



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

May 31, 2005

Sagle & Schwab Energy Resources
2223 Main Ave.
PO Box 2677
Durango, CO 81302

Re: Extension of Administrative Order SWD-293

Dear Mr. Schwab:


As per your request on behalf of Sagle & Schwab Energy Resources ("S&S") received in this office May 16, 2005, and for the reasons outlined in your letter, a one-year extension of the deadline in which to resume injection in the Pot Mesa Well No. 2 (API No. 30-031-20888), approved by Division Order No. SWD-293, is hereby granted with the following conditions.

Just prior to resuming injection, the operator shall submit the following data to the Division in Santa Fe.

- 1) Casing and cement top data on all wells drilled to at least the top perforation depth and within 1/2 mile radius of this injection well.
- 2) All wells and pools producing and/or considered prospective within a 2-mile radius of this injection well.
- 3) Plot of available injection data vs time, including daily injection rate and wellhead pressure.
- 4) Current static fluid level and estimated reservoir pressure.
- 5) Statement verifying that a pressure limiting device is installed and operational at or near the wellhead.

The injection authority for this well shall expire on July 1, 2006, if the operator has not resumed injection.

Sincerely,



William V. Jones P.E.

cc: Oil Conservation Division – Aztec
File: SWD-293

Nika Energy Operating

May 13, 2005

State of New Mexico
Oil Conservation Division
1220 So. St. Francis Drive
Santa Fe, New Mexico 87505

Attention: Mr. Will Jones

RE: Pot Mesa #2 SWD Well
(SWNE) Sec 10-T20N-R6W
McKinley County, NM
API No. 30-031-20888
Administrative Order No. SWD-293

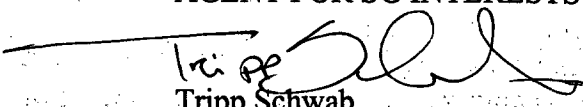
Dear Mr. Jones:

As instructed in your letter of April 27, 2004, we are once again requesting a one (1) year extension of the deadline to resume injection in the captioned well (the current extension will expire July 1, 2005). There has been no injection of fluids since SG became Operator of the well on July 1, 2003. However, we have recently staked 5 new proposed gas wells in the subject area on behalf of SG Interests, and we are currently in the process of filing for drilling approval for those wells. We successfully pressure tested the sales line in 2004, and we anticipate having gas sales in the Fall of this year. We are aware that prior to any injection, we will need to submit the required data outlined in your letter of April 27, 2004.

Thank you for your consideration, and please let us know if you require any additional information.

Sincerely,

NIKA ENERGY OPERATING, LLC
(formerly Sagle & Schwab Energy Resources)
AGENT FOR SG INTERESTS


Tripp Schwab
President

WS:mgs