

Submit 3 Copies  
to Appropriate  
District Office

State of New Mexico  
Energy, Minerals and Natural Resources Department

Form C-103  
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

WELL API NO.  
30-045-28789

5. Indicate Type of Lease  
STATE  FEE

6. State Oil & Gas Lease No.  
-

SUNDRY NOTICES AND REPORTS ON WELLS  
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A  
DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT'  
(FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name

Trujillo 29-10-21

1. Type of Well:  
OIL WELL  GAS WELL  OTHER

2. Name of Operator  
SG Interests I, Ltd.

8. Well No.  
2

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 M : 1165 Feet From The South Line and 645 Feet From The West Line  
Section 21 Township 29N Range 10W NMPM San Juan County

10. Elevation (Show whether DF, RKB, RT, GR, etc.)  
5481' GL & 5494' KB

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:

SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK  PLUG AND ABANDON

REMEDIAL WORK  ALTERING CASING

TEMPORARILY ABANDON  CHANGE PLANS

COMMENCE DRILLING OPNS.  PLUG AND ABANDONMENT

PULL OR ALTER CASING

CASING TEST AND CEMENT JOB

OTHER:

OTHER:

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

OIL CONSERVATION DIVISION RECEIVED  
'92 NOV 25 AM 8 21  
Production Casing: TD @ 1916' on 11-09-92  
Hole Size: 7 7/8"  
Casing: 45 Jts (1900.20'), 5 1/2", 15.5#, J-55, LT&C, Casing set @ 1912.20', Guide Shoe @ 1912.20', Float Collar @ 1867.08', 12 Centralizers @ 1892', 1850', 1766', 1682', 1598', 1514', 1430', 1346', 1262', 1178', 1094', & 1010'.  
Cement: 35 sx Scavenger + 290 sx Class B 65/35 Poz Mix w/6% gel (1.93 Yield/559.7 cu ft) + 100 sx Class B w/1% CF-14" & 0.4% Thrifty Lite (1.19 Yield/119 cu ft). Circ 25 bbls cement to surface.  
Bump Plug w/1250 psi. Plug Down @ 8:55 AM on 11-10-92.

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

SIGNATURE Carrie A. Baze TITLE Agent DATE 11/13/92  
TYPE OR PRINT NAME Carrie A. Baze TELEPHONE NO. (915) 694-6107

(This space for State Use)

APPROVED BY [Signature] TITLE SUPERVISOR DISTRICT II DATE 11/13/92  
CONDITIONS OF APPROVAL, IF ANY:

Submit 3 Copies to Appropriate District Office

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-103 Revised 1-1-89

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

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

WELL API NO. 30-045-28789

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

6. State Oil & Gas Lease No. -

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE 'APPLICATION FOR PERMIT' (FORM C-101) FOR SUCH PROPOSALS.)

7. Lease Name or Unit Agreement Name Trujillo 29-10-21

1. Type of Well: OIL WELL [ ] GAS WELL [X] OTHER

8. Well No. 2

2. Name of Operator SG Interests I, Ltd.

9. Pool name or Wildcat Basin Fruitland Coal

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

4. Well Location Unit Letter M : 1165 Feet From The South Line and 645 Feet From The West Line Section 21 Township 29N Range 10W NMPM San Juan County

10. Elevation (Show whether DF, RKB, RT, GR, etc.) 5481' GL & 5494' KB

11. Check Appropriate Box to Indicate Nature of Notice, Report, or Other Data NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK [ ] PLUG AND ABANDON [ ] TEMPORARILY ABANDON [X] 3/1992 CHANGE PLANS [ ] PULL OR ALTER CASING [ ] OTHER: [ ] SUBSEQUENT REPORT OF: REMEDIAL WORK [ ] ALTERING CASING [ ] COMMENCE DRILLING OPNS. [X] PLUG AND ABANDONMENT [ ] CASING TEST AND CEMENT JOB [X] OTHER: [ ]

12. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

OIL CONSERVATION DIVISION RECEIVED '92 NOV 25 AM 8 21

Spud Date: 11-07-92 @ 1:30 AM Hole Size: 12 1/4" Casing: 6 Jts (247.84') 8 5/8", 24#, J-55, ST&C, Casing set @ 259.84', Guide Shoe @ 259.84', Insert Float @ 216.88', 3 Centralizers @ 239.84', 155.84', 71.84'. Cement: 250 sx Class B w/2% CaCl (1.18 Yield/295 cu ft). Circ 9 bbls cement to surface. Pressure Test: Pressure tEst BOP Stack & Float Equipment to 600 psi - Held OK. Pressure Test Casing to 600 psi - Held OK.

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

SIGNATURE Carrie A. Baze TITLE Agent DATE 11/13/92 TYPE OR PRINT NAME Carrie A. Baze (915) 694-6107 TELEPHONE NO.

(This space for State Use) APPROVED BY [Signature] TITLE SUPERVISOR DISTRICT III DATE NOV 18 1992

Permit to appropriate  
 District Office  
 State Lease - 6 copies  
 Fee Lease - 5 copies

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

API NO. (assigned by OCD on New Wells)  
 RECEIVED  
 92 OCT 10 10 30  
 5. In State or of State  
 STATE  FEE   
 6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work:  
 DRILL  RE-ENTER  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, New Mexico 87412-0421  
 4. Well Location  
 Unit Letter M : 1165 Feet From The South Line and 645 Feet From The West Line  
 Section 21 Township 29N Range 10W NMPM San Juan County  
 7. Lease Name or Unit Agreement Name  
 Trujillo 29-10-21  
 8. Well No.  
 2 5/320  
 9. Pool name or Wildcat  
 Basin Fruitland  
 10. Proposed Depth  
 1950'  
 11. Formation  
 Fruitland Coal  
 12. Rotary or C.T.  
 Rotary  
 13. Elevations (Show whether DF, RT, GR, etc.)  
 5481' GL, 5494' KB  
 14. Kind & Status Plug. Bond  
 Blanket  
 15. Drilling Contractor  
 Walters Drilling  
 16. Approx. Date Work will start  
 October 10, 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 B neat surface	
7-7/8"	5-1/2"	15.5#, J-55	1950'	200 sx 65/35 Poz surface mix w/6% gel &	

SG Interests I, Ltd. proposes to drill a vertical hole to develop the Fruitland tail Coal formation at the above described site. The well will be drilled with a low solids non-dispersed mud. A double ram type blowout preventer will be used to maintain well control at all times during the drilling of the well. Schematic sketches of the BOP and choke assembly, along with a description of that equipment are included as Exhibits to this application. A full suite of logs will be run upon reaching TD. Both strings of casing will be cemented in separate single stage cement jobs. A high strength cement will be placed across the pay zones 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 on the long string.

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 9/29/92  
 TYPE OR PRINT NAME A. M. O'Hare, P. E. TELEPHONE NO. (505) 325-5599

(This space for State Use)  
 APPROVED BY Luis Burch TITLE DEPUTY OIL & GAS INSPECTOR DATE OCT 05 1992  
 CONDITIONS OF APPROVAL, IF ANY:

*Hold C-104 For NSC*

APPROVAL EXPIRES 4-5-93  
 UNLESS DRILLING IS COMMENCED.  
 SPUD NOTICE MUST BE SUBMITTED  
 WITHIN 10 DAYS.

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**

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

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

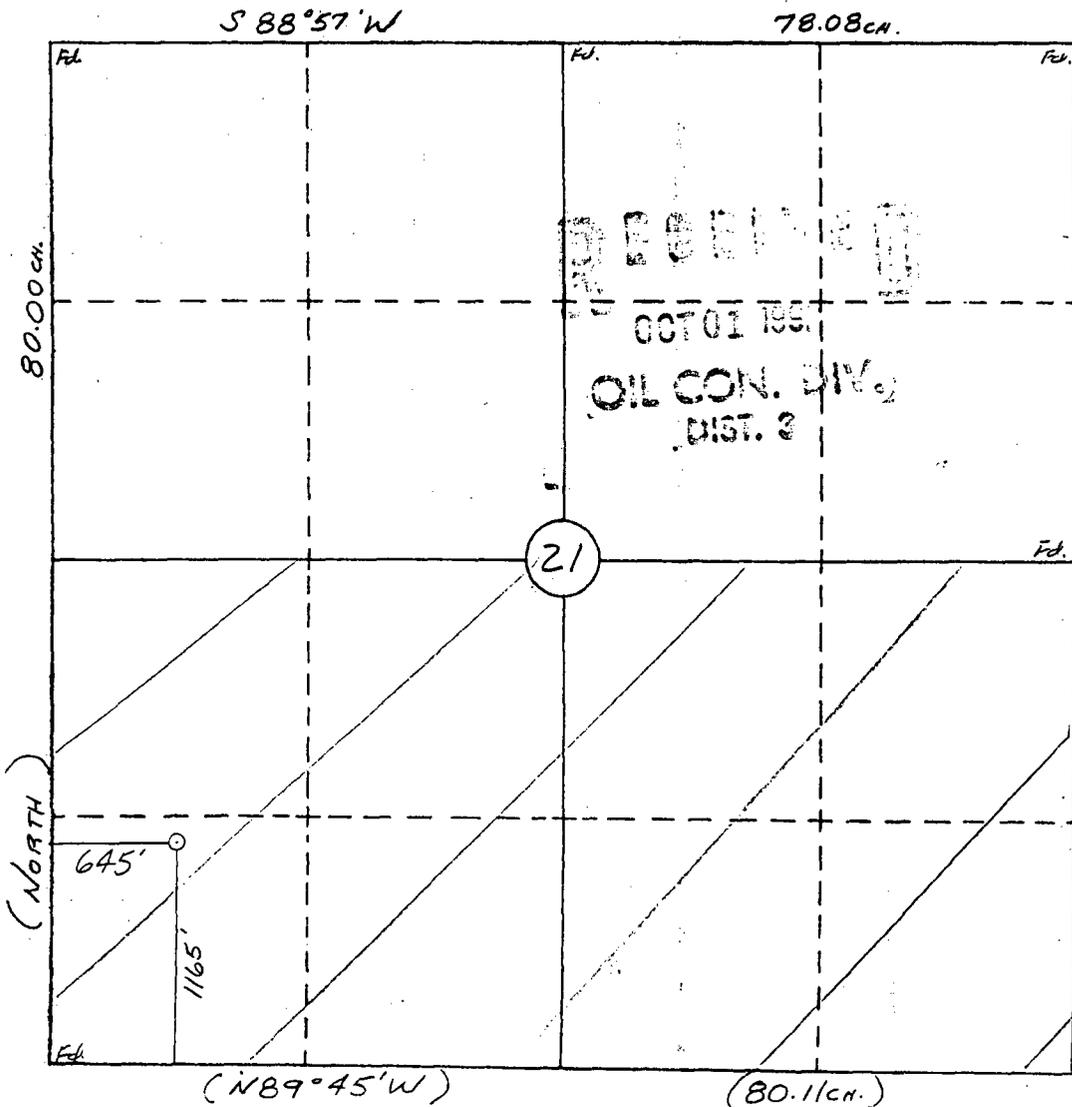
**DISTRICT II**  
 P.O. Drawer DD, Artesia, NM 88210

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

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

All Distances must be from the outer boundaries of the section

Operator <b>S G INTERESTS I, LTD.</b>		Lease Trujillo 29-10-21		Well No. 2
Unit Letter M	Section 21	Township 29 N	Range 10 W	County San Juan
Actual Footage Location of Well: 1165 feet from the South line and 645 feet from the West line				
Ground level Elev. 5481	Producing Formation Fruitland Coal	Pool Basin Fruitland Coal	Dedicated Acreage: 320.00 Acres	
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hachure 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 checked="" type="checkbox"/> Yes    <input type="checkbox"/> No    If answer is "yes" type of consolidation <u>farmout, purchase</u></p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>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>				



**OPERATOR CERTIFICATION**

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

*A. M. O'Hare*  
 Signature

A. M. O'Hare  
 Printed Name

President/Agent  
 Position

Maralex Resources, Inc.  
 Agent for SG Interests I, Ltd.  
 Company

Date  
 9/29/92

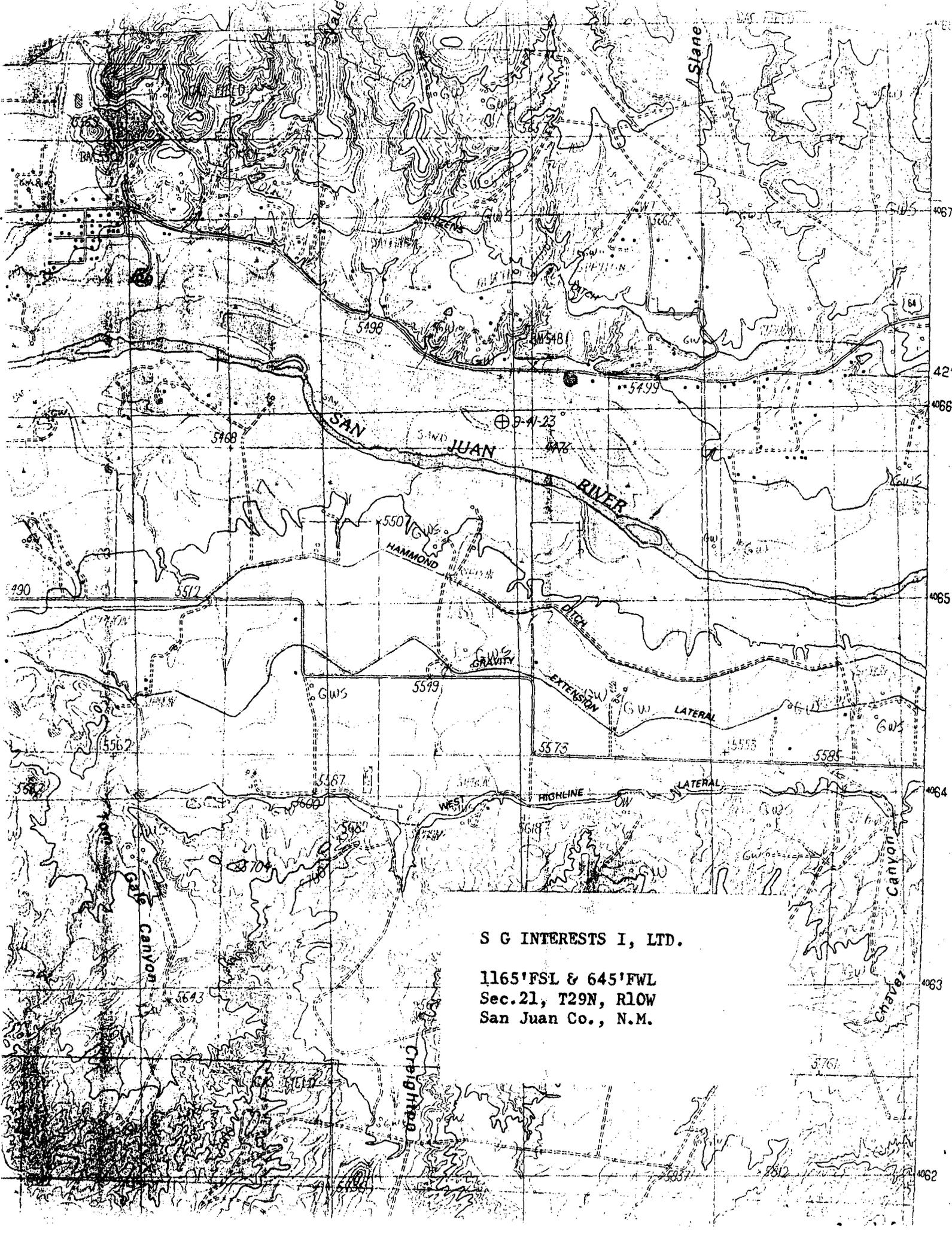
**SURVEYOR CERTIFICATION**

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.

9-29-92  
 Date Surveyed

William E. Mahnke II  
 Signature





S G INTERESTS I, LTD.

1165'FSL & 645'FWL  
Sec.21, T29N, R10W  
San Juan Co., N.M.

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

CASE NO. 10610  
ORDER NO. R-9891

APPLICATION OF SG INTERESTS I, LTD. FOR COMPULSORY POOLING AND AN  
UNORTHODOX COAL GAS WELL LOCATION, SAN JUAN COUNTY, NEW  
MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19 and December 3, 1992 at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this 6th day of May, 1993, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

- (1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) At the time of the hearing, this case was consolidated with Division Case No. 10609 for purposes of testimony.
- (3) The applicant, SG Interests I, Ltd., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool.
- (4) Said unit is to be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Administrative Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(5) The "unorthodox gas well location" portion of this application should be dismissed at this time since an administrative approval has been obtained for the subject well.

(6) The applicant has a right to develop the subject unit and produce the coal gas underlying same; at this time, however, not all interest owners in the proposed gas spacing and proration unit have agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the Basin-Fruitland Coal Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) The applicant should be designated the operator of the subject well and unit.

(9) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional charge for the risk involved in the drilling of the well.

(11) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, a 156 percent risk penalty has been established as being proper for wells within said coal gas pool.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4000.00 per month while drilling and \$450.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(17) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

**IT IS THEREFORE ORDERED THAT:**

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for said pool.

(2) Said unit shall be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(3) The portion of this application for an "unorthodox gas well location" is hereby dismissed.

(4) SG Interests I, Ltd. is hereby designated the operator of the subject well and unit.

(5) Within thirty days after the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) Any non-consenting working interest owner may, at least forty-five days after receiving the schedule of actual well costs but not more than ninety days after such receipt, file with the Division an objection to such costs; if no objection to the actual well costs is received by the Division and the Division has not objected within the period from at least forty-five days to within ninety days following the receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within the aforesaid forty-fifth to ninetieth day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$4000.00 per month while drilling and \$450.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

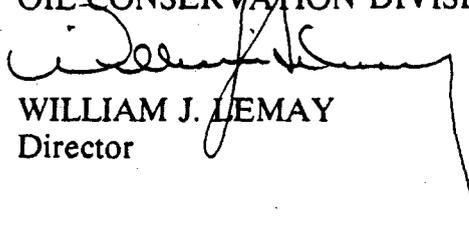
(17) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Case No. 10610  
Order No. R-9891  
Page No. 6

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO  
OIL CONSERVATION DIVISION

  
WILLIAM J. LEMAY  
Director

SEAL