

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

Form C-101
May 27, 2004

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

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address SG Interests I, Ltd c/o Nika Energy Operating, LLC PO Box 2677 Durango, CO 81302		² OGRID Number 20572
³ Property Code 35191	⁴ Property Name State 21-7-16	⁵ API Number 30-043-20993
⁹ Proposed Pool 1 Basin Fruitland Coal		¹⁰ Proposed Pool 2 3

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	21N	7W		660	South	660	West	Sandoval

8 Proposed Bottom Hole Location If Different From Surface

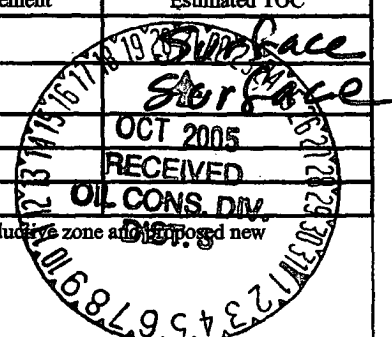
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code G	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 6754'
¹⁶ Multiple N	¹⁷ Proposed Depth 845'	¹⁸ Formation Basin Fruitland Coal	¹⁹ Contractor	²⁰ Spud Date as soon as permitted
Depth to Groundwater >100'		Distance from nearest fresh water well >1,000'		Distance from nearest surface water >1,000'
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12_mils thick Clay <input type="checkbox"/> Pit Volume: 1000_bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
Surface 12 1/4"	7"		150'		
Production 6 1/4"	4 1/2"		845'		



22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

See attached Drilling Program and BOP

Drilling/Completion pit to be located approximately 15 feet from wellhead. Pit multi-use drilling and completion to avoid additional site disturbance and pit will be considered out of service once production tubing set. Pit to be 75 feet long by 15 feet wide by 10 feet deep. Pit to be constructed, operated and closed in accordance with NMOC guidelines and SGI procedures.

23 I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOC guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed name: Tripp Schwab *Tripp Schwab*

Title: agent for SG Interests I, Ltd

E-mail Address: tripp@nikaenergy.com

Date: 26 September 2005

Phone: (970)259-2701

OIL CONSERVATION DIVISION

Approved by:

Title: *DEPUTY OIL & GAS INSPECTOR, DIST. 40*

Approval Date: OCT 21 2005 Expiration Date: OCT 21 2006

Conditions of Approval Attached ☐

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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 June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

* APT Number 30-043-20993		* Pool Code 71629	* Pool Name FRUITLAND COAL	
* Property Code 35191	* Property Name STATE 21-7-16			* Well Number 3
* OGRID No. Q20572	* Operator Name SG INTERESTS I, LTD.			* Elevation 6754

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
M	16	21N	7W		660	South	660	West	Sandoval

¹¹ Bottom Hole Location If Different From Surface

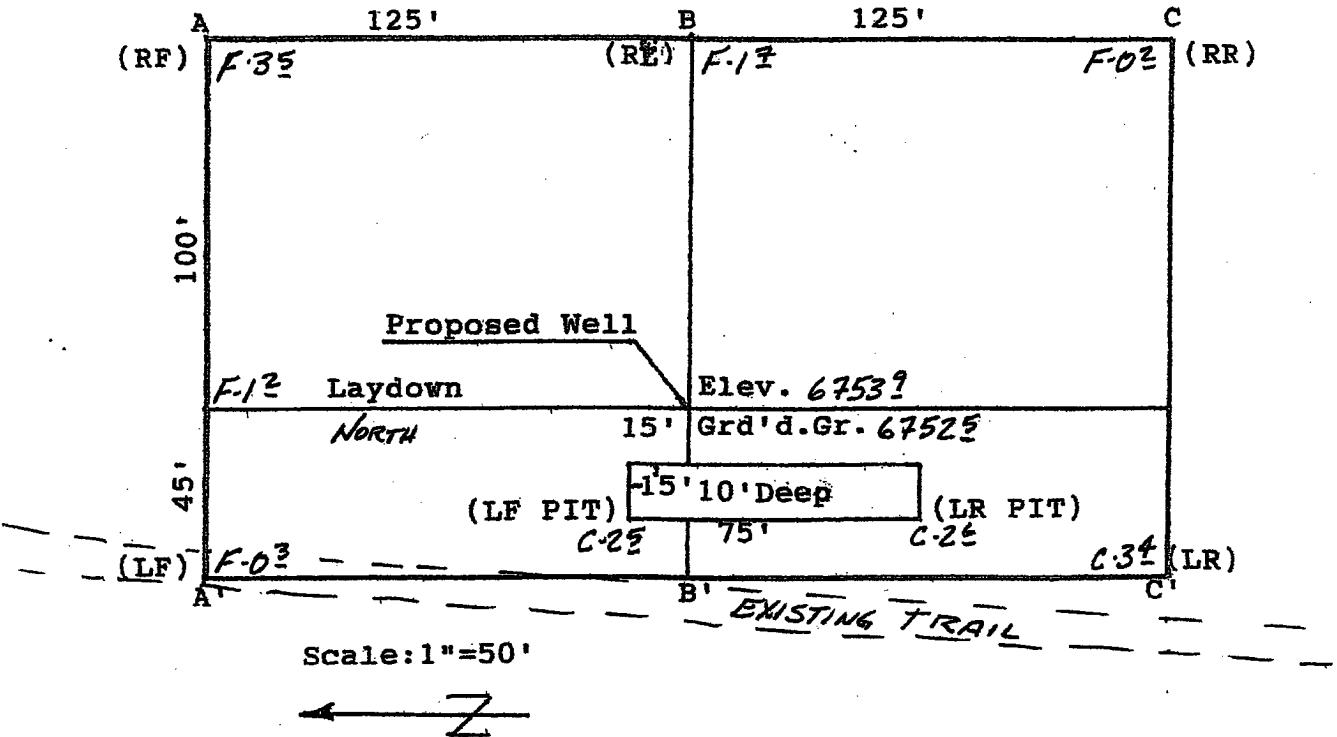
UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
		Same as	above						

12 Dedicated Acres 320 W/2	13 Jolot or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION.

<p>16</p> <p>NB9°49'W</p> <p>80.870m.</p>	<p>79.75m.</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i></p> <p>Signature</p> <p><u>William Schwab III</u></p> <p>Printed Name</p> <p><u>Agent for SG Interests</u></p> <p>Title and E-mail Address</p> <p><u>tripp@nikaenergy.com</u></p> <p><u>Sept 26, 2005</u></p> <p>Date</p>
<p>Sec.</p>	<p>16</p>	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p><u>13 Sept 2005</u></p> <p>Date of Survey</p> <p><i>[Signature]</i></p> <p>Signature and Seal of Professional Surveyor</p> <p><u>William E. Mahnke II</u></p> <p>Certificate Number</p> <p><u>8466</u></p>
<p>N0°04'E</p> <p>660'</p> <p>660'</p> <p>660'</p> <p>Lat. 36.04586°N</p> <p>Long. 107.58764°W</p> <p>NB9°52'W</p>	<p>79.81m.</p>	<p>13 Sept 2005</p> <p>Date of Survey</p> <p><i>[Signature]</i></p> <p>Signature and Seal of Professional Surveyor</p> <p><u>William E. Mahnke II</u></p> <p>Certificate Number</p> <p><u>8466</u></p>

SG INTERESTS I, LTD.
 STATE 21-7-16 #3
 660' FSL & 660' FWL
 Sec. 16, T21N, R7W, NMPM
 Sandoval Co., NM

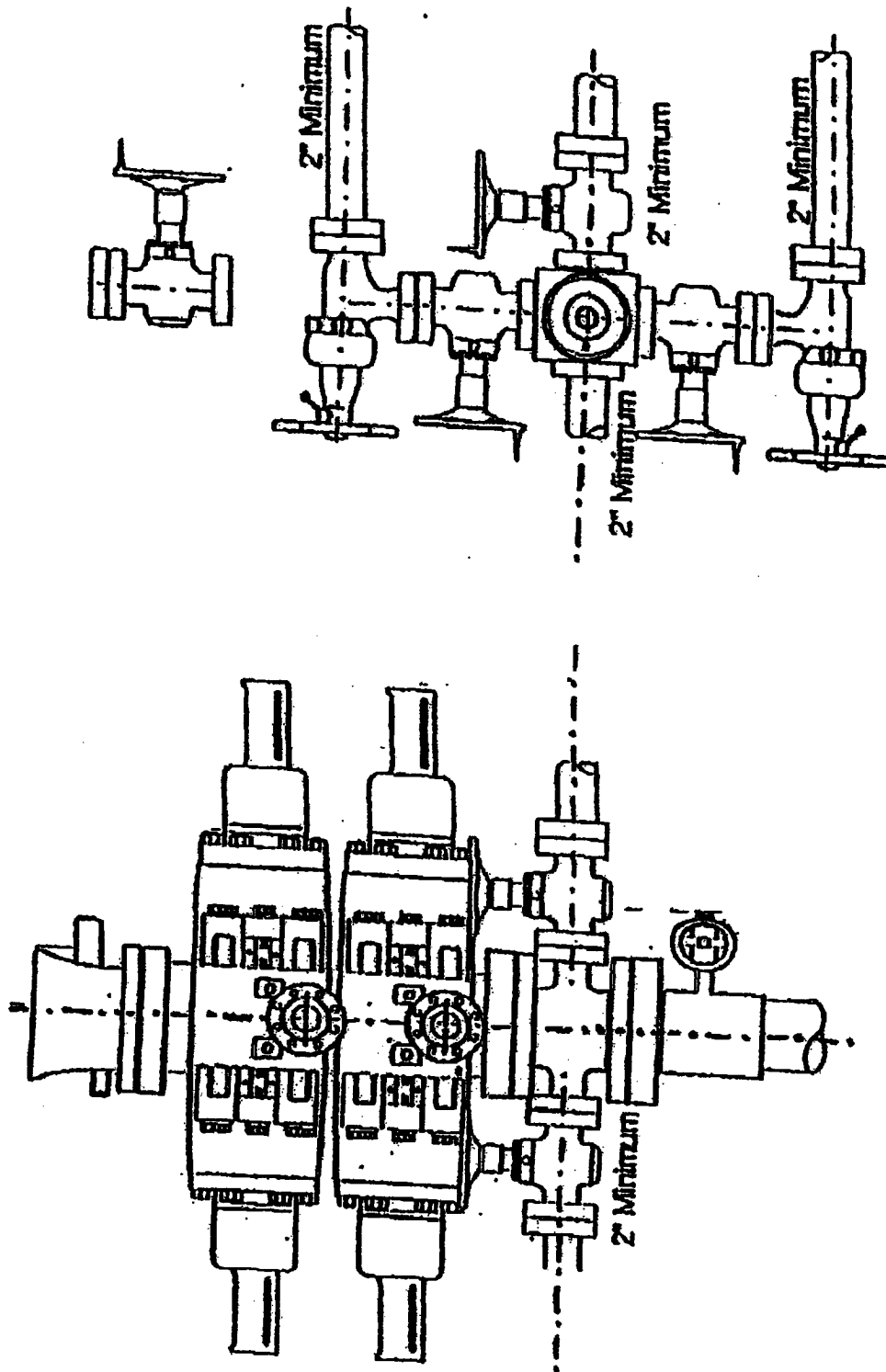


A-A'	Vert.: 1"=30'	Horiz.: 1"=50'	C/L
6760	-----	-----	-----
6750	-----	-----	-----
	-----	-----	-----

B-B'
6760
6750

C-C'
6760
6750

2-M SYSTEM



NIKA ENERGY OPERATING, LLC
SG INTERESTS I, INC.
FRUITLAND DRILLING PROGRAM

New Well Permit Information

DATE: September 2005

WELL NAME: State 21-7-16 #3
FIELD NAME: Basin Fruitland Coal
LOCATION: SW Section 16-T21N-R7W
Sandoval County, New Mexico
UNIT Standup

DRILLING SKELETON:

<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Depth</u>
Surface	12-1/4"	7"	150'
Production	6-1/4"	4-1/2"	845'

<u>Formation</u>	<u>Depth</u>
Ojo Alamo	163'
Kirtland	250'
Fruitland	440'
Coal Top	670'
PC	695'
Total Depth	845'

DATE: September 2005
 WELL NAME: State 21-7-16 #3

CASING AND CEMENTING PROGRAM:

<u>Interval</u>	<u>Size, Wt, Grade, Thread</u>	<u>Depth</u>	<u>Cement</u>
Surface	7", 20#, J-55, ST&C	150'	140 sx (165 cu. ft) Class B w/2% CaCl 1/4#/sx celloflake
Production	4-1/2", 10.5#, J-55, ST&C	845'	100 sx (118 cu. ft) Class B. 1/4#/sx celloflake.

*circulate
cement
circulate
cement*

Cement Slurry Designs and Notes

<u>Slurry</u>	<u>Water Requirements</u>	<u>Weight</u>	<u>Yield</u>
Surface	5.2 gals/sx	15.6 ppg	1.18 cu. ft/sk
Production	5.2 gals/sx	15.6 ppg	1.18 cu. ft/sk