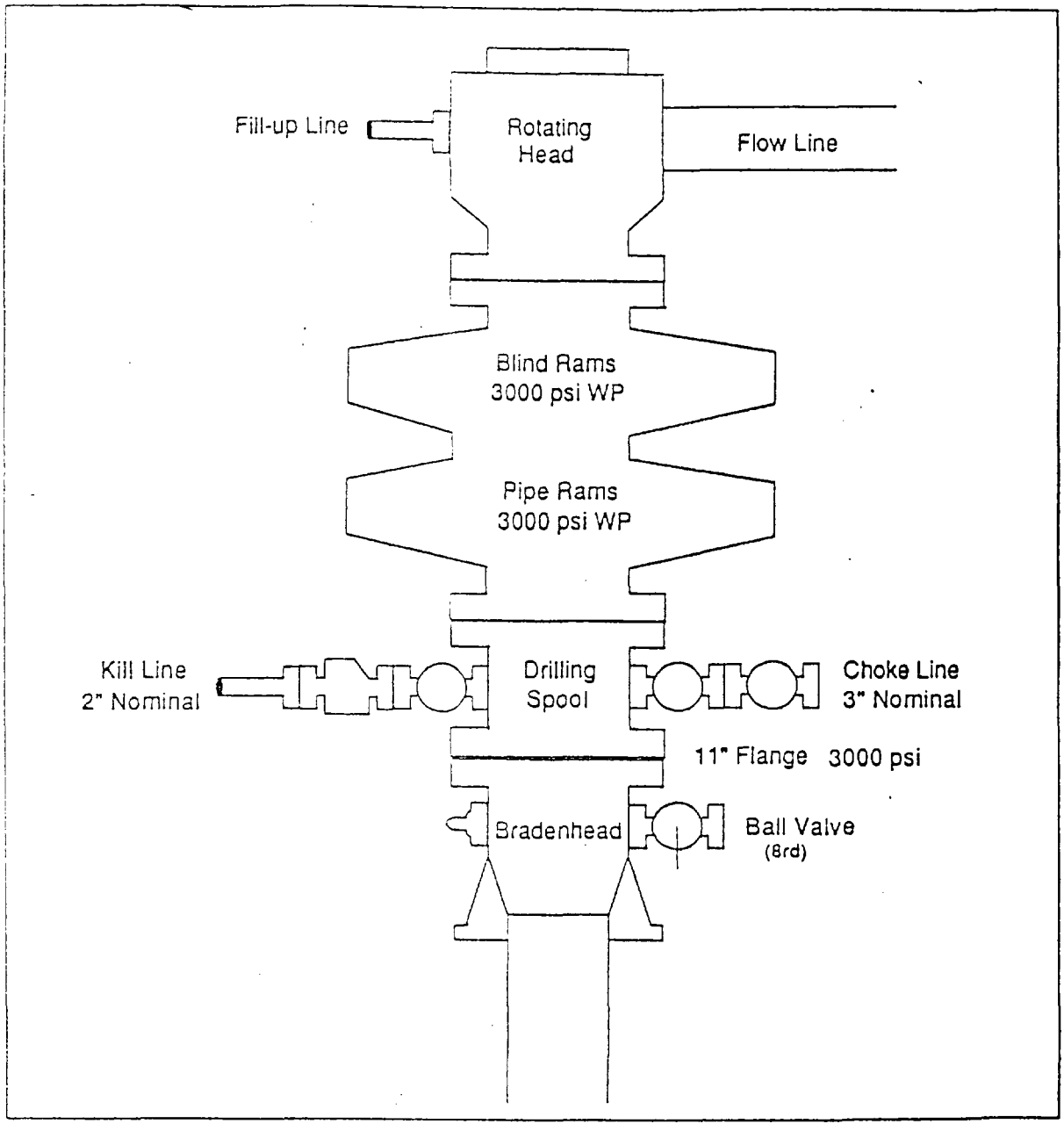
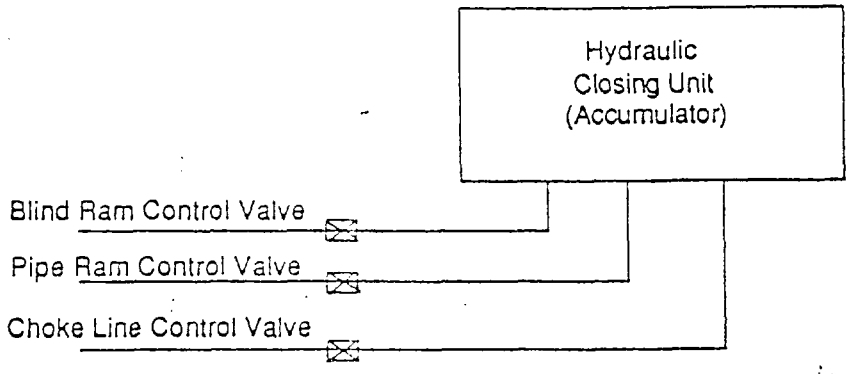


Exhibit #2

Choke Manifold & Accumulator Schematic



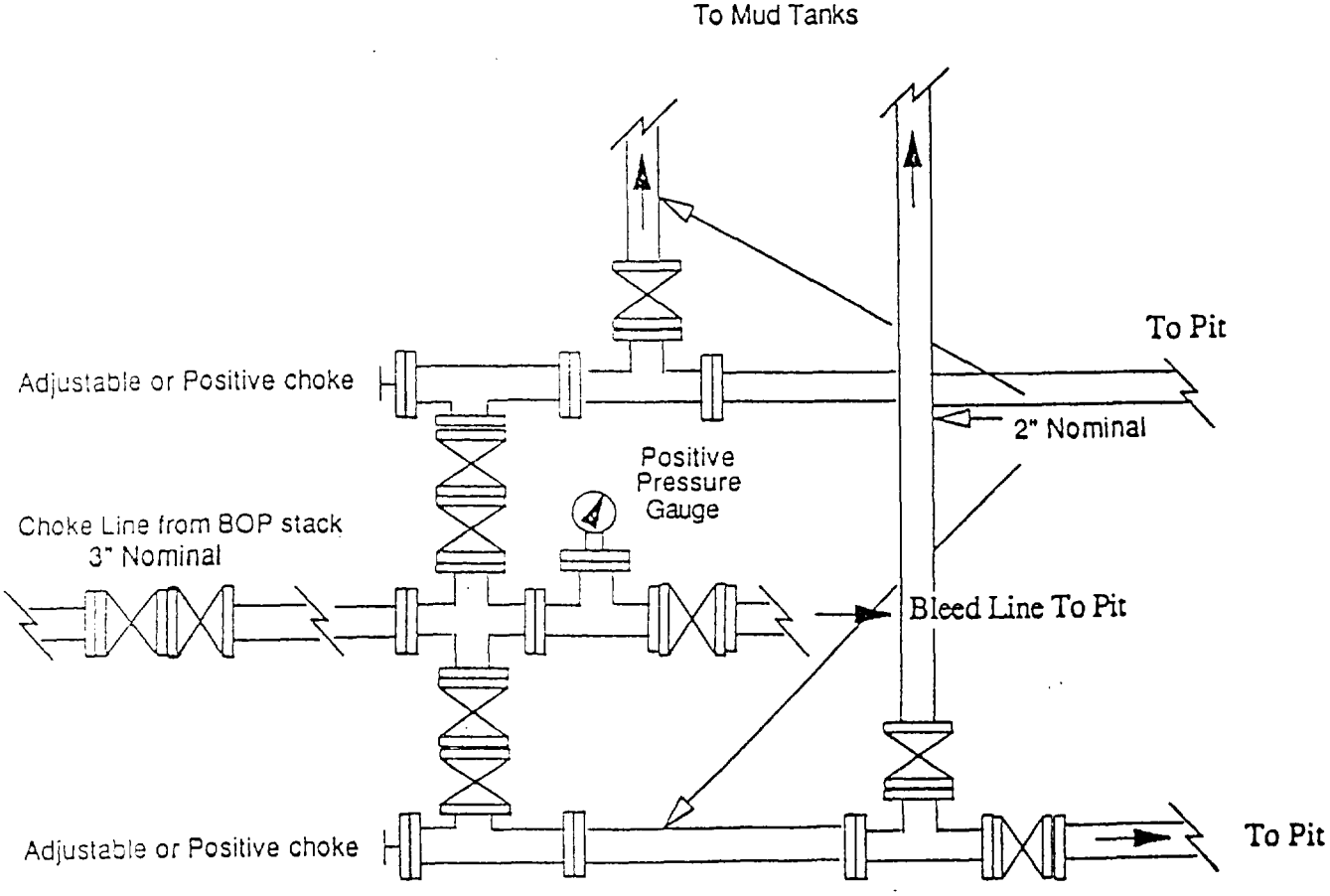


Exhibit #3

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.