

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

2002 AUG 12 AM 10:35

5. Lease Serial No. SF - 076337
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No. 32861
8. Lease Name and Well No Santa Rosa 30-9-31 #2
9. API Well No. 30-045- 31856
10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T., R., M., or Blk. and Survey or Area 0 Sec. 31 T. 30N., R. 9 W.
12. County or Parish San Juan County
13. State NM

1a. Type of Work: <input type="checkbox"/> Oil Well <input type="checkbox"/> REENTER	070 Farmington, NM
1b. Type of Well: <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other	x Single Zone <input type="checkbox"/> Multiple Zone
2. Name of Operator SG INTERESTS I LTD Agent Sagle & Schwab Energy Resources	
3a. Address P. O. Box 2677, Durango, Colorado 81302	3b. Phone No. (include area code) 970 259-2701
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSE 660 FSL 1475 FEL Lat. 36° 45'47" Long. 107° 49'04" At proposed prod. zone same	
14. Distance in miles and direction from nearest town or post office* 3 miles north of Blanco, NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of Acres in lease 2.449.350
17. Spacing Unit dedicated to this well 320 E/2	18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 200 ft to BP Houck GC A #1
19. Proposed Depth 2500'	20. BLM/BIA Bond No. on file NM 1935 State-wide
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5727' GL	22. Approximate date work will start* September 16, 2003
23. Estimated duration 30 days	24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature 	Name (Printed/Typed) Mr. Lynn Garner	Date August 6, 2003
Title Operations Manager		
Approved by (Signature) /s/ David J. Mankiewicz	Name (Printed/Typed)	Date AUG 26 2003
Title	Office	

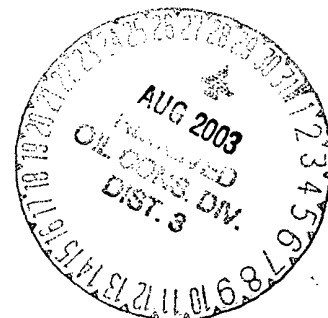
Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

*(Instructions on reverse)

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.8
and appeal pursuant to 43 CFR 3165.4



NMOCD

District I
PO Box 1980, Hobbs NM 88241-1980
District II
PO Drawer KK, Artesia, NM 87211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION
PO Box 2088
Santa Fe, NM 87504-2088

Form C-10:
Revised February 21, 1994

Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-31856	² Pool Code 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code 3286.1	⁵ Property Name Santa Rosa 31	⁶ Well Number #2
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS, I LTD.	⁹ Elevation 5727

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
O	31	30 N	9 W		660	SOUTH	1475	EAST	SAN JUAN

¹¹ Bottom Hole Location If Different From Surface

¹² UL or lot no.	¹³ Section	¹⁴ Township	¹⁵ Range	¹⁶ Lot Idn	¹⁷ Feet from the	¹⁸ North/South line	¹⁹ Feet from the	²⁰ East/West line	²¹ County
E/2 320		Y							

²² Dedicated Acres E/2 320	²³ Joint or Infill Y	²⁴ Consolidation Code	²⁵ 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

RECEIVED 2003 AUG 12 AM 10:35 070 Farmington, NM	397(R)	1304(R)	2000(R)	31	660'	1475'	70166	Certificate Number
	Lot 1							
	Lot 2							
	Lot 3							
	529(R)							
	Lot 4							
	329(R)	1315(R)	2630(R)					

¹⁷ OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: Gunn Carner
Printed Name: Mr. Lynn Carner
Title: Operations Manager
Date: May 23, 2003

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.

Date of Survey: May 23, 2003
Signature and Seal of Professional Surveyor: GARY D. VANM
REGISTERED PROFESSIONAL LAND SURVEYOR
NEW MEXICO
70166

(R) - BLM Record

SG Interests I, Ltd.
(Agent: Sagle & Schwab Energy Resources)
PO Box 2677
Durango, CO 81302
(970) 259-2701

Santa Rosa 30-9-31 #2
SWSE Sec 31-T30N-R9W
660' FSL & 1475' FEL
San Juan County, New Mexico

EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops (in measured depth, same as true vertical depth):

Ojo Alamo	1000'
Kirkland	1060'
Fruitland Coal	2100'
Pictured Cliffs	2300
Total Depth	2500'

2. Estimated Depth of Anticipated Minerals:
Fruitland (Gas) 2150'

3. Minimum Specifications for Pressure Control Equipment:

BOP equipment and accessories will meet or exceed BLM requirements outlined in 43 CFR Part 3160.

A 3000 psig double ram hydraulic BOP will be used (see attached diagram). Since maximum anticipated formation pressure is 1200 psig, accessories to the BOP will meet BLM requirements for a 2000 psig system (exhibit 1). The accumulator system capacity will be sufficient to close all BOPE with a 50% safety factor. Fill line, kill line and line to choke manifold will be 2". BOP's will be function tested every 24 hours and will be recorded on IADC log.

BOPE, Surface casing will be tested to 1500 psig for 30 minutes.

Eight Point Drilling Program - Santa Rosa 30-9-31 #2

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Accessories to BOPE will include upper and lower Kelly cocks with handles, stabbing valve to fit drill pipe on floor at all times, string float at bit, 3000 psig choke manifold with 2" adjustable and 2" positive chokes, and pressure gauge.

4. Casing and Cementing Program:

<u>Hole Size</u>	<u>Interval</u>	<u>Csg Size</u>	<u>Wt, Grd, Jt</u>
12-1/4"	0-300'	8-5/8"	24#, J-55, STC
7-7/8"	300-2500'	5-1/2"	17#. J-55, LTC

Surface Casing will be cemented with 210 sx (248 cu ft) class B w/3% CaCl and 1/4#/sx of celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Cement volumes include 100 % excess; will circulate cement to surface. A guide shoe, insert float and three (3) centralizers will be used. WOC time is 8 hours. The casing will be pressure tested to 1500 psig.

Production Casing: Lead cement will be 215 sx 65/35 poz with 6% gel, 2% CaCl and 1/4#/sx celloflake (Yield = 1.92 cuft/sx, Weight = 12.6#/gal). Tail cement will be 150 sx Class B containing 2% CaCl and 1/4#/sx celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Total cement = 590 cuft. Cement volume includes 50% excess; will circulate cement to surface. In the event cement is not circulated a temperature survey will be run to determine the actual cement top, as required. Cementing equipment will include a guide shoe, float collar and 10 centralizers. Class G or H cement may be used depending on availability of Class B.

5. Mud Program:

A native water based mud system (FW) will be used initially followed by a low-solids, non-dispersed gel system (LSND) to condition the hole for logs. Adequate amounts of lost circulation and weighting material will be on location if needed as well as sorbitive agents to handle potential spills of fuel or lubricants.

<u>Depth</u>	<u>Type</u>	<u>Wt (ppg)</u>	<u>Vis (sec)</u>	<u>Wtr loss</u>
0-300'	FW	± 8.5	30-33	NC
300'-TD	LSND	± 8.7-9.5	30-50	8-10 cc