

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

NM-24964

6. If Indian, Allottee or Tribe Name

7. If Unit or Co-Agreement, Name and/or No.

8. Well Name and No.

Pot Mesa #2

9. API Well No.

30-031-20888

10. Field and Pool, or Exploratory Area

Pot Mesa Mesaverde

11. County or Parish, State

McKinley County, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. ☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

SG Interests I, Ltd. c/o Nika Energy Operating, LLC

3a. Address

PO Box 2677, Durango, CO 81302-2677

3b. Phone No. (include area code)

(970) 259-2701

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1785' FNL & 2175' FEL

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize <input type="checkbox"/> Deepen <input type="checkbox"/> Production (Start/Resume) <input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Change zone for SWD.
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Convert to Injection <input type="checkbox"/> Plug Back <input type="checkbox"/> Water Disposal

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

SG Interests I, Ltd. proposes to convert the subject well from a Cliffhose WDW to a Menefee WDW. Plans are to squeeze the Cliffhose perforations (1996' to 2133') and pressure test to 400# for 30 min. Drill out Cmt plug @ 2241', & CO to 3184' PBTD. The Menefee is perforated as listed: 2242' to 2246', 2359' to 2380', 2453' 2457', 2462' to 2466', 2538' to 2544', and 3026' to 3030'. These Menefee perforations were tested(1986) and abandoned as non-productive. In addition SG proposes to perforate the following "new" zones: 2614'-2632, 2658'-2675', and 2692'-2704'. SG proposes to individually acidize and hydraulically fracture the above zones. A packer will then be set @ 2208' and a 2-7/8" injection string run. A detailed completion procedure will follow. Attached is the NMOCD Administrative order SWD-293-A allowing produced water disposal in this zone.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

William Schwab III

Title

Agent for SG Interests

Signature

Date

February 22, 2006

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

ADMINISTRATIVE ORDER SWD-293-A

APPLICATION OF SG INTERESTS I LTD FOR PRODUCED WATER DISPOSAL, MCKINLEY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), SG Interests I Ltd made application through agent Nika Energy Operating to the New Mexico Oil Conservation Division, for permission to amend its permit for produced water disposal into the Pot Mesa Well No. 2 (API No. 30-031-20888) located 1,785 feet from the North line and 2,175 feet from the East line of Section 10, Township 20 North, Range 6 West, NMPM, McKinley County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize its Pot Mesa Well No. 2 (API No. 30-031-20888) located 1,785 feet from the North line and 2,175 feet from the East line of Section 10, Township 20 North, Range 6 West, NMPM, McKinley County, New Mexico, in such manner as to permit the injection of produced water for disposal purposes into the Menefee member of the Mesaverde formation through perforations from 2,242 feet to 3,030 feet and through plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

The operator shall report to the Division:

- 1) A readable copy of the service company fracture treatment report covering the fracture treatment of the Menefee interval. This report should include a net-pressure plot.
- 2) The static fluid level or otherwise measured initial reservoir pressure of the Menefee injection interval.

After installing injection tubing, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The wellhead injection pressure on the well shall be limited to **no more than 448 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Aztec district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Aztec district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

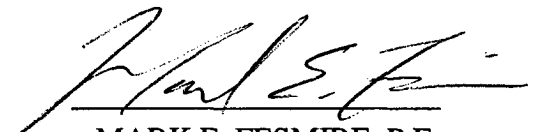
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall provide written notice of the date of commencement of injection to the Aztec district office of the Division.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on February 18, 2006.


MARK E. FESMIRE, P.E.
Director

MEF/wvjj

cc: Oil Conservation Division – Aztec
Bureau of Land Management - Farmington