District I
1625 N French Dr , Hobbs, NM 88240
District II
1301 W Grand Avenue, 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
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
July 21, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office

9511

Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action
- ☐ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☒ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☐ Modification to an existing permit
- ☐ Closure plan only submitted for an existing permitted or non-permitted pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

Please be advised that approval of this request does not relieve theoperator of liability should operations result in pollution of surface water, ground water or the environment Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances

1

Operator SG Interests I, Ltd OGRID # 20572

Address PO Box 2677, Durango, Colorado 81301

Facility or well name Federal 21-6-32 #1

API Number 30-043-21069 OCD Permit Number

U/L or Qtr/Qtr G SWNE Section 32 Township 21N Range 06W County Sandoval, NM

Center of Proposed Design Latitude 36 00850° N Longitude -107 49067° W NAD ☐1927 ☐ 1983

Surface Owner ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2

☐ **Pit:** Subsection F or G of 19 15 17 11 NMAC

RCVD NOV 12 '10
OIL CONS. DIV.
DIST. 3

Temporary ☒ Drilling ☐ Workover

☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A

☒ Lined ☐ Unlined Liner type Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other

☐ String-Reinforced

Liner Seams ☐ Welded ☒ Factory ☐ Other Volume 1675 Bbls Dimensions L 65' x W 40' x D 10'

3

☐ **Closed-loop System:** Subsection H of 19 15 17 11 NMAC

Type of Operation ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)

☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other

☐ Lined ☐ Unlined Liner type Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other

Liner Seams ☐ Welded ☐ Factory ☐ Other

4

☐ **Below-grade tank:** Subsection I of 19 15 17 11 NMAC

Volume Type of fluid

Tank Construction material

☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off

☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other

Liner type Thickness ☐ HDPE ☐ PVC ☐ Other

5

☐ **Alternative Method:**

Submittal of an exception request is required Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval

6

Fencing: Subsection D of 19 15 17 11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*

☐ Chain link, six feet in height, two strands of barbed wire at top *(Required if located within 1000 feet of a permanent residence, school, hospital, institution or church)*

☐ Four foot height, four strands of barbed wire evenly spaced between one and four feet

☐ Alternate Please specify_____

7

Netting: Subsection E of 19 15 17 11 NMAC *(Applies to permanent pits and permanent open top tanks)*

☐ Screen ☐ Netting ☐ Other_____

☐ Monthly inspections (If netting or screening is not physically feasible)

8

Signs: Subsection C of 19 15 17 11 NMAC

☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers

☒ Signed in compliance with 19 15 3 103 NMAC

9

Administrative Approvals and Exceptions:

Justifications and/or demonstrations of equivalency are required Please refer to 19 15 17 NMAC for guidance

Please check a box if one or more of the following is requested, if not leave blank:

☐ Administrative approval(s) Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval

☐ Exception(s) Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval

10

Siting Criteria (regarding permitting): 19 15 17 10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. **Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.**

Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank - NM Office of the State Engineer - iWATERS database search, USGS, Data obtained from nearby wells	☐ Yes ☐ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark) - Topographic map, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site, Aerial photo, Satellite image	☐ Yes ☐ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site, Aerial photo, Satellite image	☐ Yes ☐ No ☐ NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application - NM Office of the State Engineer - iWATERS database search, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended - Written confirmation or verification from the municipality, Written approval obtained from the municipality	☐ Yes ☐ No
Within 500 feet of a wetland - US Fish and Wildlife Wetland Identification map, Topographic map, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within the area overlying a subsurface mine - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☐ No
Within an unstable area - Engineering measures incorporated into the design, NM Bureau of Geology & Mineral Resources, USGS, NM Geological Society, Topographic map	☐ Yes ☐ No
Within a 100-year floodplain - FEMA map	☐ Yes ☐ No

11

Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19 15 17 9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19 15 17 9 NMAC
- ☐ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19 15 17 9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19 15 17 9 NMAC and 19 15 17 13 NMAC

☐ Previously Approved Design (attach copy of design) API Number _____ or Permit Number _____

12

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19 15 17 9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (only for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19 15 17 9
- ☐ Siting Criteria Compliance Demonstrations (only for on-site closure) - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☐ Design Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19 15 17 9 NMAC and 19 15 17 13 NMAC

☐ Previously Approved Design (attach copy of design) API Number _____

☐ Previously Approved Operating and Maintenance Plan API Number _____ *(Applies only to closed-loop system that use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)*

13

Permanent Pits Permit Application Checklist: Subsection B of 19 15 17 9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19 15 17 9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19 15 17 12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19 15 17 11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19 15 17 9 NMAC and 19 15 17 13 NMAC

14

Proposed Closure: 19 15 17 13 NMAC

Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

Type ☐ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ P&A ☐ Permanent Pit ☐ Below-grade Tank ☐ Closed-loop System ☐ Alternative

Proposed Closure Method
- ☐ Waste Excavation and Removal
- ☐ Waste Removal (Closed-loop systems only)
- ☐ On-site Closure Method (Only for temporary pits and closed-loop systems)
  - ☐ In-place Burial ☐ On-site Trench Burial
- ☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

15

Waste Excavation and Removal Closure Plan Checklist: (19 15 17 13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19 15 17 13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC
- ☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

16

Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19 15 17 13 D NMAC)

Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.

Disposal Facility Name _____ Disposal Facility Permit Number _____

Disposal Facility Name _____ Disposal Facility Permit Number _____

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations

☐ Soil Backfill and Cover Design Specifications - - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC

☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC

☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

17

Siting Criteria (regarding on-site closure methods only): 19 15 17 10 NMAC

Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search, USGS, Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Ground water is between 50 and 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search, USGS, Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Ground water is more than 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search, USGS, Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark) - Topographic map, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application - Visual inspection (certification) of the proposed site, Aerial photo, Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application - NM Office of the State Engineer - iWATERS database, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended - Written confirmation or verification from the municipality, Written approval obtained from the municipality	☐ Yes ☐ No
Within 500 feet of a wetland - US Fish and Wildlife Wetland Identification map, Topographic map, Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within the area overlying a subsurface mine - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☐ No
Within an unstable area - Engineering measures incorporated into the design, NM Bureau of Geology & Mineral Resources, USGS, NM Geological Society, Topographic map	☐ Yes ☐ No
Within a 100-year floodplain - FEMA map	☐ Yes ☐ No

18

On-Site Closure Plan Checklist: (19 15 17 13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19 15 17 10 NMAC

☐ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC

☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19 15 17 11 NMAC

☐ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19 15 17 11 NMAC

☐ Protocols and Procedures - based upon the appropriate requirements of 19 15 17 13 NMAC

☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC

☐ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19 15 17 13 NMAC

☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)

☐ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19 15 17 13 NMAC

☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19 15 17 13 NMAC

☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19 15 17 13 NMAC

19

Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief

Name (Print) _____ Title _____

Signature _____ Date _____

e-mail address _____ Telephone _____

20

OCD Approval: ☐ Permit Application (including closure plan) ☒ Closure ~~Plan (only)~~ ☐ OCD Conditions (see attachment)

OCD Representative Signature: Jonathan D. Kelly **Approval Date:** 4/05/2012

Title: Compliance Officer **OCD Permit Number:** _____

21

Closure Report (required within 60 days of closure completion): Subsection K of 19 15 17 13 NMAC

Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

☒ **Closure Completion Date:** 10/28/2010

22

Closure Method:

☐ Waste Excavation and Removal ☒ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)

☐ If different from approved plan, please explain

23

Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:

Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name _____ Disposal Facility Permit Number _____

Disposal Facility Name _____ Disposal Facility Permit Number _____

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

24

Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

☒ Proof of Closure Notice (surface owner and division)

☐ Proof of Deed Notice (required for on-site closure)

☒ Plot Plan (for on-site closures and temporary pits)

☐ Confirmation Sampling Analytical Results (if applicable)

☒ Waste Material Sampling Analytical Results (required for on-site closure)

☐ Disposal Facility Name and Permit Number

☒ Soil Backfilling and Cover Installation

☒ Re-vegetation Application Rates and Seeding Technique

☒ Site Reclamation (Photo Documentation)

On-site Closure Location Latitude 36 00850°N Longitude 107 49067°W NAD ☐1927 ☐ 1983

25

Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan

Name (Print) William Schwab III Title Agent for SG Interests I, Ltd

Signature _____ Date 11/9/2010

e-mail address tripp@nikaenergy com Telephone 970-259-2701

Tripp Schwab

From: Tripp Schwab [tripp@nikaenergy com]
Sent: Tuesday, August 17, 2010 12 29 PM
To: 'Powell, Brandon, EMNRD'
Cc: bmckinney67@yahoo com, Marcia Stewart (marcia@nikaenergy com)
Subject: Pit Closure notice

Brandon Powell
Re Federal 21-6-32 #1, API 30-043-21069

Brandon,
The requirements of the new OCD pit rule 17 requires notification to the NMOCD we are planning to close a temporary drilling pit on the subject location As per NMOCD rules the pit contents were tested and found to be above the limits for chlorides We are planning to start the 3 to 1 mixing on August 23rd, 2010 After mixing, the contents will be re-tested and the submitted to the NMOCD If approved, the pit will then be closed per NMOCD & BLM Rules
Please let me know if you have any questions
Thank you for your time

Tripp Schwab
Nika Energy - Agent for SG Interests
970-259-2701 office
970-385-1598 fax

Tripp Schwab

From: Tripp Schwab [tripp@nikaenergy com]
Sent: Tuesday, August 17, 2010 12 33 PM
To: Mark Kelly (mark_kelly@nm blm gov)
Cc: 'brad@nikaenergy com', Marcia Stewart (marcia@nikaenergy com)
Subject: Pit Closure Notification

Mark Kelly
Re Federal 21-6-32 #1, API 30-043-21069

Mark,
The requirements of the BLM & OCD pit rule 17 requires notification to the surface owner (BLM) that we are planning to close a temporary drilling pit on the subject location As per NMOCD rules the pit contents were tested and found to be above the limits for chlorides We are planning to start the 3 to 1 mixing on August 23rd, 2010 After mixing, the contents will be re-tested and the submitted to the NMOCD If approved, the pit will then be closed per NMOCD & BLM Rules
Please let me know if you have any questions or if this e-mail notification needs to be directed to someone else
Thank you for your time

Tripp Schwab
Nika Energy - Agent for SG Interests
970-259-2701 office
970-385-1598 fax

Tripp Schwab

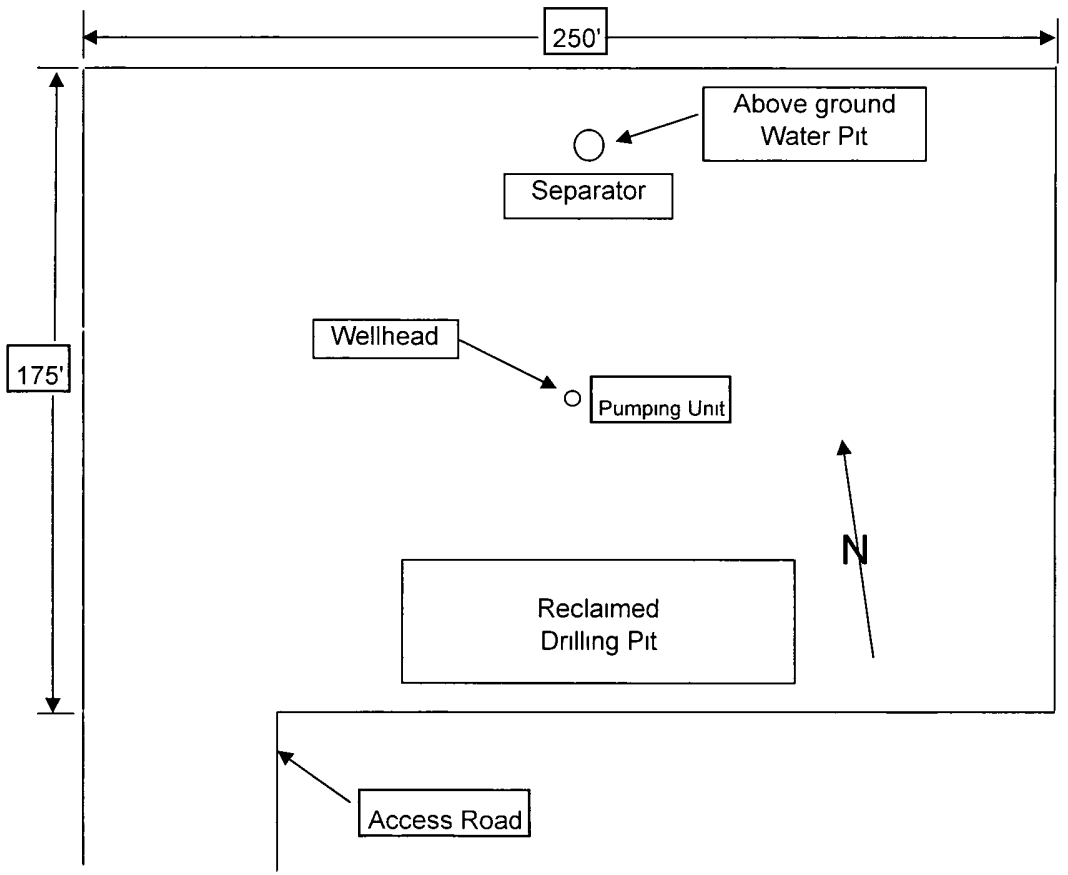
From: Tripp Schwab [tripp@nikaenergy com]
Sent: Monday, March 08, 2010 1:43 PM
To: Bill Liess (bill_liess@nm blm gov)
Cc: Marcia Stewart (marcia@nikaenergy com)
Subject: Federal 21-6-32 #1

Re. Federal 21-6-32 #1, API 30-043-21069

Bill,
The requirements of the new OCD pit rule 17 requires notification to the surface owner that we are planning to open a temporary drilling pit on the subject location After drilling operations cease the pit will then be closed SGI plans to close the temporary pit per approved Federal APD and NMOCD rules Please let me know if you have any questions or if this e-mail notification needs to be directed to someone else
Thank you for your time.

Tripp Schwab
Nika Energy - Agent for SG Interests
970-259-2701 office
970-385-1598 fax

Federal 21-6-32 #1
Interim Reclamation
Plot Plan



District I
1625 N French Dr , Hobbs, NM 88240
District II
1301 W Grand Avenue, 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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate District Office in accordance with Rule 116 on back side of form

Release Notification and Corrective Action

OPERATOR

☒ Initial Report ☒ Final Report

Name of Company SG Interests I, Ltd.	Contact Tripp Schwab
Address PO Box 2677	Telephone No 970-259-2701
Facility Name Federal 21-6-32 #1 Drilling Pit	Facility Type Fruitland Coal Well

Surface Owner BLM	Mineral Owner BLM	Lease No NMNM99732

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
G	32	21N	06W	2150'	North	1920'	East	Sandoval

Latitude 36 00850°N **Longitude** 107 49067°W .

NATURE OF RELEASE

Type of Release Spill	Volume of Release Approx 15 Bbls	Volume Recovered 100%
Source of Release Flush from Frac Job	Date and Hour of Occurrence 7/03/2010 0900	Date and Hour of Discovery 07/15/2010
Was Immediate Notice Given? ☒ Yes ☐ No ☐ Not Required	If YES, To Whom? Brandon Powell - Verbal	
By Whom? Tripp Schwab	Date and Hour 7/16/2010	
Was a Watercourse Reached? ☐ Yes ☒ No	If YES, Volume Impacting the Watercourse	

If a Watercourse was Impacted, Describe Fully *

RCVD NOV 12'10
OIL CONS. DIV.
DIST. 3

Describe Cause of Problem and Remedial Action Taken *

Frac Crew had blow line run to drilling pit After frac, the lines were all flushed to the pit All fluids on pit had been pulled previously and were pulled after frac

Describe Area Affected and Cleanup Action Taken *

The pit was tested for closure and showed elevated levels of gasoline and diesel range organics, TPH, and chlorides Pit solids were mixed 2-1- with location dirt and the pit solids were tested again and all levels were within closure limits

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations

Signature	OIL CONSERVATION DIVISION
Printed Name William Schwab III (Tripp)	Approved by District Supervisor
Title Agent for SG Interests	Approval Date / Expiration Date
E-mail Address tripp@nikaenergy com	Conditions of Approval / Attached ☐
Date 11/09/2010 Phone 970-259-2701 ext 14	

* Attach Additional Sheets If Necessary

envirotech

September 14, 2010 Project Number 98049-0012

Mr. Brad McKinney
SG Interests
Post Office Box 2677 Phone: (970) 749-2163
Durango, Colorado 81302 Fax: (505) 385-1598

RE: FEDERAL 21-6-32 #1 DRILL PIT SAMPLING RESULTS, SANDOVAL COUNTY, NEW MEXICO

Dear Mr. McKinney,

Enclosed are the analytical results from the drill pit sampling activities conducted at the Federal 21-6-32 #1 well location in Section 32, Township 21 North, Range 6 West, Sandoval County, New Mexico.

On July 15, 2010, one (1) five (5)-point composite sample was collected from the surface of the drill pit. The sample was collected into a four (4)-ounce glass jar, capped head space free, and transported on ice, under chain of custody, to Envirotech's Analytical Laboratory. The sample was analyzed for benzene and BTEX using USEPA Method 8021, for total petroleum hydrocarbons (TPH) using USEPA Method 418.1, for gasoline and diesel range organics (GRO and DRO) using USEPA Method 8015 and for chlorides using USEPA Method 4500. The sample returned results below the regulatory standards for benzene and BTEX; however, the sample returned results above the regulatory standards for gasoline and diesel range organics, TPH and chlorides; see attached ***Analytical Results***.

On August 3, 2010, Envirotech personnel returned to the site to collect one (1) background sample and one (1) composite sample from the drill pit. The samples were analyzed for chlorides; see attached ***Analytical Results.*** Additionally, chloride analysis titrations with varying ratios of Epsom salts were performed. The titrations showed an approximately 40% decrease in chloride analysis results when mixing Epsom salts with soil at a ratio of 10% to 15%. At ratios greater than 15%, the effect reversed, and chloride analysis results increased.

On August 26, 2010, Envirotech personnel returned to the site to collect one (1) composite sample from the drill pit. The sample was collected into a four (4)-ounce glass jar, capped head space free, and transported on ice, under chain of custody, to Envirotech's Analytical Laboratory. The sample was analyzed for benzene and BTEX using USEPA Method 8021, for total petroleum hydrocarbons (TPH) using USEPA Method 418.1, for gasoline and diesel range organics (GRO and DRO) using USEPA Method 8015 and for chlorides using USEPA Method 4500. The sample returned results

below the regulatory standards for all constituents analyzed; therefore, Envirotech recommends no further action in regards to this incident.

We appreciate the opportunity to be of service. If you have any questions or require additional information, please contact our office at (505) 632-0615.

Respectfully Submitted,
ENVIROTECH, INC.

Greg Crabtree, PE
Senior Engineer/Manager
gcrabtree@envirotech-inc.com

Enclosure: Analytical Results

Cc: Client File 98049

PAGE NO: 1 OF 1	ENVIROTECH INC ENVIRONMENTAL SCIENTISTS & ENGINEERS 5796 U.S. HIGHWAY 64 - 3014 FARMINGTON, NEW MEXICO 87401 PHONE: (505) 632-0615	ENVIRONMENTAL SPECIALIST: BY
DATE STARTED: 7/15/10		LAT:
DATE FINISHED:		LONG:

FIELD REPORT: BGT / PIT CLOSURE VERIFICATION

LOCATION: NAME: Federal 21-6-32 WELL #: 1 TEMP PIT: PERMANENT PIT: BGT:

LEGAL ADD: UNIT: SEC: ~~30~~ 32 TWP: 21-N RNG: 6W PM: NM

QTR/FOOTAGE: SWNE 2150' FNL, 1920 FEL CNTY: Sandoval ST: NM

EXCAVATION APPROX: FT. X FT. X FT. DEEP CUBIC YARDAGE:

DISPOSAL FACILITY: REMEDIATION METHOD:

LAND OWNER: API: BGT / PIT VOLUME:

CONSTRUCTION MATERIAL: DOUBLE-WALLED, WITH LEAK DETECTION:

LOCATION APPROXIMATELY: 10-12 FT. FROM WELLHEAD

DEPTH TO GROUNDWATER: 7100'

___ TEMPORARY PIT - GROUNDWATER 50-100 FEET DEEP

BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, GRO & DRO FRACTION (8015) ≤ 500 mg/kg, TPH (418 1) ≤ 2500 mg/kg, CHLORIDES ≤ 500 mg/kg

X TEMPORARY PIT - GROUNDWATER ≥100 FEET DEEP

BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, GRO & DRO FRACTION (8015) ≤ 500 mg/kg, TPH (418.1) ≤ 2500 mg/kg, CHLORIDES ≤ 1000 mg/kg

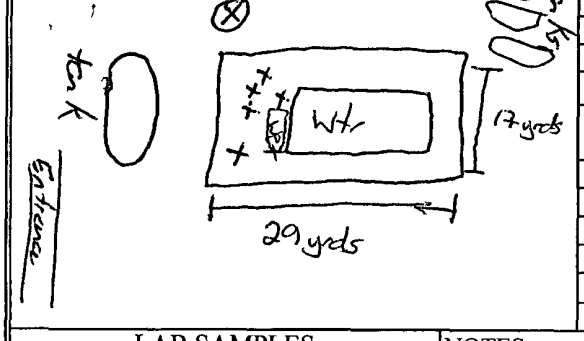
___ PERMANENT PIT OR BGT

BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, TPH (418 1) ≤ 100 mg/kg, CHLORIDES ≤ 250 mg/kg

FIELD 418.1 ANALYSIS

TIME	SAMPLE I D.	LAB NO.	WEIGHT (g	mL FREON	DILUTION	READING	CALC. (mg/kg)
	STD		-	-	-		
		1					
		2					
		3					
		4					
		5					
		6					

PERIMETER FIELD CHLORIDES RESULTS PROFILE



SAMPLE ID	READING	CALC. (mg/kg)

PID RESULTS

SAMPLE ID	RESULTS (mg/kg)

LAB SAMPLES

SAMPLE ID	ANALYSIS	RESULTS
	BENZENE	
	BTEX	
	GRO & DRO	
	CHLORIDES	

NOTES: - Pit 10-12' from Well Head
- East end of Pit = Wtr
- Wet by the Wtr, then dry - When I took the Sample.

WORKORDER # WHO ORDERED

PAGE NO: 1 OF 1

DATE STARTED: 8/3/10
DATE FINISHED: 8/3/10

ENVIROTECH INC

ENVIRONMENTAL SCIENTISTS & ENGINEERS
5796 U.S. HIGHWAY 64 - 3014
FARMINGTON, NEW MEXICO 87401
PHONE: (505) 632-0615

ENVIRONMENTAL SPECIALIST: Rene

LAT: 36.00845677
LONG: -107.4906724

FIELD REPORT: BGT / PIT CLOSURE VERIFICATION

LOCATION: NAME: Federal 21-6-32 WELL #: 1 TEMP PIT: ✓ PERMANENT PIT: BGT:
LEGAL ADD: UNIT: SEC: 32 TWP: 21N RNG: 6W PM: NM
QTR/FOOTAGE: 2150'N & 1920'E CNTY: Sandoval ST: NM

EXCAVATION APPROX: FT. X FT. X FT. DEEP CUBIC YARDAGE:
DISPOSAL FACILITY: REMEDIATION METHOD: ~~Remove~~ Dilution
LAND OWNER: API: 3004321069 BGT / PIT VOLUME: 90'x50'x4'
CONSTRUCTION MATERIAL: DOUBLE-WALLED, WITH LEAK DETECTION:

LOCATION APPROXIMATELY: 10 FT. FROM WELLHEAD
DEPTH TO GROUNDWATER:

___ TEMPORARY PIT - GROUNDWATER 50-100 FEET DEEP
BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, GRO & DRO FRACTION (8015) ≤ 500 mg/kg, TPH (418 1) ≤ 2500 mg/kg, CHLORIDES ≤ 500 mg/kg

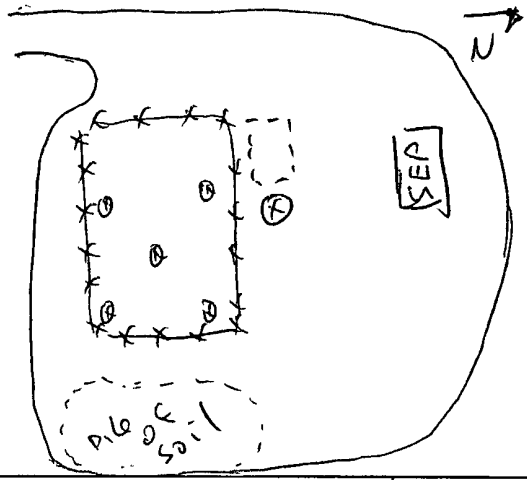
✓ TEMPORARY PIT - GROUNDWATER ≥100 FEET DEEP
BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, GRO & DRO FRACTION (8015) ≤ 500 mg/kg, TPH (418.1) ≤ 2500 mg/kg, CHLORIDES ≤ 1000 mg/kg

___ PERMANENT PIT OR BGT
BENZENE ≤ 0.2 mg/kg, BTEX ≤ 50 mg/kg, TPH (418 1) ≤ 100 mg/kg, CHLORIDES ≤ 250 mg/kg

FIELD 418.1 ANALYSIS

TIME	SAMPLE I D.	LAB NO.	WEIGHT (g	mL FREON	DILUTION	READING	CALC. (mg/kg)
	STD		-	-	-		
		1					
		2					
		3					
		4					
		5					
		6					

PERIMETER



FIELD CHLORIDES RESULTS

SAMPLE ID	READING	CALC. (mg/kg)

PID RESULTS

SAMPLE ID	RESULTS (mg/kg)

PROFILE

LAB SAMPLES

SAMPLE ID	ANALYSIS	RESULTS
	BENZENE	
	BTEX	
	GRO & DRO	
	CHLORIDES	

NOTES:

WORKORDER # WHO ORDERED

ient: SG Interests

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(505) 632-0615 (800) 362-1879
5700 U.S. Hwy 64, Farmington, NM 87401

Location No:

C.O.C. No:

FIELD REPORT: ~~SPILL CLOSURE VERIFICATION~~ Drill Pit sampling

PAGE NO: 1 OF 1

DATE STARTED: 8/3/10

DATE FINISHED: 8/3/10

ENVIRONMENTAL SPECIALIST: René

OCATION: NAME: Federal 21-6-32 WELL #: 1

JAD/UNIT: SEC: 32 TWP: 21N RNG: 6W PM: NM CNTY: S ST: NM

R/FOOTAGE: 2150' N & 1920' E CONTRACTOR: XXX

CAVATION APPROX: FT. X FT. X FT. DEEP CUBIC YARDAGE:

SPOSAL FACILITY: REMEDIATION METHOD:

ND USE: Grazing LEASE: NMNM-099732 LAND OWNER: Fed.

USE OF RELEASE: MATERIAL RELEASED:

LL LOCATED APPROXIMATELY: FT. FROM

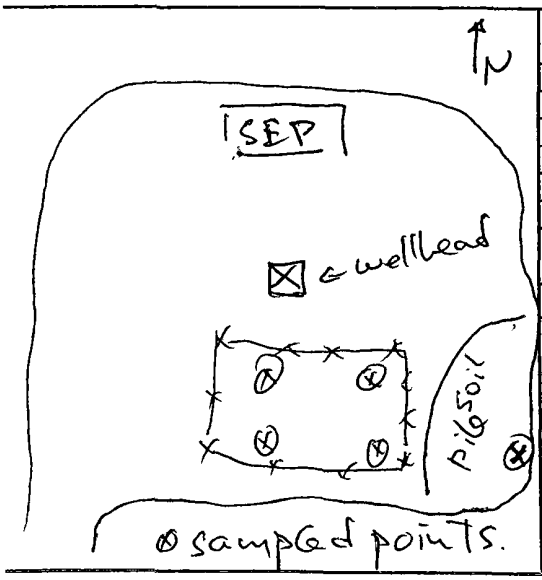
PTH TO GROUNDWATER: NEAREST WATER SOURCE: NEAREST SURFACE WATER:

MOCD RANKING SCORE: NMOCD TPH CLOSURE STD: PPM

IL AND EXCAVATION DESCRIPTION: Arrived on site @ 13:30. Did JSA and proceeded to sample the pile of soil (Background) and the Pit. The soil pile was sampled 2' below surface. Took a 4pt composite out of the pit. Samples were Turned in the lab for chlorides

SAMPLE DESCRIPTION	TIME	SAMPLE I.D.	LAB NO.	WEIGHT (g)	mL FREON	DILUTION	READING	CALC. ppm
2' BGS	13:45	Background						
4pt comp.	14:00	Drill Pit						

SPILL PERIMETER



OVM RESULTS

SAMPLE ID	FIELD HEADSPACE PID (ppm)

LAB SAMPLES

SAMPLE ID	ANALYSIS	TIME

SPILL PROFILE

AVEL NOTES: CALLED OUT: ONSITE.

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EPA METHOD 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Client:	SG Interests	Project #:	98049-0012
Sample ID.	5 pt composite	Date Reported	07-16-10
Laboratory Number:	55166	Date Sampled	07-15-10
Chain of Custody No:	9980	Date Received	07-15-10
Sample Matrix:	Soil	Date Extracted	07-15-10
Preservative:	Cool	Date Analyzed	07-16-10
Condition:	Intact	Analysis Requested	8015 TPH

Parameter	Concentration (mg/Kg)	Det. Limit (mg/Kg)
Gasoline Range (C5 - C10)	**173**	**0.2**
Diesel Range (C10 - C28)	**392**	**0.1**
Total Petroleum Hydrocarbons	**565**	**0.2**

ND - Parameter not detected at the stated detection limit.

References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments: **Federal 21-6-32 #1**

Analyst

Review

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Analytical Laboratory

EPA Method 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Quality Assurance Report

Client:	QA/QC	Project #:	N/A
Sample ID:	07-16-10 QA/QC	Date Reported:	07-16-10
Laboratory Number:	55161	Date Sampled	N/A
Sample Matrix:	Methylene Chloride	Date Received	N/A
Preservative	N/A	Date Analyzed:	07-16-10
Condition:	N/A	Analysis Requested	TPH

	I-Cal Date	I-Cal RF:	C-Cal RF:	% Difference	Accept. Range
Gasoline Range C5 - C10	05-07-07	9 9960E+002	1.0000E+003	**0.04%**	**0 - 15%**
Diesel Range C10 - C28	05-07-07	9 9960E+002	1 0000E+003	**0.04%**	**0 - 15%**

Blank Conc. (mg/L - mg/Kg)	Concentration	Detection Limit
Gasoline Range C5 - C10	**ND**	**0.2**
Diesel Range C10 - C28	**ND**	**0.1**
Total Petroleum Hydrocarbons	**ND**	**0.2**

Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept. Range
Gasoline Range C5 - C10	**54.0**	**53.1**	**1.7%**	**0 - 30%**
Diesel Range C10 - C28	**267**	**269**	**0.7%**	**0 - 30%**

Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept. Range
Gasoline Range C5 - C10	**54.0**	**250**	**309**	**102%**	**75 - 125%**
Diesel Range C10 - C28	**267**	**250**	**522**	**101%**	**75 - 125%**

ND - Parameter not detected at the stated detection limit

References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments: **QA/QC for Samples 55159, 55161, 55164-55171**

Analyst

Review

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Analytical Laboratory

EPA METHOD 8021
AROMATIC VOLATILE ORGANICS

Client:	SG Interests	Project #:	98049-0012
Sample ID:	5 pt composite	Date Reported:	07-16-10
Laboratory Number:	55166	Date Sampled	07-15-10
Chain of Custody:	9980	Date Received	07-15-10
Sample Matrix:	Soil	Date Analyzed:	07-16-10
Preservative:	Cool	Date Extracted	07-15-10
Condition	Intact	Analysis Requested	BTEX

Parameter	Concentration (ug/Kg)	Det. Limit (ug/Kg)
Benzene	**ND**	**0.9**
Toluene	**ND**	**1.0**
Ethylbenzene	**ND**	**1.0**
p,m-Xylene	**1.9**	**1.2**
o-Xylene	**3.1**	**0.9**
Total BTEX	**5.0**	

ND - Parameter not detected at the stated detection limit.

Surrogate Recoveries:	Parameter	Percent Recovery
	Fluorobenzene	**100 %**
	1,4-difluorobenzene	**100 %**
	Bromochlorobenzene	**100 %**

References: Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Method 8021B, Aromatic Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Comments: **Federal 21-6-32 #1**

Analyst

Review

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EPA METHOD 8021
AROMATIC VOLATILE ORGANICS

Client	N/A	Project #	N/A
Sample ID	0716BBLK QA/QC	Date Reported	07-16-10
Laboratory Number	55161	Date Sampled	N/A
Sample Matrix	Soil	Date Received	N/A
Preservative	N/A	Date Analyzed	07-16-10
Condition	N/A	Analysis	BTEX

Calibration and Detection Limits (ug/L)	I-Cal RF:	C-Cal RF:	%Diff. Accept. Range 0 - 15%	Blank Conc	Detect. Limit
Benzene	7 8368E+006	7 8525E+006	0.2%	ND	0.1
Toluene	6 2102E+006	6 2226E+006	0.2%	ND	0.1
Ethylbenzene	4 4157E+006	4 4245E+006	0.2%	ND	0.1
p,m-Xylene	1 0825E+007	1 0847E+007	0.2%	ND	0.1
o-Xylene	3 7371E+006	3 7446E+006	0.2%	ND	0.1

Duplicate Conc. (ug/Kg)	Sample	Duplicate	%Diff.	Accept Range	Detect. Limit
Benzene	ND	ND	0.0%	0 - 30%	0.9
Toluene	3.2	3.0	6.3%	0 - 30%	1.0
Ethylbenzene	7.4	7.1	4.1%	0 - 30%	1.0
p,m-Xylene	278	283	1.6%	0 - 30%	1.2
o-Xylene	66.9	65.4	2.2%	0 - 30%	0.9

Spike Conc. (ug/Kg)	Sample	Amount Spiked	Spiked Sample	% Recovery	Accept Range
Benzene	ND	50.0	50.6	101%	39 - 150
Toluene	3.2	50.0	50.7	101%	46 - 148
Ethylbenzene	7.4	50.0	51.0	100%	32 - 160
p,m-Xylene	278	100	129	101%	46 - 148
o-Xylene	66.9	50.0	55.0	97.0%	46 - 148

ND - Parameter not detected at the stated detection limit

References

Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996

Method 8021B, *Aromatic and Halogenated Volatiles by Gas Chromatography Using Photoionization and/or Electrolytic Conductivity Detectors*, SW-846, USEPA December 1996

Comments: **QA/QC for Samples 55159, 55161, 55164-55166, 55168-55171**

Analyst

Review

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EPA METHOD 418.1
TOTAL PETROLEUM HYROCARBONS
QUALITY ASSURANCE REPORT

Client:	QA/QC	Project #:	N/A
Sample ID.	QA/QC	Date Reported:	07-16-10
Laboratory Number:	07-16-TPH QA/QC 55161	Date Sampled:	N/A
Sample Matrix:	Freon-113	Date Analyzed:	07-16-10
Preservative.	N/A	Date Extracted:	07-16-10
Condition:	N/A	Analysis Needed	TPH

Calibration	I-Cal Date	C-Cal Date	I-Cal RF:	C-Cal RF:	% Difference	Accept. Range
	07-15-10	07-16-10	1,846	1,770	4.1%	+/- 10%

Blank Conc. (mg/Kg)	Concentration	Detection Limit
TPH	ND	8.9

Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept. Range
TPH	5,130	5,320	3.7%	+/- 30%

Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept Range
TPH	5,130	2,000	6,500	91.2%	80 - 120%

ND = Parameter not detected at the stated detection limit.

References: Method 418 1, Petroleum Hydrocarbons, Total Recoverable, Chemical Analysis of Water and Waste, USEPA Storet No 4551, 1978

Comments: **QA/QC for Samples 55161, 55164-55166, 55168-55171**

Analyst

Review

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CHAIN OF CUSTODY RECORD

09980

Client: Sg I s
Ricky Tol N
Client Address: ?.Box 2677
Client one No.: 505- 4C - 20

Project Name / Location: Federal 1-6-32 #1
Sampler Name: B Y
Client No.: 98049-0012

ANALYSIS / PARAMETERS

Sample No./ Identification	Sample Date	Sample Time	Lab No.	Sample Matrix		No./Volume of Containers	Preservative HgCl, HCl	TPH (Method 8015	BTEX (Method 8021	VOC (Method 8260)	RCRA 8 Metals	Cation / Anion	RCI	TCLP with H/P	PAH	TPH (418.1)	CHLORIDE		Sample Cool	Sample Intact
	7/15 10	10	551666	Solid	Sludge Aqueous	1-4oz	X	X	X							X	X		X	X
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
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				Soil Solid	Sludge Aqueous															

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Relinquished by: (Signature)			Received by: (Signature)		

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Background	Date Reported.	08-06-10
Lab ID#:	55412	Date Sampled:	08-03-10
Sample Matrix:	Soil	Date Received:	08-03-10
Preservative:	Cool	Date Analyzed:	08-05-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**15**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-06-10
Lab ID#:	55413	Date Sampled:	08-03-10
Sample Matrix:	Sludge	Date Received.	08-03-10
Preservative:	Cool	Date Analyzed:	08-05-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**340**

Reference: U.S E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID.	Drill Pit	Date Reported:	08-16-10
Lab ID#:	55413-2.5g	Date Sampled:	08-03-10
Sample Matrix:	Sludge	Date Received:	08-03-10
Preservative:	Cool	Date Analyzed:	08-09-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**230**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**
Chloride Analysis Titration with Epsom Salt, 2.5g

Analyst

Review

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-16-10
Lab ID#:	55413-5.0g	Date Sampled:	08-03-10
Sample Matrix:	Sludge	Date Received.	08-03-10
Preservative:	Cool	Date Analyzed.	08-09-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**155**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**
Chloride Analysis Titration with Epsom Salt, 5.0g

Analyst

Review

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported.	08-16-10
Lab ID#:	55413-7.5g	Date Sampled:	08-03-10
Sample Matrix:	Sludge	Date Received:	08-03-10
Preservative:	Cool	Date Analyzed:	08-09-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**165**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**
Chloride Analysis Titration with Epsom Salt, 7.5g

Analyst

Review

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Chloride

Client.	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-16-10
Lab ID#:	55413-10.0g	Date Sampled:	08-03-10
Sample Matrix:	Sludge	Date Received:	08-03-10
Preservative:	Cool	Date Analyzed:	08-09-10
Condition:	Intact	Chain of Custody:	10099

Parameter	Concentration (mg/Kg)
Total Chloride	**225**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**
Chloride Analysis Titration with Epsom Salt, 10.0g

Analyst

Review

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CHAIN OF CUSTODY RECORD

10099

Client: SG Interests

Project Name / Location: Drill Pit od 21-6-32#1 Sample

Client Address:

Sampler Name:

Client Phone No.:

Client No.: 0 9-0012

ANALYSIS / PARAMETERS

Sample No./ Identification	Sample Date	Sample Time	Lab No.	Sample Matrix	No./Volume of Containers	Preservative HgCl HCl	TPH (Method 8015)	BTEX (Method 8021)	VOC (Method 8260)	RCRA 8 Metals	Cation / Anion	RCI	TCLP with H/P	PAH	TPH (418.1)	CHLORIDE	SO_4	Sample Cool	Sample Intact
Back ground	8/3/10	13:45	55412	Solid Sludge Aqueous	4oz											X			Y
Drill Pit		14:2	413	Soil Solid Sludge Aqueous	4oz +											X	X	Y	Y
				Soil Solid Sludge Aqueous															
				Soil Solid Sludge Aqueous															
				Soil Solid Sludge Aqueous															
				Soil Solid Sludge Aqueous															
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Relinquished by: (Signature)	Date	Time	Received by: (Signature)	Date	Time
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Relinquished by: (Signature)			Received by: (Signature)		

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Analytical Laboratory

5796 US Highway 64 • Farmington, NM 87401 • 505-632-0615 • lab@envirotech-inc.com

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EPA METHOD 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Client.	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-31-10
Laboratory Number:	55688	Date Sampled:	08-26-10
Chain of Custody No:	10271	Date Received:	08-26-10
Sample Matrix:	Soil	Date Extracted:	08-27-10
Preservative:	Cool	Date Analyzed:	08-30-10
Condition:	Intact	Analysis Requested:	8015 TPH

Parameter	Concentration (mg/Kg)	Det. Limit (mg/Kg)
Gasoline Range (C5 - C10)	**0.7**	**0.2**
Diesel Range (C10 - C28)	**49.4**	**0.1**
Total Petroleum Hydrocarbons	**50.1**	**0.2**

ND - Parameter not detected at the stated detection limit.

References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

5796 US Highway 64, Farmington, NM 87401 | Ph (505) 632-0615 Fr (800) 362-1879 Fx (505) 632-1865 lab@envirotech-inc com envirotech-inc.com

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EPA Method 8015 Modified
Nonhalogenated Volatile Organics
Total Petroleum Hydrocarbons

Quality Assurance Report

Client:	QA/QC	Project #:	N/A
Sample ID:	08-30-10 QA/QC	Date Reported:	08-31-10
Laboratory Number:	55673	Date Sampled:	N/A
Sample Matrix:	Methylene Chloride	Date Received:	N/A
Preservative:	N/A	Date Analyzed:	08-30-10
Condition:	N/A	Analysis Requested:	TPH

	I-Cal Date	I-Cal RF:	C-Cal RF:	% Difference	Accept. Range
Gasoline Range C5 - C10	08-30-10	9.9960E+002	1.0000E+003	**0.04%**	**0 - 15%**
Diesel Range C10 - C28	08-30-10	9.9960E+002	1.0000E+003	**0.04%**	**0 - 15%**

Blank Conc. (mg/L - mg/Kg)	Concentration	Detection Limit
Gasoline Range C5 - C10	**ND**	**0.2**
Diesel Range C10 - C28	**ND**	**0.1**
Total Petroleum Hydrocarbons	**ND**	**0.2**

Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept. Range
Gasoline Range C5 - C10	**ND**	**ND**	**0.0%**	**0 - 30%**
Diesel Range C10 - C28	**ND**	**ND**	**0.0%**	**0 - 30%**

Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept. Range
Gasoline Range C5 - C10	**ND**	**250**	**253**	**101%**	**75 - 125%**
Diesel Range C10 - C28	**ND**	**250**	**249**	**100%**	**75 - 125%**

ND - Parameter not detected at the stated detection limit.

References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments: **QA/QC for Samples 55671-55674, 55664, 55688**

Analyst

Review

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EPA METHOD 8021
AROMATIC VOLATILE ORGANICS

Client:	SG Interests	Project #:	98049-0012
Sample ID.	Drill Pit	Date Reported:	08-30-10
Laboratory Number:	55688	Date Sampled:	08-26-10
Chain of Custody:	10271	Date Received:	08-26-10
Sample Matrix:	Soil	Date Analyzed:	08-30-10
Preservative:	Cool	Date Extracted:	08-27-10
Condition:	Intact	Analysis Requested:	BTEX

Parameter	Concentration (ug/Kg)	Det. Limit (ug/Kg)
Benzene	**ND**	**0.9**
Toluene	**ND**	**1.0**
Ethylbenzene	**ND**	**1.0**
p,m-Xylene	**4.0**	**1.2**
o-Xylene	**ND**	**0.9**
Total BTEX	**4.0**	

ND - Parameter not detected at the stated detection limit.

Surrogate Recoveries:	Parameter	Percent Recovery
	Fluorobenzene	**96.6 %**
	1,4-difluorobenzene	**100 %**
	Bromochlorobenzene	**99.4 %**

References: Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Method 8021B, Aromatic Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

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EPA METHOD 8021
AROMATIC VOLATILE ORGANICS

Client	N/A	Project #	N/A
Sample ID.	0830BBLK QA/QC	Date Reported·	08-30-10
Laboratory Number.	55676	Date Sampled	N/A
Sample Matrix	Soil	Date Received.	N/A
Preservative	N/A	Date Analyzed·	08-30-10
Condition·	N/A	Analysis·	BTEX

Calibration and Detection Limits (ug/L)	I-Cal RF:	C-Cal RF:	%Diff. Accept. Range 0 - 15%	Blank Conc	Detect. Limit
Benzene	8 2127E+006	8 2291E+006	**0.2%**	**ND**	**0.1**
Toluene	4 5842E+006	4 5934E+006	**0.2%**	**ND**	**0.1**
Ethylbenzene	3 3232E+006	3 3298E+006	**0.2%**	**ND**	**0.1**
p,m-Xylene	7 3549E+006	7 3697E+006	**0.2%**	**ND**	**0.1**
o-Xylene	2 4891E+006	2 4941E+006	**0.2%**	**ND**	**0.1**

Duplicate Conc. (ug/Kg)	Sample	Duplicate	%Diff.	Accept Range	Detect. Limit
Benzene	**11.9**	**12.0**	**0.8%**	**0 - 30%**	**0.9**
Toluene	**39.4**	**39.0**	**1.0%**	**0 - 30%**	**1.0**
Ethylbenzene	**ND**	**ND**	**0.0%**	**0 - 30%**	**1.0**
p,m-Xylene	**4.6**	**4.6**	**0.0%**	**0 - 30%**	**1.2**
o-Xylene	**ND**	**ND**	**0.0%**	**0 - 30%**	**0.9**

Spike Conc. (ug/Kg)	Sample	Amount Spiked	Spiked Sample	%Recovery	Accept Range
Benzene	**11.9**	**50.0**	**51.3**	**100%**	**39 - 150**
Toluene	**39.4**	**50.0**	**54.4**	**101%**	**46 - 148**
Ethylbenzene	**ND**	**50.0**	**50.4**	**101%**	**32 - 160**
p,m-Xylene	**4.6**	**100**	**101**	**100%**	**46 - 148**
o-Xylene	**ND**	**50.0**	**50.7**	**101%**	**46 - 148**

ND - Parameter not detected at the stated detection limit

References

Method 5030B, Purge-and-Trap, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996
Method 8021B, Aromatic and Halogenated Volatiles by Gas Chromatography Using Photoionization and/or Electrolytic Conductivity Detectors, SW-846, USEPA December 1996

Comments: **QA/QC for Samples 55676, 55664, 55670-55674, 55688, 55699-55700**

Analyst

Review

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EPA METHOD 418.1
TOTAL PETROLEUM HYDROCARBONS

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-30-10
Laboratory Number:	55688	Date Sampled:	08-26-10
Chain of Custody No:	10271	Date Received:	08-26-10
Sample Matrix:	Soil	Date Extracted:	08-30-10
Preservative:	Cool	Date Analyzed:	08-30-10
Condition:	Intact	Analysis Needed:	TPH-418.1

Parameter	Concentration (mg/kg)	Det. Limit (mg/kg)
Total Petroleum Hydrocarbons	**380**	**17.1**

ND = Parameter not detected at the stated detection limit.

References: Method 418.1, Petroleum Hydrocarbons, Total Recoverable, Chemical Analysis of Water and Waste, USEPA Storet No. 4551, 1978.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

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EPA METHOD 418.1
TOTAL PETROLEUM HYROCARBONS
QUALITY ASSURANCE REPORT

Client.	QA/QC	Project #:	N/A
Sample ID:	QA/QC	Date Reported:	08-30-10
Laboratory Number:	08-30-TPH.QA/QC 55703	Date Sampled:	N/A
Sample Matrix:	Freon-113	Date Analyzed:	08-30-10
Preservative:	N/A	Date Extracted:	08-30-10
Condition:	N/A	Analysis Needed:	TPH

Calibration	I-Cal Date	C-Cal Date	I-Cal RF:	C-Cal RF:	% Difference	Accept. Range
	07-29-10	08-30-10	1,860	1,770	4.8%	+/- 10%

Blank Conc. (mg/Kg)	Concentration	Detection Limit
TPH	ND	17.1

Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept. Range
TPH	30.5	29.0	4.9%	+/- 30%

Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept Range
TPH	30.5	2,000	2,010	99.0%	80 - 120%

ND = Parameter not detected at the stated detection limit.

References: Method 418.1, Petroleum Hydrocarbons, Total Recoverable, Chemical Analysis of Water and Waste, USEPA Storet No. 4551, 1978.

Comments: **QA/QC for Samples 55674, 55676, 55688, 55701-55705**

Analyst

Review

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Chloride

Client:	SG Interests	Project #:	98049-0012
Sample ID:	Drill Pit	Date Reported:	08-30-10
Lab ID#:	55688	Date Sampled:	08-26-10
Sample Matrix:	Soil	Date Received:	08-26-10
Preservative:	Cool	Date Analyzed:	08-30-10
Condition:	Intact	Chain of Custody:	10271

Parameter	Concentration (mg/Kg)
Total Chloride	**505**

Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: **Federal 21-6-32 #1 Drill Pit Sampling**

Analyst

Review

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CHAIN OF COUSTODY RECORD

10271

Client:	Project Name / Location:
SG Interests	Federal 21-6-32#1 Drill Pit Sampling
Client Address:	**Sampler Name:**
	René García Reyes
Client Phone No.:	**Client No.:**
	98049-0012

ANALYSIS / PARAMETERS

Sample No./ Identification	Sample Date	Sample Time	Lab No.	Sample Matrix	No./Volume of Containers	Preservative $HgCl_2$	Preservative HCl	Preservative Cool	TPH (Method 8015)	BTEX (Method 8021)	VOC (Method 8260)	RCRA 8 Metals	Cation / Anion	RCI	TCLP with H/P	PAH	TPH (418.1)	CHLORIDE				Sample Cool	Sample Intact
Drill Pit	8/26/10	10:50	55688	(Soil) Solid Sludge Aqueous	4oz			X	X	X							X	X				X	X
				Soil Solid Sludge Aqueous																			
				Soil Solid Sludge Aqueous																			
				Soil Solid Sludge Aqueous																			
				Soil Solid Sludge Aqueous																			
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				Soil Solid Sludge Aqueous																			
				Soil Solid Sludge Aqueous																			

Relinquished by: (Signature)	Date	Time	Received by: (Signature)	Date	Time
[signature]	8/26/10	16:20	[signature]	8.26.10	16:20
Relinquished by: (Signature)			Received by: (Signature)		
Relinquished by: (Signature)			Received by: (Signature)		

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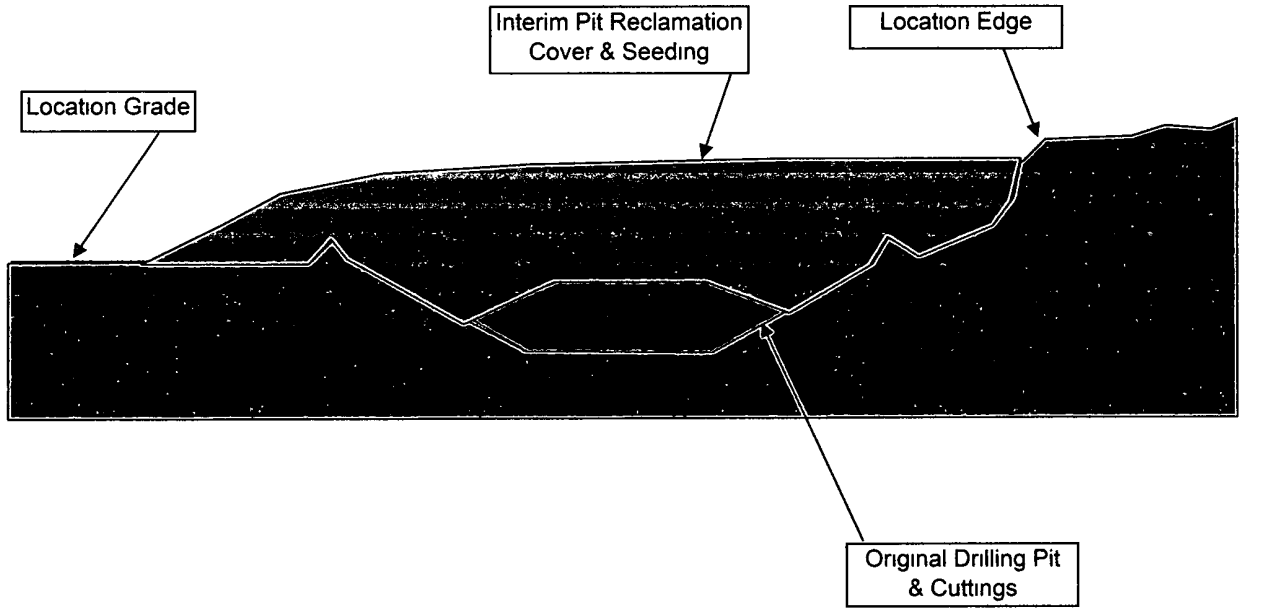
Federal 21-6-32 #1
Interim Reclamation
Backfill Installation



SG Interests I, Ltd.

Federal 21-6-32 #1
NE1/4 Sec 32, T21N-R6W
2150' FNL & 1920' FEL
Sandoval County, New Mexico

Interim Pit & Location Reclamation
Seed Type & Seeding Technique

1. Seed Type

All disturbed areas were seeded, except for the access road driving surface, shoulders and wellpad inside of the anchors.

Type	Variety or Cultivator	PLS/A
Western Wheatgrass	Arriba	3.0
Indian Ricegrass	Paloma or Rimrock	3.0
Slender Wheatgrass	San Luis	2.0
Crested Wheatgrass	Hy-Crest	3.0
Bottlebrush Squirreltail	Unknown	2.0
Four-wing Saltbrush	Delar	0.25

Purity	80%
Germination	63%
Percent PLS	50%

Seed was free of primary and secondary noxious weeds.

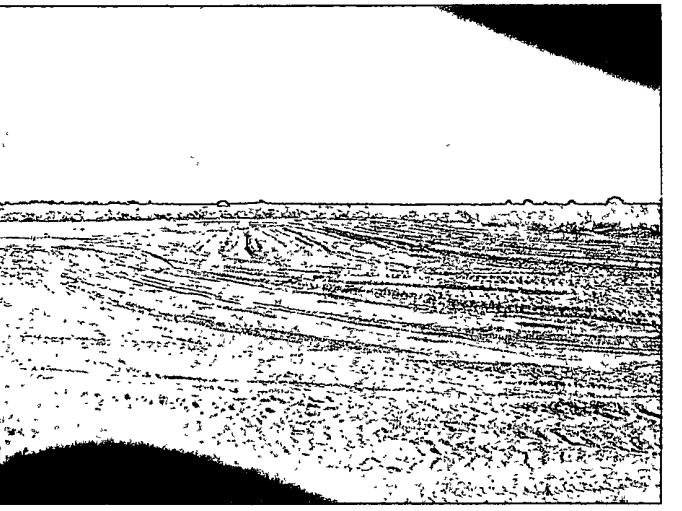
2. Seeding Technique

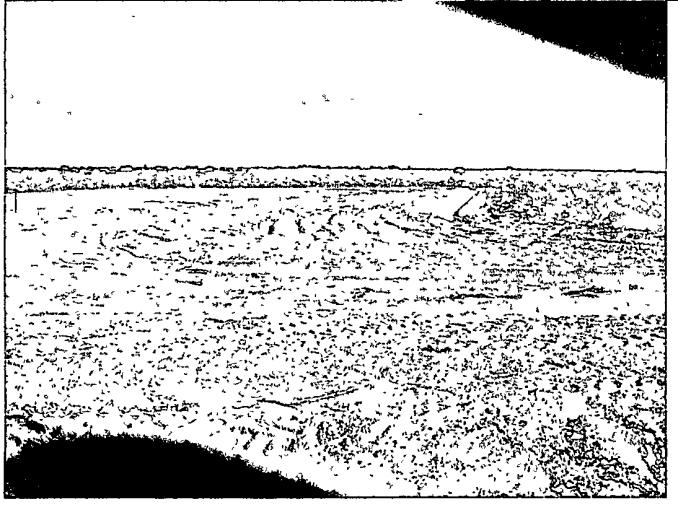
As approved by the BLM AO, a staple type of seeder was used with a roller. The slope was gentle enough to allow for all areas to be seeded mechanically. No hand seeding was done. The staple type seeder is superior to the disc drill in the type of soils encountered in this area.

11/11/2010
Date

William Schwab III
President
Nika Energy Operating, LLC
(Agent for SG Interests I, Ltd.)

Federal 21-6-32 #1
Interim Reclamation Pictures
November 2010





Submit To Appropriate District Office
Two Copies
District I
1625 N French Dr , Hobbs, NM 88240
District II
811 S First St , 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 and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-105
Revised August 1, 2011

1. WELL API NO
30-043-21069

2 Type of Lease
☐ STATE ☐ FEE ☒ FED/INDIAN

3 State Oil & Gas Lease No NMNM99732

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

4 Reason for filing

☐ **COMPLETION REPORT** (Fill in boxes #1 through #31 for State and Fee wells only)

☒ **C-144 CLOSURE ATTACHMENT** (Fill in boxes #1 through #9, #15 Date Rig Released and #32 and/or #33, attach this and the plat to the C-144 closure report in accordance with 19 15 17 13 K NMAC)

5 Lease Name or Unit Agreement Name
Federal 21-6-32

6 Well Number
#1

7 Type of Completion
☒ NEW WELL ☐ WORKOVER ☐ DEEPENING ☐ PLUGBACK ☐ DIFFERENT RESERVOIR ☐ OTHER

8 Name of Operator
SG Interests I, Ltd c/o Nika Energy Operating

9 OGRID
020572

10 Address of Operator
PO Box 2677
Durango, CO 81302

11 Pool name or Wildcat

12.Location	Unit Ltr	Section	Township	Range	Lot	Feet from the	N/S Line	Feet from the	E/W Line	County
Surface:										
BH:										

13 Date Spudded	14 Date T D Reached	15 Date Rig Released	16 Date Completed (Ready to Produce)	17 Elevations (DF and RKB, RT, GR, etc)
		5/26/2010		

18 Total Measured Depth of Well	19 Plug Back Measured Depth	20 Was Directional Survey Made?	21 Type Electric and Other Logs Run

22 Producing Interval(s), of this completion - Top, Bottom, Name

23 **CASING RECORD** (Report all strings set in well)

CASING SIZE	WEIGHT LB /FT	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED

RCVD APR 5 '12
OIL CONS. DIV.
DIST. 3

24 LINER RECORD

SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN

25 TUBING RECORD

SIZE	DEPTH SET	PACKER SET

26 Perforation record (interval, size, and number)

27 ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC

DEPTH INTERVAL	AMOUNT AND KIND MATERIAL USED

28 **PRODUCTION**

Date First Production	Production Method *(Flowing, gas lift, pumping - Size and type pump)*	Well Status *(Prod or Shut-in)*

Date of Test	Hours Tested	Choke Size	Prod'n For Test Period	Oil - Bbl	Gas - MCF	Water - Bbl	Gas - Oil Ratio

Flow Tubing Press	Casing Pressure	Calculated 24-Hour Rate	Oil - Bbl	Gas - MCF	Water - Bbl	Oil Gravity - API - *(Corr)*

29 Disposition of Gas *(Sold, used for fuel, vented, etc)*

30 Test Witnessed By

31 List Attachments

32 If a temporary pit was used at the well, attach a plat with the location of the temporary pit.
Attached

33 If an on-site burial was used at the well, report the exact location of the on-site burial

Latitude N 36°00 504' Longitude W 107°29 438' NAD 1927 1983

I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief

Signature

Printed Name William Schwab III Title Agent for SG Interests Date 3/21/2012

E-mail Address tripp@nikaenergy com

District I
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

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number	2 Pool Code	3 Pool Name
	71629	Basin Fruitland Coal

4 Property Code	5 Property Name	6 Well Number
	FEDERAL 21-6-32	1

7 OGRID No	8 Operator Name	9 Elevation
20572	SG INTERESTS I, LTD.	6831

10 Surface Location

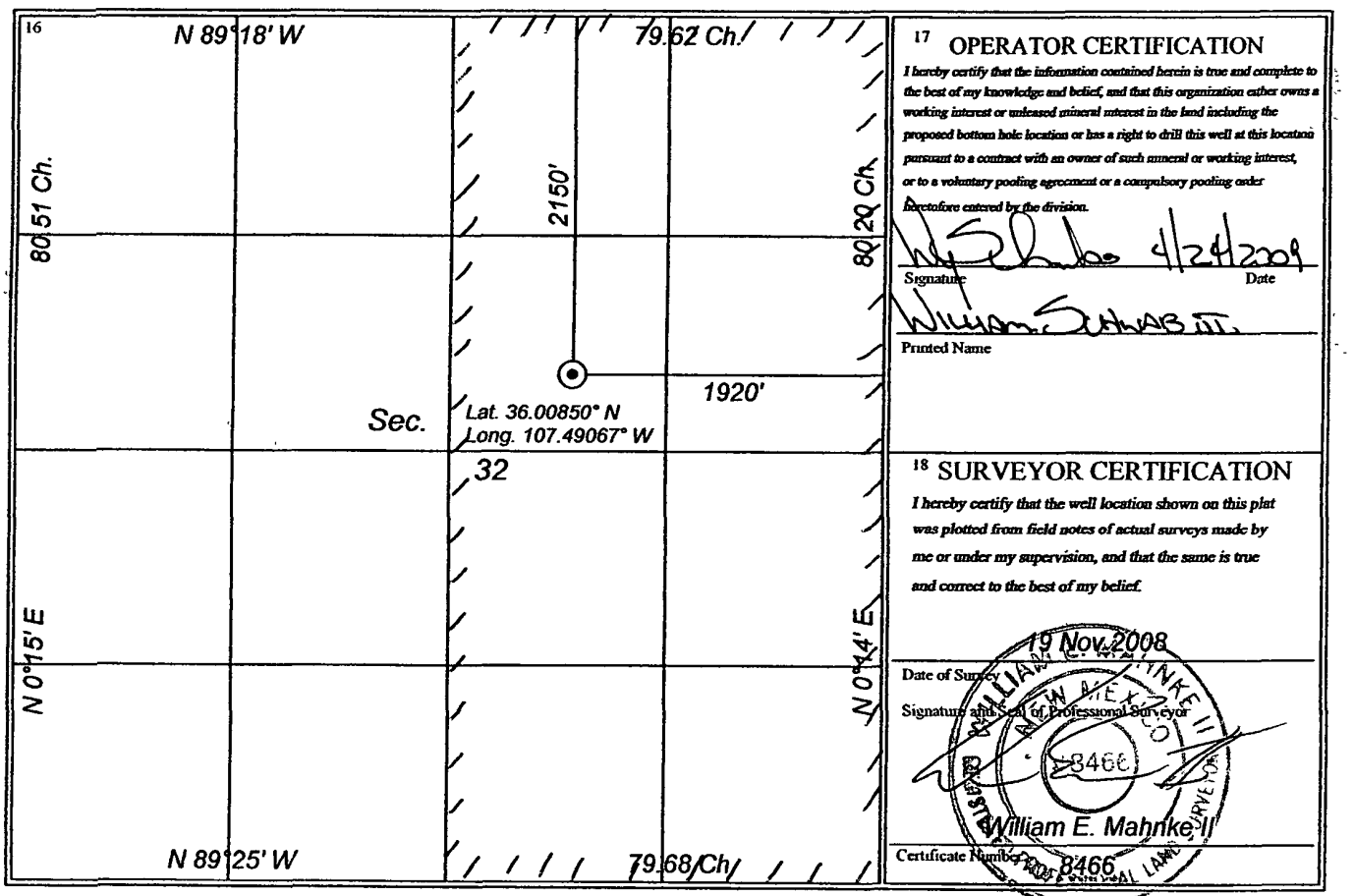
UL or Lot No	Section	Township	Range	Lot Idn.	Feet from the	North/South Line	Feet from the	East/West Line	County
G	32	21 N	6 W		2150	North	1920	East	Sandoval

11 Bottom Hole Location If Different From Surface

UL or Lot No	Section	Township	Range	Lot Idn.	Feet from the	North/South Line	Feet from the	East/West Line	County

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No

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.



17 OPERATOR CERTIFICATION

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 a 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.

Signature — Date: 4/24/2009

William Schwab III

Printed Name

18 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 belief.

19 Nov 2008

Date of Survey

Signature and Seal of Professional Surveyor

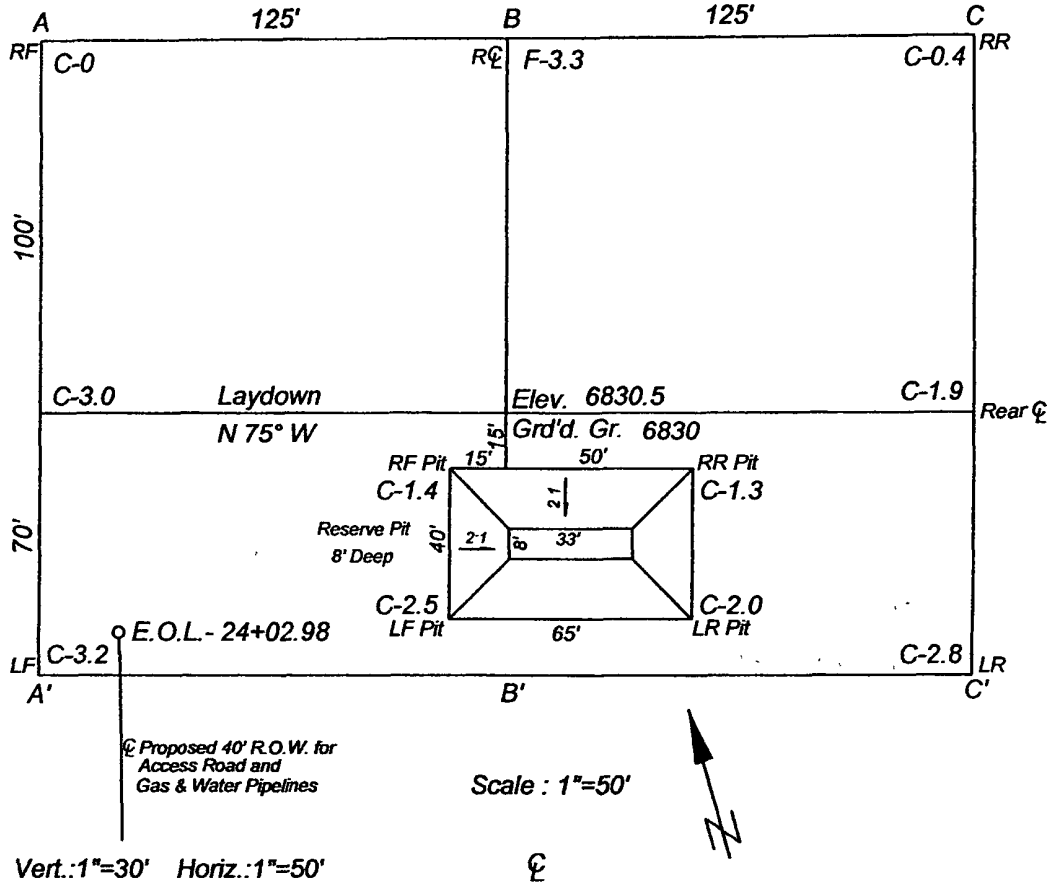
William E. Mahnke II

Certificate Number 8466

Bearings are from GLO Plat

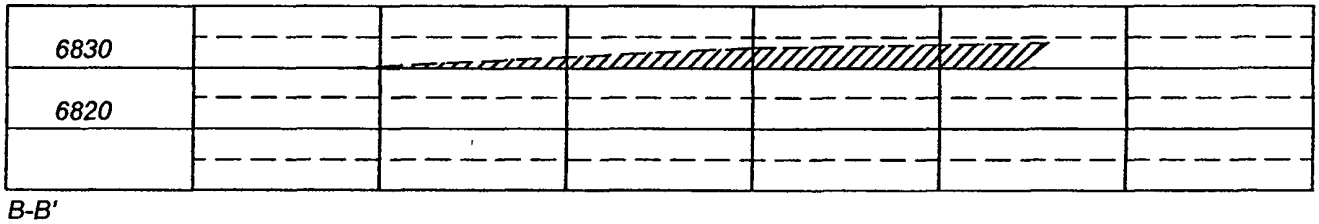
Ref. Stake
'0' North
El. 6823.5

SG INTERESTS I, LTD.
FEDERAL 21-6-32 #1
2150' FNL & 1920' FEL
Sec.32, T21N, R6W, NMPM
Sandoval Co., NM

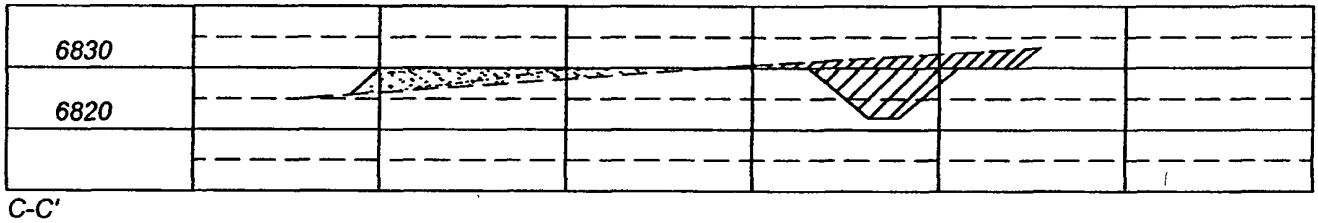


Ref. Stake
200' West
El. 6832.5

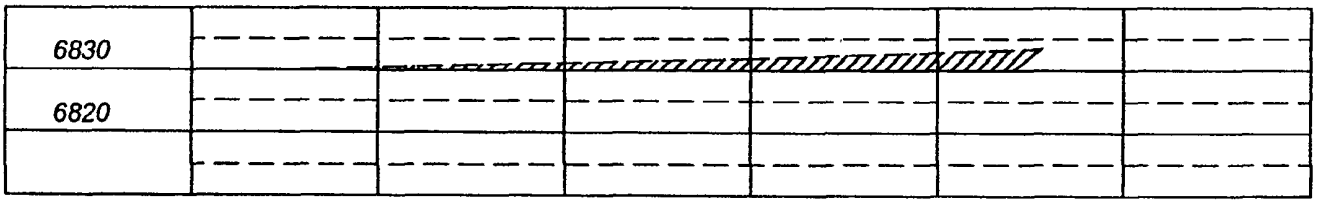
A-A' Vert.:1"=30' Horiz.:1"=50' ℄



B-B'



C-C'



SG Interests I, Ltd.

Temporary Pit - Closure Report

Re: Federal 21-6-32 #1

All closure activities will include proper documentation and be available for review upon request and will be submitted to the NMOCD Aztec Division office within 60 days of pit closure. Closure report will be filed on form C-144 and incorporate the following:

Details on capping and covering (where applicable)
Plot Plan (Pit Diagram)
Inspection Reports
Sampling Results
C-105

1 – All freestanding liquids will be removed at the start of the pit closure process from the pit and disposed of in a division approved facility or recycle, re-use or reclaim the liquids in a manner that the appropriate division district office approves. SGI plans to dispose of drilling fluids at Basin Disposal Inc., Permit # NM-01-005, unless otherwise noted.

All recovered liquids were removed and disposed of at Basin Disposal.

2 - The method of closure for all temporary pits will be on-site burial as long as all the criteria listed in sub-section B of 19.15.17.13 NMAC are met

The pit was closed using onsite burial.

3 - The surface owner shall be notified of SGI closure plan using a means that provides proof of notice i.e., certified mail, return receipt requested or electronic mail with read receipt

The closure process notification was submitted to the landowner by certified mail and by e-mail. Both copies were submitted to the NMOCD with the permit application.

4 - Temporary pits will be closed, re-contoured, and re-seeded 6 months after drilling rig is released.

The drilling rig was released May 26, 2010 The pit was closed and re-contoured October 6, 2010. Reseeding was completed after BLM AO required the cap to be re-contoured. This was to the BLM APD specifications.

5 - "Notice of Closure" will be given to the NMOCD Aztec Division office within 72 hours of closure via electronic mail or verbally. The "Notification of Closure" will include:

i. Operators Name
ii. Location by Unit Letter, Section, Township, and Range
iii. Well Name and API number.

Notification is attached to the C144 Closure Report.

6 - A five point composite sample will be taken of the pit using sampling tools and tested per 19 15.17.13.B.1.b. NMAC. Maximum limits for on-site burial are listed below:

Components	Test Method	Limit (mg/kg)
Benzene	EPA SW-846 8021B or 8260B	0.2
BTEX	EPA SW 846 8021B or 8260B	50
TPH	EPA SW 846 418.1	2500
GRO/DRO	EPA SW 846 8015M	500
Chlorides	EPA 300.1	1000

In the event the criteria are not met all contents and remediation will be handled per 19.15.17.13.B.1 NMAC. If ground water is 50'-100' below the bottom of the buried waste all limits are the same except the chloride limit is reduced to 500 mg/kg. The sampling can be taken prior to mixing but if the contents exceed the parameters then contents must be sampled after mixing and meet the criteria before closure.

See Attached Envirotech Report.

7 - Pit contents shall be mixed with non waste containing earth material in order to achieve the solidification process. The solidification process will be accomplished using a combination of natural drying and mechanical mixing. Pit contents will be mixed with non waste, earth material to a consistency that is deemed safe and stable. The mixing ratio shall not exceed 3 parts clean soil to 1 part pit contents.

Non waste containing earth was mixed to help solidify the pit. The ratio did not exceed the 3 to 1 limit.

8 - Liner of temporary pit will be removed above "mud level" after stabilization Liner will be cut and all excessive liner will be removed and taken to a licensed disposal facility.

The liner was cut above the mud level and disposed of in the San Juan County Landfill.

9 - Upon completion of solidification and satisfactory test results the pit area will be backfilled and compacted with non-waste earth material. A minimum of four feet of cover with the top foot (or background thickness of topsoil whichever is greater) suitable to establish vegetation at the site.

The pit was backfilled and covered with non waste containing earth from the location. More than four feet of cover was achieved and the cover included 1 foot of topsoil collected and stockpiled for the purpose of covering the pit.

10 - The pit cover will be re-contoured and re-vegetated complying with subsections G, H, & I of 19.15.17.13 NMAC.

The pit was re-contoured to comply with the BLM interim reclamation. Seeding was done to the BLM APD specifications.

11 - Notification will be sent to NMOCD Aztec Division office when reseeding is completed.

Yes.

12 - SGI will seed the disturbed areas the first growing season after the operator closes the pit Seeding will be accomplished by drilling on the contour whenever practical or by other division approved methods. APD stipulated seed mixes will be used on Federal lands Vegetative cover will equal 70% of the native perennial vegetative cover (un-impacted) consisting of at least three native plant species, including at least one grass, but not including noxious weeds. Seed cover will be maintained thru two consecutive growing seasons. Repeat seeding or planting will be continued until successive vegetative growth occurs.

Seeding will be to the BLM APD specifications.

13 - The closed temporary pit will have a steel marker no less than four inches in diameter, extending four feet above mean ground level, extending and cemented in a hole three feet deep, in the center of the onsite burial upon completion of the closing. The marker will be permanently welded, stamped or engraved to include the operator name, lease name, well name and number, unit number, section, township, range, and indicator that the marker is an onsite burial location. SGI reserves the right to install a temporary flat plate marker, one foot by two feet, with the same information if it is deemed necessary for safe operation on the wellsite during the productive life of the well. A full size marker will then be installed upon final abandonment.

SG has elected to install a temporary plate flat marker for the interim reclamation. See photos.

NIKA ENERGY OPERATING LLC

Reserve Pit Inspection Logs Federal 21-6-32 #1

Date and Activity	Comments	Date and Activity	Comments
5/18/2010	Location built - Pit started	9/1/2010	Pit Dry, liner OK, Fence OK - Tnpp
5/20/2010	Filled Pit with Fresh Water	9/9/2010	Pit, fence, liner OK - Brad M
5/22/2010	Drilling Operations started - Pit OK - Drlg Report	9/14/2010	Envirotech Report OK - Pit, fence, liner OK - Ricky T
5/23/2010	Drilling Pit OK - Visual Tnpp	9/24/2010	Pit closed
5/24/2010	Drilling Pit OK - Visual Tnpp	9/30/2010	Met B Switzer BLM - Have to recontour and reseed
5/25/2010	Drilling Pit OK - Visual Tnpp	10/6/2010	Rehab complete
5/26/2010	Drilling Pit OK - Visual Tnpp (RDMODR)		
5/27/2010	Drilling Complete - Pit OK Verbal Tnpp - Install Wellhead		
5/29/2010	All water pulled from Pit - Liner & Fence OK - Visual Tnpp		
5/31/2010	Pit still dry - Liner & Fence OK - Verbal Ricky T		
6/8/2010	Pit liner & Fence OK & dry - Verbal Rpt Brad M		
6/14/2010	Pit fence & liner OK - Verbal Rpt - Brad M		
6/23/2010	Pit fence & liner OK - Verbal Rpt - Brad M		
6/29/2010	Pit fence & liner in good shape - Ricky T		
7/7/2010	Pit OK - Fence OK - Visual Tnpp		
7/15/2010	Envirotech Took Samples for testing - Pit OK - Brad		
7/20/2010	Pit still dry - Liner & Fence OK - Verbal Ricky T		
7/29/2010	Pit dry - fence & liner OK - Tnpp		
8/3/2010	Envirotech took another sample for titration testing		
8/8/2010	Fence & Pit/liner OK - Tnpp		
8/19/2010	Fence & Pit liner OK - Pit is Dry - Tnpp S		
8/23/2010	Started mixing 3-1 - Pit OK - Fence OK - Tnpp, Brad		
8/26/2010	Envirotech Sampled mixed Pit		

Signature

mgs