

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.

3159

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 the operator 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.

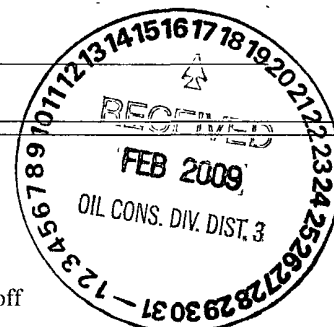
1.
Operator: SG Interests I Ltd. OGRID #: 020572
Address: PO Box 2677, Durango, CO 81302
Facility or well name: Federal 21-7-26 #1
API Number: 30-043-21062 OCD Permit Number: _____
U/L or Qtr/Qtr G Section 26 Township 21N Range 7W County: Sandoval
Center of Proposed Design: Latitude 36.02433*N Longitude -107.54419*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
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: 2271 Bbls Dimensions: L 75' x W 10' 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: _____ bbl 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 _____ mil ☐ 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input type="checkbox"/> 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 H₂S, 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 identify 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> 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	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	<input type="checkbox"/> Yes <input type="checkbox"/> No
Within a 100-year floodplain. - FEMA map	<input type="checkbox"/> Yes <input type="checkbox"/> 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: 12/22/2008

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: 10/31/2008

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 identify 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 36.02432* N Longitude -107.54419* 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: W Schwab Date: 2/3/2009

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

Marcia Stewart

From: "Marcia Stewart" <marcia@nikaenergy.com>
To: <Brandon.Powell@state.nm.us>
Sent: Thursday, October 30, 2008 3:20 PM
Subject: Pit Closure Notification

Brandon -

The following wellsite pit closing was completed Wed, Oct 29, 2008.

Federal 21-7-26 #1 Wellsite
API No. 30-043-21062
Sec 26-T21N-R7W
Sandoval County, NM

Marcia Stewart
Nika Energy Operating, LLC
Agent for SG Interests
(970) 259-2701 Off
(970) 385-1598 Fax

10/30/2008

SG Interests I, Ltd.

Temporary Pit - Closure Details

Re: Federal 21-7-26 #1

- 1 – All freestanding liquids were removed at the start of the pit closure process from the pit and disposed of in a division approved facility at Agua Moss, Permit # Pretty Lady 30-11-34 #1.
- 2 - The pit cover was re-contoured and re-vegetated complying with subsections G, H, & I of 19.15.17.13 NMAC.
- 3 - Notification will be sent to NMOCD Aztec Division office when reseeded is completed.
- 4 - 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 (unimpacted) 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.
- 5 - The closed temporary pit has 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 is permanently welded, and includes the operator name, lease name, well name and number, unit number, section, township, range, and indicator that the marker is an onsite burial location.

Nika Energy Operating

Bill Liess
Bureau Of Land Management, DOI
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, NM 87401

RE: Federal 21-7-26 #1, API # 30-043-21062


Bill,
This is a follow up certified letter as per the req
17 requiring notification to the surface owner
temporary drilling pit on the subject location. A
plans to close the temporary pit per the app
rules.

Please let me know if you have any questions
directed to someone else.

Thank you for your time.



Tripp Schwab
President
Nika Energy Operating, LLC
Agent for SG Interests.

SENDER: COMPLETE THIS SECTION		COMPLETE THIS SECTION ON DELIVERY	
<p>1. Article Addressed to:</p> <p>Attn: Mr. Bill Liess Bureau of Land Mngemnt, DOI Farmington Field Office 1235 La Plata Highway, #A Farmington, NM 87401</p>		<p>A. Signature <input checked="" type="checkbox"/> X </p> <p>B. Received by (Printed Name) <u>VENA STE</u></p> <p>C. Date of Delivery</p>	
<p>2. Article Number (Transfer from service lab)</p> <p>7006 2150 0001 7642 7459</p>		<p>D. Is delivery address different from item 1? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, enter delivery address below:</p>	
<p>3. Service Type</p> <p><input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.</p>		<p><input type="checkbox"/> Agent Addressee</p>	
<p>4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes</p>			
<p>PS Form 3811, February 2004 Domestic Return Receipt</p>		<p>102595-02-M-1540</p>	
<p>Total Attn: Mr. Bill Liess</p>			
<p>Sent BLM, DOI</p>			
<p>Street Farmington Field Office</p>			
<p>or PO 1235 La Plata Highway, Suite A</p>			
<p>City Farmington, NM 87401</p>			
<p>PS Form 3800, August 2003 See Reverse for Instructions</p>			

ENVIROTECH INC.

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

October 7, 2008

Project No. 98049-0010

Mr. Trip Schwab
SG Interests LTD
Nika Energy Operating
P O Box 2677
Durango, Colorado 81302

Phone (970) 259-2701
Fax (505) 385-1598

**RE: DRILL PIT SAMPLING AT THE FEDERAL 21-7-26 #1 WELL SITE, SECTION 26,
TOWNSHIP 21N, RANGE 6W, SANDOVAL COUNTY NEW MEXICO**

Dear Mr. Schwab;

Envirotech collected samples from the drill pit at the above referenced site. A five (5) point composite sample was collected from inside the pit. The sample was delivered to Envirotech's Laboratory under Chain of Custody. The sample was analyzed via USEPA Method 8015 for Gasoline and Diesel range hydrocarbons (GRO/DRO), USEPA Method 8021 for Benzene and total BTEX, USEPA Method 418.1 for Total Petroleum Hydrocarbons (TPH), and USEPA Method 300.1 for total Chlorides.

The sample results show that all contaminants of concern are below the most stringent NMOCD requirements. Based on these results the following options are available for final disposal:

- In place burial
- Onsite trench burial, or
- Waste excavation and removal

Regardless of the disposal option chosen, notification must be made to the NMOCD at least 72 hours but not more than one week prior to closing the pit. The surface land owner must also be notified at least 24 hours prior to closing the pit. Once the pit is closed a NMOCD C-144 form must be completed and submitted to Mr. Brandon Powell at the NMOCD within 60 days of the closure date.

Attached to this letter is Envirotech's Field Report: Closure Verification, field analysis documentation, and lab analysis documentation.

We appreciate the opportunity to be of service. Should you need any additional help with notifications or completion of the C-144 form, please do not hesitate to contact our office at (505) 632-0615.

Respectfully Submitted,
ENVIROTECH, INC.



Greg Crabtree, EIT
Environmental Project Engineer
gcrabtree@envirotech-inc.com

Enclosure: Pit Closure Documents

PAGE NO: <u>1</u> OF <u>1</u> DATE STARTED: <u>9-12-08</u> DATE FINISHED: <u>9-12-08</u>	ENVIROTECH INC ENVIRONMENTAL SCIENTISTS & ENGINEERS 5796 U.S. HIGHWAY 64 - 3014 FARMINGTON, NEW MEXICO 87401 PHONE: (505) 632-0615	ENVIRONMENTAL SPECIALIST <u>J. NELSON</u> LAT: <u>36.024262°</u> LONG: <u>107.544064°</u>
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FIELD REPORT: BGT / PIT CLOSURE VERIFICATION

LOCATION: NAME: FEDERAL 21-7-26 WELL #: 1 TEMP PIT: PERMANENT PIT: BGT:
 LEGAL ADD: UNIT: G SEC: 26 TWP: 21N RNG: 6W PM: N/M
 QTR/FOOTAGE: 1860' FNL & 1970' FEL CNTY: SANDOVAL ST: NM

EXCAVATION APPROX: FT. X FT. X FT. DEEP CUBIC YARDAGE:
 DISPOSAL FACILITY: REMEDICATION METHOD:
 LAND OWNER: API: 3004321062 BGT / PIT VOLUME:
 CONSTRUCTION MATERIAL: DOUBLE-WALLED, WITH LEAK DETECTION:

LOCATION APPROXIMATELY: 10 FT. 270° FROM WELLHEAD
 DEPTH TO GROUNDWATER: 148 ft

- ☐ 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)
	200 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			NOTES:
SAMPLE ID	ANALYSIS	RESULTS	
Drill Pit	BENZENE	<u>ND</u>	
Drill Pit	BTEX	<u>0.0074</u>	
Drill Pit	GRO & DRO	<u>37.2</u>	
Drill Pit	CHLORIDES	<u>64.0</u>	
Drill Pit	<u>418.1</u>	<u>2.130</u>	

ENVIROTECH LABS

PRAGMATIC SOLUTIONS FOR A BETTER TOMORROW

EPA METHOD 8015 Modified Nonhalogenated Volatile Organics Total Petroleum Hydrocarbons

Client:	SG Interest	Project #:	98049-0010
Sample ID:	Fed. 21-7-26 #1	Date Reported:	09-19-08
Laboratory Number:	47228	Date Sampled:	09-12-08
Chain of Custody No:	5268	Date Received:	09-12-08
Sample Matrix:	Soil	Date Extracted:	09-17-08
Preservative:	Cool	Date Analyzed:	09-18-08
Condition:	Intact	Analysis Requested:	8015 TPH

Parameter	Concentration (mg/Kg)	Det. Limit (mg/Kg)
Gasoline Range (C5 - C10)	ND	0.2
Diesel Range (C10 - C28)	37.2	0.1
Total Petroleum Hydrocarbons	37.2	0.2

ND - Parameter not detected at the stated detection limit.

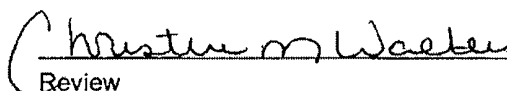
References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments: **Multiple Pits.**

Analyst



Review



ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA METHOD 8021 AROMATIC VOLATILE ORGANICS

Client:	SG Interest	Project #:	98049-0010
Sample ID:	Fed. 21-7-26 #1	Date Reported:	09-19-08
Laboratory Number:	47228	Date Sampled:	09-12-08
Chain of Custody:	5268	Date Received:	09-12-08
Sample Matrix:	Soil	Date Analyzed:	09-18-08
Preservative:	Cool	Date Extracted:	09-17-08
Condition:	Intact	Analysis Requested:	BTEX

Parameter	Concentration (ug/Kg)	Det. Limit (ug/Kg)
Benzene	ND	0.9
Toluene	2.5	1.0
Ethylbenzene	1.2	1.0
p,m-Xylene	2.0	1.2
o-Xylene	1.7	0.9
Total BTEX	7.4	

ND - Parameter not detected at the stated detection limit.

Surrogate Recoveries:	Parameter	Percent Recovery
	Fluorobenzene	97.0 %
	1,4-difluorobenzene	97.0 %
	Bromochlorobenzene	97.0 %

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: Multiple Pits

Analyst

Review

Client:	SJ Interest	Project #:	98049-0010
Sample ID:	Fed. 21-7-26 #1	Date Reported:	09-19-08
Laboratory Number:	47228	Date Sampled:	09-12-08
Chain of Custody No:	5268	Date Received:	09-12-08
Sample Matrix:	Soil	Date Extracted:	09-18-08
Preservative:	Cool	Date Analyzed:	09-18-08
Condition:	Intact	Analysis Needed:	TPH-418.1

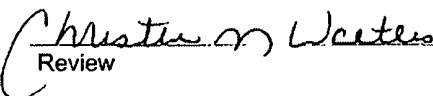
Parameter	Concentration (mg/kg)	Det. Limit (mg/kg)
Total Petroleum Hydrocarbons	2,130	5.0

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: Multiple Pits.


Analyst


Review

ENVIROTECH LABS

Practical Solutions For A Better Tomorrow

Chloride

Client:	SG Interest	Project #:	98049-0010
Sample ID:	Fed. 21-7-26 #1	Date Reported:	09-19-08
Lab ID#:	47228	Date Sampled:	09-12-08
Sample Matrix:	Soil	Date Received:	09-12-08
Preservative:	Cool	Date Analyzed:	09-16-08
Condition:	Intact	Chain of Custody:	5268

Parameter	Concentration (mg/Kg)
-----------	-----------------------

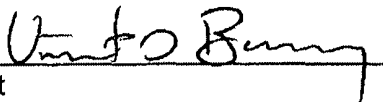
Total Chloride

64.0

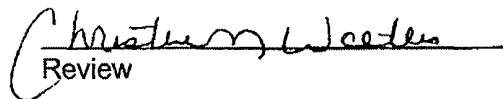
Reference: U.S.E.P.A., 4500B, "Methods for Chemical Analysis of Water and Wastes", 1983.
Standard Methods For The Examination of Water And Waste Water", 18th ed., 1992.

Comments: Multiple Pits.

Analyst



Review



ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR ANALYSIS OF OIL

EPA METHOD 418.1 TOTAL PETROLEUM HYDROCARBONS QUALITY ASSURANCE REPORT

Client:	QA/QC	Project #:	N/A
Sample ID:	QA/QC	Date Reported:	09-18-08
Laboratory Number:	09-18-TPH.QA/QC 47235	Date Sampled:	N/A
Sample Matrix:	Freon-113	Date Analyzed:	09-18-08
Preservative:	N/A	Date Extracted:	09-18-08
Condition:	N/A	Analysis Needed:	TPH

Calibration	I-Cal Date	C-Cal Date	I-Cal RF:	C-Cal RF:	% Difference	Accept. Range
	09-18-08	09-18-08	1,660	1,590	4.2%	+/- 10%

Blank Conc. (mg/Kg)	Concentration	Detection Limit
TPH	ND	5.0

Duplicate Conc. (mg/Kg)	Sample	Duplicate	% Difference	Accept. Range
TPH	33.2	27.9	16.0%	+/- 30%

Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept Range
TPH	33.2	2,000	2,390	118%	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 47225 - 47230, 47236 - 47237, 47242 and 47235.

Analyst

Unto Barry

Review

Christopher W. Winters

ENVIROTECH LABS

ANALYTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA METHOD 8021 AROMATIC VOLATILE ORGANICS

Client:	N/A	Project #:	N/A
Sample ID:	09-18-BT QA/QC	Date Reported:	09-19-08
Laboratory Number:	47238	Date Sampled:	N/A
Sample Matrix:	Soil	Date Received:	N/A
Preservative:	N/A	Date Analyzed:	09-18-08
Condition:	N/A	Analysis:	BTEX

Calibration and Detection Limits (ug/L)	FCal RF	C-Cal RF	%Diff	Blank Conc	Detect Limit
		Accept Range 0 - 15%			
Benzene	6.6064E+007	6.6196E+007	0.2%	ND	0.1
Toluene	5.0423E+007	5.0524E+007	0.2%	ND	0.1
Ethylbenzene	3.9683E+007	3.9762E+007	0.2%	ND	0.1
p,m-Xylene	8.1407E+007	8.1570E+007	0.2%	ND	0.1
o-Xylene	3.7616E+007	3.7692E+007	0.2%	ND	0.1

Duplicate Conc. (ug/Kg)	Sample	Duplicate	%Diff	Accept Range	Detect Limit
Benzene	2.0	2.1	5.0%	0 - 30%	0.9
Toluene	8.5	8.7	2.4%	0 - 30%	1.0
Ethylbenzene	5.0	5.3	6.0%	0 - 30%	1.0
p,m-Xylene	19.2	18.2	5.2%	0 - 30%	1.2
o-Xylene	8.9	9.7	9.0%	0 - 30%	0.9

Spike Conc. (ug/Kg)	Sample	Amount Spiked	Spiked Sample	% Recovery	Accept Range
Benzene	2.0	50.0	51.6	99.2%	39 - 150
Toluene	8.5	50.0	56.5	96.6%	46 - 148
Ethylbenzene	5.0	50.0	52.0	94.5%	32 - 160
p,m-Xylene	19.2	100	114	95.8%	46 - 148
o-Xylene	8.9	50.0	53.9	91.5%	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 47225 - 47230 and 47238 - 47241.

Analyst

Review

ENVIROTECH LABS

PRACTICAL SOLUTIONS FOR A BETTER TOMORROW

EPA Method 8015 Modified Nonhalogenated Volatile Organics Total Petroleum Hydrocarbons

Quality Assurance Report

Client:	QA/QC	Project #:	N/A
Sample ID:	09-18-08 QA/QC	Date Reported:	09-19-08
Laboratory Number:	47238	Date Sampled:	N/A
Sample Matrix:	Methylene Chloride	Date Received:	N/A
Preservative:	N/A	Date Analyzed:	09-18-08
Condition:	N/A	Analysis Requested:	TPH

	I-Cal Date	I-Cal RE	C-Cal RE	% Difference	Accept. Range
Gasoline Range C5 - C10	05-07-07	1.0031E+003	1.0035E+003	0.04%	0 - 15%
Diesel Range C10 - C28	05-07-07	9.9395E+002	9.9434E+002	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	2.8	2.7	3.6%	0 - 30%

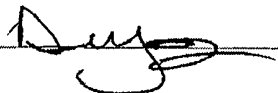
Spike Conc. (mg/Kg)	Sample	Spike Added	Spike Result	% Recovery	Accept. Range
Gasoline Range C5 - C10	ND	250	253	101%	75 - 125%
Diesel Range C10 - C28	2.8	250	251	99.2%	75 - 125%

ND - Parameter not detected at the stated detection limit.

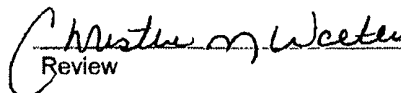
References: Method 8015B, Nonhalogenated Volatile Organics, Test Methods for Evaluating Solid Waste, SW-846, USEPA, December 1996.

Comments: QA/QC for Samples 47225 - 47230 and 47238 - 47241.

Analyst



Review



CHAIN OF CUSTODY RECORD

5268

Client: SG Interest			Project Name/ Location: MULTIPLE Pits			ANALYSIS / PARAMETERS														
Client Address:			Sampler Name: J. Nelson																	
Client Phone No.:			Client No.: 98049-0010																	
Sample No./ Identification	Sample Date	Sample Time	Lab No.	Sample Matrix	No./Volume of Containers	Preservative	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
d.21-6-29 #1	9-12-08	15:40	47225	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
d.21-6-30 #2	9-12-08	14:15	47226	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
d.21-6-29 #2	9-12-08	15:14	47227	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
d.21-7-26 #1	9-12-08	13:30	47228	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
d.21-7-35 #1	9-12-08	12:57	47229	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
d.21-6-30 #1	9-12-08	14:44	47230	Soil Solid	Sludge Aqueous	1/4oz		X	X						X	X			✓	✓
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
				Soil Solid	Sludge Aqueous															
Relinquished by: (Signature)			Date	Time	Received by: (Signature)			Date			Time									
			9-12-08					9-12-08												
Relinquished by: (Signature)					Received by: (Signature)															
Relinquished by: (Signature)					Received by: (Signature)															

ENVIROTECH INC.

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 William Schwab	
Address PO Box 2677, Durango, CO 81301	Telephone No. 970-259-2701	
Facility Name Federal 21-7-26 #1	Facility Type Wellsite	
Surface Owner Federal	Mineral Owner Federal	Lease No. NMNM99739

LOCATION OF RELEASE

Unit Letter G	Section 26	Township 21N	Range 07W	Feet from the 1860'	North/South Line North	Feet from the 1970'	East/West Line East	County Sandoval
-------------------------	----------------------	------------------------	---------------------	-------------------------------	----------------------------------	-------------------------------	-------------------------------	---------------------------

Latitude **36.02433*N** Longitude **-107.54419*W**

NATURE OF RELEASE

Type of Release None	Volume of Release N/A	Volume Recovered N/A	
Source of Release N/A	Date and Hour of Occurrence N/A	Date and Hour of Discovery N/A	
Was Immediate Notice Given? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Not Required	If YES, To Whom?		
By Whom?	Date and Hour		
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.		
If a Watercourse was Impacted, Describe Fully.*			
Describe Cause of Problem and Remedial Action Taken.* There was no release. Drilling pit was closed according to approved closure plan. This form is required for drilling pit closure report.			
Describe Area Affected and Cleanup Action Taken.* None			
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		Approved by District Supervisor:	
Title: Agent for SG Interests		Approval Date:	Expiration Date:
E-mail Address: tripp@nikaenergy.com		Conditions of Approval:	Attached <input type="checkbox"/>
Date: 2/3/2009 Phone: 970-259-2701			

* Attach Additional Sheets If Necessary



SG Interests I, Ltd

FEDERAL 21-7-26 # 1

FED LEASE # NM-99739

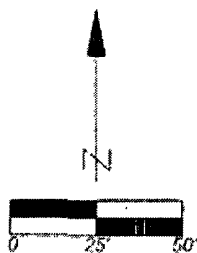
API # 30-043-21062

(SWNE) 1860' FNL & 1970' FEL

UNIT G, SEC. 26, T-21-N, R-7-W, NMPM

SANDOVAL COUNTY, NM

EMERGENCY CONTACT (970) 259-270

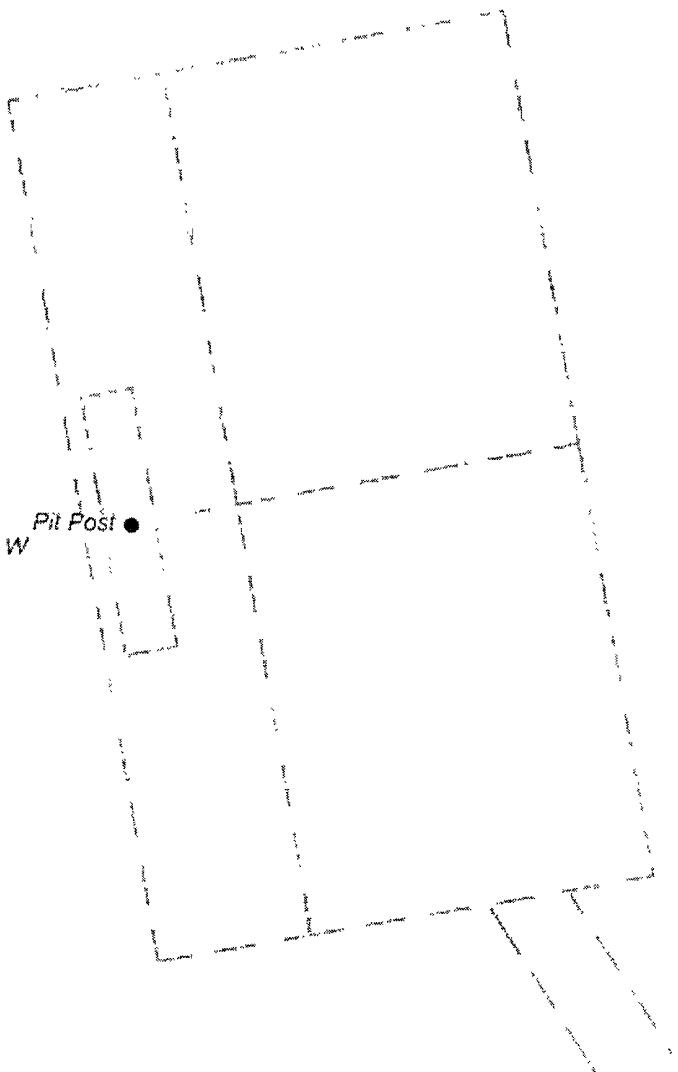


Scale : 1"=50'

Field Date: 06 Feb. 2009

SG INTERESTS I, LTD.
FEDERAL 21-7 26 #1
SW/4 NE/4
SEC.26 T21N, R7W, NMPM
Sandoval Co., NM

Lat. 36.02432° N Pit Post ●
Long 107.54419° W
(NAD 83)



ENERGY SURVEYORS, INC.

P.O. BOX 991
TARMINGTON, NM 87109

FAX 505-325-4248
OFFICE 505-325-4005
CELL 505-360-8142

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR:	SG Interests, Ltd.	DATE:	08/10/08
LEASE & WELL #:	Federal 21-7-26 #1	DEPTH:	855'
SUPERVISOR:	ML Smith	FOOTAGE:	0'
DAYS FROM SPUD:	6	KB (ft):	5'
AART:	None		

DESCRIPTION OF DAILY ACTIVITY

0700 - Startup - Rig Service - Safety Meeting

0730 - Drop slips, RD - NDBOPE - NUWH - RDMODR

Final Well

Reserve Pit OK - Appox @ 1/2 Full Fresh water & polymer

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
855'								Fresh water

BIT DATA

BIT #	
SIZE	
MFG	
SERIAL #	

JETS, 32nd

1	
2	
3	

DEPTH IN	
DEPTH OUT	

FOOTAGE	
HRS	
CUM HRS	
FT/HR	

CONDITION

T	
B	
G	

BIT #	
WOB	
RPM	

STROKE	
LINER	
SPM	
BPM	
PRESS.	
ANN. VEL.	
NOZ. VEL.	
BIT HHP	
%HP @ BIT	

DP SIZE, TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.: 2"

BHA LENGTH: 44' EFF WT: 3000# STABLR: 1 HWDP:

DEVIATION SURVEYS

DEPTH	205'	705'	
DEVIATION	3/4*	1-1/4*	

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$3,270	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$3,270	\$97,856

Nika Energy Operating, LLC.
Daily Cost Estimate

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 6

DATE: 08/10/08
DEPTH: 855'
FOOTAGE: 0'
KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION				\$8,000	\$8,000
FOOTAGE				\$17,100	\$17,100
DAYWORK	\$900			\$7,900	\$8,800
MOBILIZATION				\$2,500	\$2,500
					\$0
MUD/ADDITIVES				\$1,876	\$1,876
WATER				\$800	\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING				\$19,544	\$19,544
FUEL				\$1,700	\$1,700
AIR COMPRESSOR					\$0
RENTAL TOOLS					\$0
TRANSPORTATION				\$850	\$850
FORMATION EVALUATION				\$3,050	\$3,050
CONTRACT LABOR				\$4,663	\$4,663
SUPERVISION	\$1,200			\$6,000	\$7,200
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS	\$195			\$975	\$1,170
PER DIEM & NIGHT WATCH	\$975			\$3,900	\$4,875
CASING				\$15,728	\$15,728
TUBING					\$0
WELLHEAD					\$0
	\$3,270	\$0	\$0	\$94,586	
DAILY COST					\$3,270
CUMULATIVE COST					\$97,856

COMMENTS: AFE AMOUNT, \$ 280,375

Misc: - trash basket, backhoe, porta toilet.

D&D Services furnished exceptional work habits

Called C&C Anchor Service to set anchors on all the drilled wells

Lindrith will move frac tank in to 26 #1

There is enough fresh water left on the 26 #1 and 35 #1 to CO on completions

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 5
AART: NDBOP, NUWH, RDMODR

DATE: 08/09/08
DEPTH: 855'
FOOTAGE: 0'
KB (ft): 5'

DESCRIPTION OF DAILY ACTIVITY

0700 - Startup - Rig Service - Safety Meeting
0730 - TIH to TD w/ 7-7/8" Bit, DC, & DP
0800 - Circ & Cond Hole
0830 - POOH LD DP DC & Bit - Bit on Bank
0815 - RU JetWest & Log Well - RD JetWest
1000 - RU Casing Crew & RIH w/ 21 jts of 4-1/2" 10.5# J-55 casing (843.35') - SA 850' KB - Guide shoe on Btm, float collar @ 806' 7 Turbolizers
1130 - Cement Casing w/ 252 sx "G" w/ 1/4# celloflake & 5# gilsonite - 15.3# - 15 Bbl fresh water flush before Cmt.
(Superior forgot Chemical wash) - Circulated 10 Bbls good cmt to pit - Bumped plug 500 # over displacement press
Float held OK
1330 - CO BOPE & Cellar
1500 - Prep to Rig Down
1530 - Secure well & rig - SDFN

Reserve Pit OK - Appox @ 1/2 Full Fresh water & polymer

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
855'	FW				polymer			Fresh water

BIT DATA

BIT #	1	2
SIZE	12-1/4"	7-7/8"
MFG	RR	HTC
SERIAL #	N/A	RR

JETS, 32nd

1	open	
2	open	
3	open	
DEPTH IN	0'	585'
DEPTH OUT	220'	855'
FOOTAGE	220'	270'
HRS	4	3.25
CUM HRS	34.75	65
FT/HR	55.0	83.0

CONDITION

T		
B		
G		

BIT #	1	2
WOB	15,000	15,000
RPM	80	80

STROKE	10	10
LINER	5-1/2"	5-1/2"
SPM	68	68
BPM	6	6
PRESS.	100#	400#
ANN. VEL.		
NOZ. VEL.		
BIT HHP		
%HP @ BIT		

DP SIZE, TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.: 2"
BHA LENGTH: 44' EFF WT: 3000# STABLZR: 1 HWDP:

DEVIATION SURVEYS

DEPTH	205'	705'
DEVIATION	3/4"	1-1/4"

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$38,051	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$38,051	\$98,586

**Nika Energy Operating, LLC.
Daily Cost Estimate**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 5

DATE: 08/09/08
DEPTH: 855'
FOOTAGE: 0'
KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION				\$8,000	\$8,000
FOOTAGE				\$17,100	\$17,100
DAYWORK	\$2,400			\$5,500	\$7,900
MOBILIZATION				\$2,500	\$2,500
					\$0
MUD/ADDITIVES	\$65			\$1,811	\$1,876
WATER				\$800	\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING	\$10,653			\$8,891	\$19,544
FUEL	\$200			\$1,500	\$1,700
AIR COMPRESSOR:					\$0
RENTAL TOOLS					\$0
TRANSPORTATION				\$850	\$850
FORMATION EVALUATION	\$3,050				\$3,050
CONTRACT LABOR Csg Crew	\$2,663			\$2,000	\$4,663
SUPERVISION	\$1,200			\$4,800	\$6,000
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS	\$195			\$780	\$975
PER DIEM & NIGHT WATCH	\$975			\$2,925	\$3,900
CASING 4-1/2"	\$12,650			\$3,078	\$15,728
TUBING					\$0
WELLHEAD	\$4,000				\$4,000
	\$38,051	\$0	\$0	\$60,535	
DAILY COST					\$38,051
CUMULATIVE COST					\$98,586

COMMENTS: AFE AMOUNT, \$ \$280,375

Misc: - trash basket, backhoe, porta toilet.

BLM & NMOC D advised of cementing 4-1/2" csg tomorrow

Drilling break @ 585'-601'

Loggers to be on Loc @ 0800 tomorrow - Csg crew set up for 1000 hrs - Cementers 1200 hrs.

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 4
AART: Log Well, Run Csg, Cmt.

DATE: 08/08/08
DEPTH: 855'
FOOTAGE: 270'
KB (ft): 5'

DESCRIPTION OF DAILY ACTIVITY

0700 - Startup - Rig Service - Safety Meeting

0730 - TIH w/ 7-7/8" Bit DC, Reamer, & DP

0745 - Drill 7-7/8" hole to 855'

1100 - Circ & Cond Hole

1230 - Pull bit inside Surface Csg

1300 - WO hole to settle down

1330 - TIH - hit bridge @ 835' - CO to TD

1400 - Circ & Cond Hole

1500 - Pull bit inside surface csg

1530 - Secure well & Rig

1600 - SDFN

Reserve Pit OK - Appox @ 1/2 Full Fresh water & Polymer

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
855'	FW				polymer			Fresh water

BIT DATA

BIT #	1	2
SIZE	12-1/4"	7-7/8"
MFG	RR	HTC
SERIAL #	N/A	RR

JETS, 32nd

1	open	
2	open	
3	open	
DEPTH IN	0'	585'
DEPTH OUT	220'	855'
FOOTAGE	220'	270'
HRS	4	3.25
CUM HRS	34.75	65
FT/HR	55.0	83.0

CONDITION

T		
B		
G		

BIT #	1	2
WOB	15,000	15,000
RPM	80	80

STROKE	10	10
LINER	5-1/2"	5-1/2"
SPM	68	68
BPM	6	6
PRESS.	100#	400#
ANN. VEL.		
NOZ. VEL.		
BIT HHP		
%HP @ BIT		

DP SIZE,TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.: 2"

BHA LENGTH: 44' EFF WT: 3000# STABLZR: 1 HWDP:

DEVIATION SURVEYS

DEPTH				
DEVIATION				

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$10,693	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$10,693	\$60,635

Nika Energy Operating, LLC.
Daily Cost Estimate

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 4

DATE: 08/08/08
DEPTH: 855'
FOOTAGE: 270'
KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION				\$8,000	\$8,000
FOOTAGE	\$5,400			\$11,700	\$17,100
DAYWORK	\$1,500			\$4,000	\$5,500
MOBILIZATION				\$2,500	\$2,500
					\$0
MUD/ADDITIVES	\$958			\$953	\$1,911
WATER				\$800	\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING				\$8,891	\$8,891
FUEL	\$400			\$1,100	\$1,500
AIR COMPRESSOR:					\$0
RENTAL TOOLS					\$0
TRANSPORTATION				\$850	\$850
FORMATION EVALUATION					\$0
CONTRACT LABOR				\$2,000	\$2,000
SUPERVISION	\$1,200			\$3,600	\$4,800
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS	\$260			\$520	\$780
PER DIEM & NIGHT WATCH	\$975			\$1,950	\$2,925
CASING 8-5/8"				\$3,078	\$3,078
TUBING					\$0
WELLHEAD					\$0
	\$10,693	\$0	\$0	\$49,942	
DAILY COST					\$10,693
CUMULATIVE COST					\$60,635

COMMENTS: AFE AMOUNT, \$ 280,375

Misc: - trash basket, backhoe, porta toilet.

BLM & NMOCD advised of cementing 4-1/2" csg tomorrow

Drilling break @ 585'-601'

Loggers to be on Loc @ 0800 tomorrow - Csg crew set up for 1000 hrs - Cementers 1200 hrs.

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 3
AART: Drilling to TD

DATE: 08/07/08
DEPTH: 585'
FOOTAGE: 365'
KB (ft): 5'

DESCRIPTION OF DAILY ACTIVITY

0630 - Startup & Safety Meeting
0700 - BOPE Tests - OK
0900 - RU Drilling Nipple
0930 - PU 7-7/8" Bit DC Reamer & DP - RIH & Tag up @ 165'
0945 - Drill Cmt float & Shoe
1145 - Drill 7-7/8" Hole to 585'
1800 - Circ & Cond Hole
1815 - POOH LD 100' of DP
1830 - Secure Rig & Well
1900 - SDFN

Reserve Pit OK - Appox @ 1/3 Full Fresh water

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
585'	FW				polymer			Fresh water

BIT DATA

BIT #	1	2
SIZE	12-1/4"	7-7/8"
MFG	RR	HTC
SERIAL #	N/A	RR

JETS, 32nd

1	open	
2	open	
3	open	
DEPTH IN	0'	220'
DEPTH OUT	220'	585'
FOOTAGE	220'	365'
HRS	4	8.5
CUM HRS	34.75	61.75
FT/HR	55.0	43.0

CONDITION

T		
B		
G		

BIT #	1	2
WOB	15,000	15,000
RPM	80	80

STROKE	10	10
LINER	5-1/2"	5-1/2"
SPM	68	68
BPM	6	6
PRESS.	100#	400#
ANN. VEL.		
NOZ. VEL.		
BIT HHP		
%HP @ BIT		

DP SIZE, TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.: 2"

BHA LENGTH: 44' EFF WT: 3000# STABLR: 1 HWDP:

DEVIATION SURVEYS

DEPTH				
DEVIATION				

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$15,776	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$15,776	\$49,942

**Nika Energy Operating, LLC.
Daily Cost Estimate**

OPERATOR: SG Interests, Ltd.
 LEASE & WELL #: Federal 21-7-26 #1
 SUPERVISOR: ML Smith
 DAYS FROM SPUD: 3

DATE: 08/07/08
 DEPTH: 585'
 FOOTAGE: 365'
 KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION				\$8,000	\$8,000
FOOTAGE	\$7,300			\$4,400	\$11,700
DAYWORK				\$4,000	\$4,000
MOBILIZATION				\$2,500	\$2,500
					\$0
MUD/ADDITIVES	\$563			\$390	\$953
WATER				\$800	\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING				\$8,891	\$8,891
FUEL	\$400			\$700	\$1,100
AIR COMPRESSOR					\$0
RENTAL TOOLS					\$0
TRANSPORTATION				\$850	\$850
FORMATION EVALUATION					\$0
CONTRACT LABOR BOPE Tests	\$2,000				\$2,000
SUPERVISION	\$1,200			\$2,400	\$3,600
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS	\$260			\$260	\$520
PER DIEM & NIGHT WATCH	\$975			\$975	\$1,950
CASING 8-5/8"	\$3,078				\$3,078
TUBING					\$0
WELLHEAD					\$0
	\$15,776	\$0	\$0	\$34,166	
DAILY COST					\$15,776
CUMULATIVE COST					\$49,942

COMMENTS: AFE AMOUNT, \$ \$280,375

Misc: - trash basket, backhoe, porta toilet.

BLM & NMOCD no shows

Most of liquid hauled off on drilled wells.

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 2
AART: BOPE Tests

DATE: 08/06/08
DEPTH: 220'
FOOTAGE: 0'
KB (ft): 5'

DESCRIPTION OF DAILY ACTIVITY

0630 - Startup & Safety Meeting
0700 - RIH to Btm - Circ & Cond hole
0730 - PU & RIH w/ 5 jts 8-5/8" 24# J-55 8rd casing - SA 217' KB - Guide shoe on BTM - Insert float @ 174' KB - 3 centralizers
0915 - RU Superior and cmt 8-5/8" csg w/ 170 sx Type 5 with 2% CaCl + 1/4#/sx celloflake - 16.6# slurry - Circ 10 Bbls good cement to pit - Bumped plug @ 1340 psi - float held
1045 - RD Superior - WO Cmt
1700 - NUBOPE
1800 - Secure well & Rig SDFN

Reserve Pit OK - Appox @ 1/3 Full Fresh water

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
220'	FW							Fresh water

BIT DATA

BIT #	1
SIZE	12-1/4"
MFG	RR
SERIAL #	N/A

JETS, 32nd

1	open
2	open
3	open
DEPTH IN	0'
DEPTH OUT	220'
FOOTAGE	220'
HRS	4
CUM HRS	34.75
FT/HR	55.0

CONDITION

T	
B	
G	

BIT #	1
WOB	15,000
RPM	80

STROKE	10
LINER	5-1/2"
SPM	68
BPM	6
PRESS.	100#
ANN. VEL.	
NOZ. VEL.	
BIT HHP	
%HP @ BIT	

DP SIZE,TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.:

BHA LENGTH: 42' EFF WT: 3000# STABLR: HWDP:

DEVIATION SURVEYS

DEPTH				
DEVIATION				

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$15,756	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$15,756	\$34,166

**Nika Energy Operating, LLC.
Daily Cost Estimate**

OPERATOR: SG Interests, Ltd.
 LEASE & WELL #: Federal 21-7-26 #1
 SUPERVISOR: ML Smith
 DAYS FROM SPUD: 2

DATE: 08/06/08
 DEPTH: 220'
 FOOTAGE: 0'
 KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION				\$8,000	\$8,000
FOOTAGE				\$4,400	\$4,400
DAYWORK	\$4,000				\$4,000
MOBILIZATION				\$2,500	\$2,500
					\$0
MUD/ADDITIVES	\$130			\$260	\$390
WATER				\$800	\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING	\$8,891				\$8,891
FUEL	\$300			\$400	\$700
AIR COMPRESSORS					\$0
RENTAL TOOLS					\$0
TRANSPORTATION				\$850	\$850
FORMATION EVALUATION					\$0
CONTRACT LABOR					\$0
SUPERVISION	\$1,200			\$1,200	\$2,400
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS	\$260				\$260
PER DIEM & NIGHT WATCH	\$975				\$975
CASING					\$0
TUBING					\$0
WELLHEAD					\$0
	\$15,756	\$0	\$0	\$18,410	
DAILY COST					\$15,756
CUMULATIVE COST					\$34,166

COMMENTS: AFE AMOUNT, \$ \$280,375

Misc: - trash basket, backhoe, porta toilet.

BLM & NMOCD no show - Notified for BOPE Tests

**Nika Energy Operating, LLC
Daily Drilling Report**

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 1
AART: Run Surface Csg & Cmt

DATE: 08/05/08
DEPTH: 220'
FOOTAGE: 220'
KB (ft): 5'

DESCRIPTION OF DAILY ACTIVITY

0630 - Startup & Safety Meeting
1000 - MIRUDR
1100 - Spud 12-1/4" Hole - Drill to 220'
1500 - Circ & Cond hole
1530 - POOH LD 100' DP
1600 - Secure Well & Rig
1630 - SDFN

Reserve Pit OK - Appox @ 1/3 Full Fresh water

DRILLING MUD PROPERTIES @ SUCTION PIT

DEPTH	WEIGHT	VIS	PV	YP	GELS	PH	WL	SOLIDS
220'	FW							Fresh water

BIT DATA

BIT #	1
SIZE	12-1/4"
MFG	RR
SERIAL #	N/A

BIT #	1
WOB	15,000
RPM	80

JETS, 32nd

1	open
2	open
3	open
DEPTH IN	0'
DEPTH OUT	220'
FOOTAGE	220'
HRS	4
CUM HRS	34.75
FT/HR	55.0

STROKE	10
LINER	5-1/2"
SPM	68
BPM	6
PRESS.	100#
ANN. VEL.	
NOZ. VEL.	
BIT HHP	
%HP @ BIT	

CONDITION

T	
B	
G	

DP SIZE, TYPE: 4-1/2" NO. DC's: 2 OD.: 4-1/2" ID.:

BHA LENGTH: 42' EFF WT: 3000# STABLR: HWDP:

DEVIATION SURVEYS

DEPTH				
DEVIATION				

CONTRACTOR	D&D Services #1
TOOLPUSHER	Glen Davis

WELL COST

ACTIVITY	DAILY	CUM
DRLG	\$18,410	
EVAL	\$0	
COMPL	\$0	
TROUBLE	\$0	
TOTAL	\$18,410	\$18,410

Nika Energy Operating, LLC.
Daily Cost Estimate

OPERATOR: SG Interests, Ltd.
LEASE & WELL #: Federal 21-7-26 #1
SUPERVISOR: ML Smith
DAYS FROM SPUD: 1

DATE: 08/05/08
DEPTH: 220'
FOOTAGE: 220'
KB (ft): 5'

ITEM	DAILY DRILLING COST	DAILY EVALUATION COST	DAILY TROUBLE COST	LAST CUMULATIVE COST	CUMULATIVE WELL COST
LOCATION	\$8,000				\$8,000
FOOTAGE	\$4,400				\$4,400
DAYWORK					\$0
MOBILIZATION	\$2,500				\$2,500
					\$0
MUD/ADDITIVES	\$260				\$260
WATER	\$800				\$800
CHEMICALS					\$0
BITS					\$0
CEMENTING					\$0
FUEL	\$400				\$400
AIR COMPRESSOR:					\$0
RENTAL TOOLS					\$0
TRANSPORTATION	\$850				\$850
FORMATION EVALUATION					\$0
CONTRACT LABOR					\$0
SUPERVISION	\$1,200				\$1,200
DIRECTIONAL TOOLS					\$0
FISHING TOOLS					\$0
LOST/DAMAGED EQUIPMENT					\$0
COMPLETION SERVICES					\$0
MISCELLANEOUS					\$0
PER DIEM & NIGHT WATCH					\$0
CASING					\$0
TUBING					\$0
WELLHEAD					\$0
	\$18,410	\$0	\$0	\$0	
DAILY COST					\$18,410
CUMULATIVE COST					\$18,410

COMMENTS: AFE AMOUNT, \$ 280,375

Misc: - trash basket, backhoe, porta toilet.

BLM & NMOCD notified of Surface Pipe cementing job & BOPE Tests

Transportation Costs include hauling 8-5/8" csg & wellhead from Farmington + & jts 4-1/2" form South CDP.

DATE: 3-4-55

WELL NAME & NO. Federal 21-7-26 #1

COMPANY SG INTERESTS

TOOLPUSHER _____ RIG NO. 7

HORIZ.
DISP

NO OF DAYS SINCE LAST LOST TIME ACCIDENT _____

10RIZ
DISP

NO OF DAYS SINCE LAST LOST TIME ACCIDENT _____

IADC - API OFFICIAL DAILY DRILLING REPORT FORM

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APPROVED

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DRILLING CREW PAYROLL DATA

DATE 8-5-08
WELL NAME & NO. Federal 11-7-26 #1
COMPANY SB INTEREST
TOOLPUSHER Don Davis RIG NO. _____

[illegible]NO OF DAYS SINCE LAST LOST TIME ACCIDENT [illegible]

NO. OF DAYS SINCE LAST LOST TIME ACCIDENT _____

IADC - API OFFICIAL DAILY DRILLING REPORT FORM



APPROVED



APPROVED

No. 6686177

REPORT NO.

APPROVED

DATE 8-6-68

WELL NAME & NO. FEDERAL 21-7-26

COMPANY SG. INTERESTS

TOOLPUSHER _____ RIG NO. _____

[illegible]

NO OF DAYS SINCE LAST LOST TIME ACCIDENT _____

[illegible]

NO OF DAYS SINCE LAST LOST TIME ACCIDENT _____

IADC - API OFFICIAL DAILY DRILLING REPORT FORM



APPROVED



APPROVED

No. 6686178

REPORT NO.

COMPLETION			DRILLING ASSEMBLY (At end of tour)			BIT RECORD				MUD RECORD				
A PERFORATING			NO.	ITEM	LENGTH	BIT NO.	2			TIME	1:40:00			
B TUBING TRIPS				BIT		SIZE	7 7/8			WEIGHT				
C TREATING						IADC CODE				PRESSURE GRADIENT				
D SWABBING						MANUFACTURER	HTC			FUNNEL VISCOSITY	Polymer			
E TESTING				OD		TYPE	OPC			PV/VP	/	/	/	
F				OD		SERIAL NO.	RR			GEL STRENGTH	/	/	/	
G.				OD		JETS	3 x 1/4			FLUID LOSS				
H				OD		TFA				pH				
TOTALS				OD		DEPTH OUT	355			SOLIDS				
DAYWORK TIME SUMMARY (OFFICE USE ONLY)						DEPTH IN	110							
HOURS W/ CONTR D.P						TOTAL DRILLED	635			MUD & CHEMICALS ADDED				
HOURS W/ OPR D P						TOTAL HOURS	9 1/2	6 1/4		TYPE	AMOUNT	TYPE	AMOUNT	
HOURS WITHOUT D P						STANDS ____ D P	CUTTING STRUCTURE				EMC	25		
HOURS STANDBY						SINGLES ____ D P	INNER	OUTER	DULL CHAR	LOCATION	Mud	10		
						KELLY DOWN					P-lane	3		
						TOTAL	BEARINGS/ SEALS	GAGE	OTHER DULL CHAR.	REASON PULLED	Line	1		
TOTAL DAYWORK			WT OF STRING											
NO OF DAYS FROM SPUD			REMARKS S 26 T 21 N R 6 W											
CUMULATIVE ROTATING HOURS														
DAILY MUD COST														
TOTAL MUD COST														

APPROVED

DATE 0-1-58

WELL NAME & NO.

COMPANY.

TOOLPUSHER

RIG NO.

DRIZ
ISP'

NO OF DAYS SINCE LAST LOST TIME ACCIDENT:

RIZ
iP.

NO OF DAYS SINCE LAST LOST TIME ACCIDENT

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APPROVED

No. 6686179

LEASE February 21-7-26			WELL NO. 1		API WELL NUMBER 30-043-21062		WATER DEPTH		DATE 8-8-06		
OPERATOR SG Industries					CONTRACTOR D.D. SERVICES					RIG NO. 1	
SIGNATURE OF OPERATOR'S REPRESENTATIVE <i>[Signature]</i>					SIGNATURE OF CONTRACTOR'S TOOL PUSHER <i>[Signature]</i>						
D.P. SIZE	WEIGHT	GRADE	TOOL JT O.D.	TYPE THREAD	STRING NO.	PUMP NO.	PUMP MANUFACTURER		TYPE	STROKE LENGTH	
3 1/2	13.80	8	4 3/4	EP	1	1	GARDNER DENVER		FD172	10'	
						2					

TIME DISTRIBUTION - HOURS				DRILLING ASSEMBLY (At end of tour)			BIT RECORD				MUD RECORD			
CODE NO.	OPERATION	NIGHT	DAY	NO.	ITEM	LENGTH	BIT NO.				TIME			
1	RIG UP AND TEAR DOWN				BIT		SIZE				WEIGHT			
2	DRILL ACTUAL						IADC CODE				PRESSURE GRADIENT			
3	REAMING						MANUFACTURER				FUNNEL VISCOSITY			
4	CORING				OD		TYPE				PVYP	/	/	/
5	CONDITION MUD & CIRCULATE				OD		SERIAL NO.				GEL STRENGTH	/	/	/
6	TRIPS				OD		JETS				FLUID LOSS			
7	LUBRICATE RIG				OD		TFA				pH			
8	REPAIR RIG				OD		DEPTH OUT				SOLIDS			
9	CUT OFF DRILLING LINE						DEPTH IN							
10	DEVIATION SURVEY						TOTAL DRILLED				MUD & CHEMICALS ADDED			
11	WIRE LINE LOGS				STANDS ____ D.P.		TOTAL HOURS				TYPE	AMOUNT	TYPE	AMOUNT
12	RUN CASING & CEMENT				SINGLES ____ D.P.		CUTTING STRUCTURE							
13	WAIT ON CEMENT						INNER	OUTER	DULL CHAR.	LOCATION				
14	NIPPLE UP B O P				KELLY DOWN									
15	TEST B O.P				TOTAL		BEARINGS/SEALS	GAGE	OTHER DULL CHAR	REASON PULLED				
16	DRILL STEM TEST				WT OF STRING									
17	PLUG BACK				REMARKS									
18	SQUEEZE CEMENT													
19	FISHING													
20	DIR WORK													
21														
22					DRILLER									

[illegible]

DRILLING CREW PAYROLL DATA

DATE 8-8-08
 WELL NAME & NO Federal 11-7-26 #1
 COMPANY SG INTEREST
 TOOLPUSHER W. Davis RIG NO. 1

NIGHT TOUR FROM TO				INJURED ON THIS TOUR?	
CREW	EMPL. ID NO.	NAME	HRS.	INITIAL	YES OR NO?
DRILLER					
DERRICKMAN					
MOTORMAN					
FIREMAN					
FLOORMAN					
FLOORMAN					
FLOORMAN					
CRANE SUPT		<u>Reynolds C</u>			
MECHANIC					
WELDER					
ROUSTABOUT					
ROUSTABOUT					
TRAINEE					

NO. OF DAYS SINCE LAST LOST TIME ACCIDENT _____

DAY TOUR FROM TO				INJURED ON THIS TOUR?	
CREW	EMPL. ID NO.	NAME	HRS.	INITIAL	YES OR NO?
DRILLER		<u>RT. DAVIS</u>			
DERRICKMAN		<u>MILE IASA</u>	<u>8</u>		
MOTORMAN		<u>Cory IASA</u>	<u>8</u>		
FIREMAN		<u>INCOGNITO TRUJILLO</u>	<u>8</u>		
FLOORMAN					
FLOORMAN					
FLOORMAN					
CRANE SUPT					
MECHANIC					
WELDER		<u>No Accidents</u>			
ROUSTABOUT					
ROUSTABOUT					
TRAINEE					

NO. OF DAYS SINCE LAST LOST TIME ACCIDENT _____

TIME DISTRIBUTION - HOURS			DRILLING ASSEMBLY (At end of tour)			BIT RECORD				MUD RECORD					
CODE NO.	OPERATION	NIGHT	DAY	NO.	ITEM	LENGTH	BIT NO.			TIME					
1.	RIG UP AND TEAR DOWN				BIT		SIZE			WEIGHT					
2.	DRILL ACTUAL						IADC CODE			PRESSURE GRADIENT					
3.	REAMING						MANUFACTURER			FUNNEL VISCOSITY					
4.	CORING				OD		TYPE			PV/YP	/	/	/		
5.	CONDITION MUD & CIRCULATE				OD		SERIAL NO			GEL STRENGTH	/	/	/		
6.	TRIPS				OD		JETS			FLUID LOSS					
7.	LUBRICATE RIG				OD		TFA			pH					
8.	REPAIR RIG				OD		DEPTH OUT			SOLIDS					
9.	CUT OFF DRILLING LINE						DEPTH IN								
10.	DEVIATION SURVEY						TOTAL DRILLED								
11.	WIRE LINE LOGS				STANDS ____ D.P		TOTAL HOURS			MUD & CHEMICALS ADDED					
12.	RUN CASING & CEMENT				SINGLES ____ D P		CUTTING STRUCTURE				TYPE	AMOUNT	TYPE	AMOUNT	
13.	WAIT ON CEMENT						INNER	OUTER	DULL CHAR	LOCATION					
14.	NIPPLE UP B O P				KELLY DOWN		BEARINGS/ SEALS	GAGE	OTHER DULL CHAR	REASON PULLED					
15.	TEST B O.P				TOTAL										
16.	DRILL STEM TEST				WT OF STRING										
17.	PLUG BACK				REMARKS										
18.	SQUEEZE CEMENT														
19.	FISHING														
20.	DIR WORK														
21.															
22.															
23.					DRILLER										
COMPLETION	A PERFORATING				DRILLING ASSEMBLY (At end of tour)			BIT RECORD				MUD RECORD			
	B. TUBING TRIPS				NO.	ITEM	LENGTH	BIT NO.			TIME				
	C TREATING					BIT		SIZE			WEIGHT				
	D. SWABBING							IADC CODE			PRESSURE GRADIENT				
	E TESTING						OD	MANUFACTURER			FUNNEL VISCOSITY				
	F						OD	TYPE			PV/YP	/	/	/	
	G.						OD	SERIAL NO.			GEL STRENGTH	/	/	/	
	H						OD	JETS			FLUID LOSS				
	TOTALS						OD	TFA			pH				
	DAYWORK TIME SUMMARY (OFFICE USE ONLY)						OD	DEPTH OUT			SOLIDS				
HOURS W/ CONTR. D P							DEPTH IN								
HOURS W/ OPR. D P							TOTAL DRILLED			MUD & CHEMICALS ADDED					
HOURS WITHOUT D P							TOTAL HOURS			TYPE	AMOUNT	TYPE	AMOUNT		
HOURS STANDBY							CUTTING STRUCTURE								
							INNER	OUTER	DULL CHAR	LOCATION					
							BEARINGS/ SEALS	GAGE	OTHER DULL CHAR.	REASON PULLED					
							WT. OF STRING								
							REMARKS								
TOTAL DAYWORK							S 26 T 21 N R 7 W								
NO. OF DAYS FROM SPUD															
CUMULATIVE ROTATING HOURS															
DAILY MUD COST															
TOTAL MUD COST															

REPORT NO.

FIELD OR
89

LAS
CASI
TUBI
OR LII

[illegible]

DATE 8-9-08

WELL NAME & NO. Federal 21-7-26 1

COMPANY SA INTERESTS

TOOLPUSHER [Signature] RIG NO. 1

[illegible]

NO. OF DAYS SINCE LAST LOST TIME ACCIDENT _____

[illegible]

NO OF DAYS SINCE LAST LOST TIME ACCIDENT _____

IADC - API OFFICIAL DAILY DRILLING REPORT FORM

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APPROVED



APPROVED

No. 6686181

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. 30-043-21062 2. Type of Lease <input type="checkbox"/> STATE <input type="checkbox"/> FEE <input checked="" type="checkbox"/> FED/INDIAN 3. State Oil & Gas Lease No NMNM99739
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WELL COMPLETION OR RECOMPLETION REPORT AND LOG											
4. Reason for filing: <input type="checkbox"/> COMPLETION REPORT (Fill in boxes #1 through #31 for State and Fee wells only) <input checked="" type="checkbox"/> 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 21-7-26 6. Well Number <div style="text-align: center;">#1</div>			
7. Type of Completion: <input checked="" type="checkbox"/> NEW WELL <input type="checkbox"/> WORKOVER <input type="checkbox"/> DEEPENING <input type="checkbox"/> PLUGBACK <input type="checkbox"/> DIFFERENT RESERVOIR <input type="checkbox"/> OTHER											
8. Name of Operator SG Interests I, Ltd.								9. OGRID 020572			
10. Address of Operator PO Box 2677, Durango, CO 81302								11. Pool name or Wildcat Basin Fruitland Coal			
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 10/08/2008			16. Date Completed (Ready to Produce)			17. Elevations (DF and RKB, RT, GR, etc)			
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 DEC 21 '11
 OIL CONS. DIV.
 DIST. 3

24. LINER RECORD					25. TUBING RECORD		
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	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 (<i>Flowing, gas lift, pumping - Size and type pump</i>)				Well Status (<i>Prod. or Shut-in</i>)	
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 - (<i>Corr</i>)	
29. Disposition of Gas (<i>Sold, used for fuel, vented, etc</i>)						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 36.02432°N				Longitude -107.54419°W		NAD 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 SGI		Date 12/19/2011
E-mail Address tripp@nikaenergy.com							

INSTRUCTIONS

This form is to be filed with the appropriate District Office of the Division not later than 20 days after the completion of any newly-drilled or deepened well and not later than 60 days after completion of closure. When submitted as a completion report, this shall be accompanied by one copy of all electrical and radio-activity logs run on the well and a summary of all special tests conducted, including drill stem tests. All depths reported shall be measured depths. In the case of directionally drilled wells, true vertical depths shall also be reported. For multiple completions, items 11, 12 and 26-31 shall be reported for each zone.

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

Southeastern New Mexico		Northwestern New Mexico	
T. Anhy	T. Canyon	T. Ojo Alamo	T. Penn A"
T. Salt	T. Strawn	T. Kirtland	T. Penn. "B"
B. Salt	T. Atoka	T. Fruitland	T. Penn. "C"
T. Yates	T. Miss	T. Pictured Cliffs	T. Penn. "D"
T. 7 Rivers	T. Devonian	T. Cliff House	T. Leadville
T. Queen	T. Silurian	T. Menefee	T. Madison
T. Grayburg	T. Montoya	T. Point Lookout	T. Elbert
T. San Andres	T. Simpson	T. Mancos	T. McCracken
T. Glorieta	T. McKee	T. Gallup	T. Ignacio Otzte
T. Paddock	T. Ellenburger	Base Greenhorn	T. Granite
T. Blinbry	T. Gr. Wash	T. Dakota	
T. Tubb	T. Delaware Sand	T. Morrison	
T. Drinkard	T. Bone Springs	T. Todilto	
T. Abo	T.	T. Entrada	
T. Wolfcamp	T.	T. Wingate	
T. Penn	T.	T. Chinle	
T. Cisco (Bough C)	T.	T. Permian	

OIL OR GAS SANDS OR ZONES

No. 1, from.....to.....

No. 2, from.....to.....

No. 3, from.....to.....

No. 4, from.....to.....

IMPORTANT WATER SANDS

Include data on rate of water inflow and elevation to which water rose in hole.

No. 1, from.....to.....feet.....
 No. 2, from.....to.....feet.....
 No. 3, from.....to.....feet.....

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness In Feet	Lithology

From	To	Thickness In Feet	Lithology

District I

1625 N. French Dr, Hobbs, NM 88240

District II

1301 W Grand Avenue, Artesia, NM 88210

District III

1000 Rao 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 71629	³ Pool Name Basin Fruitland Coal
⁴ Property Code	⁵ Property Name FEDERAL 21-7-26	⁶ Well Number 1
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS I, LTD.	⁹ Elevation 6681


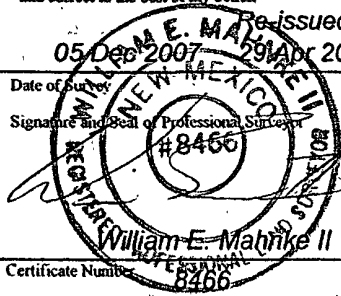
¹⁰ Surface Location

UL or Lot No G	Section 26	Township 21 N	Range 7 W	Lot Idn.	Feet from the 1860	North/South Line North	Feet from the 1970	East/West Line East	County Sandoval
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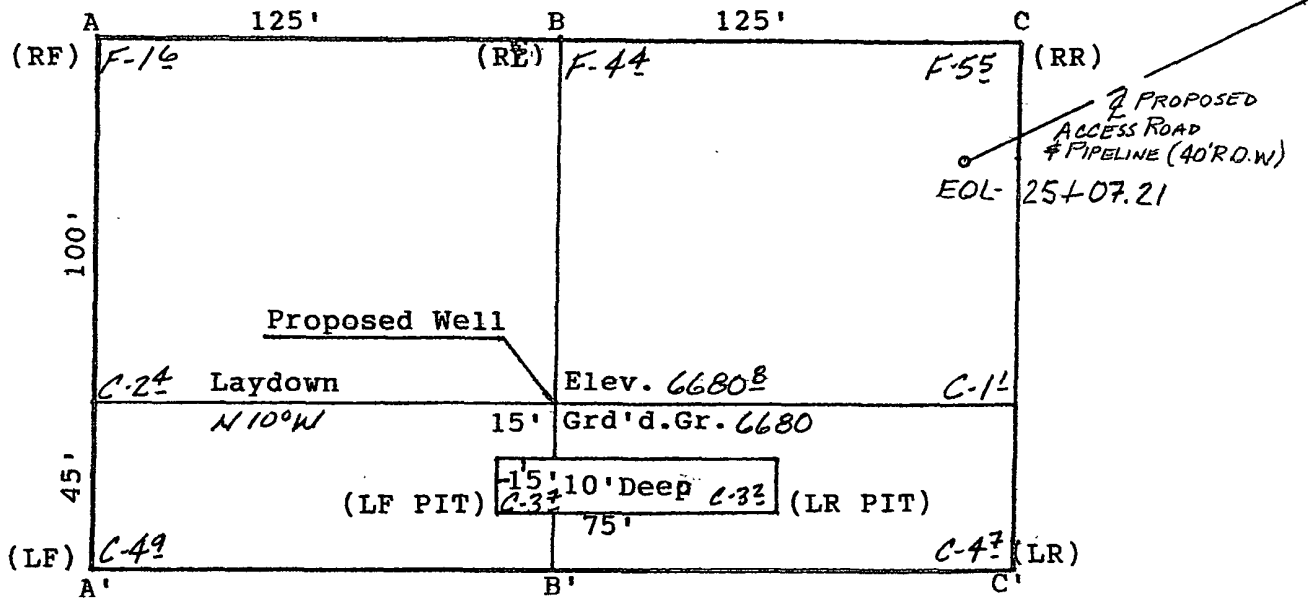
¹¹ Bottom Hole Location If Different From Surface

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 N/2 320 Ac.	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No						

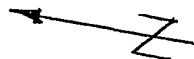
No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

¹⁶ 80° 65' Ch. N 0° 08' W N 89° 44' W 79.90 Ch.	N 89° 43' W	79.97 Ch.	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 William Schwarb Printed Name	
	Sec.	1970'		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 Signature and Seal of Professional Surveyor Certificate Number
	26			

SG INTERESTS I, LTD.
 FEDERAL 21-7-26 #1
 1860' FNL & 1970' FEL
 Sec.26, T21N, R7W, NMPM
 Sandoval Co., NM

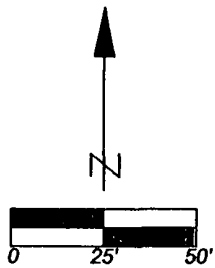


Scale: 1"=50'



A-A'	Vert.: 1"=30'	Horiz.: 1"=50'	C/L
6685			
6675			
B-B'	Vert.: 1"=30'	Horiz.: 1"=50'	C/L
6685			
6675			
C-C'	Vert.: 1"=30'	Horiz.: 1"=50'	C/L
6685			
6675			

SG INTERESTS I, LTD.
FEDERAL 21-7-26 #1
SW/4 NE/4
SEC.26, T21N, R7W, NMPM
Sandoval Co., NM



Scale : 1"=50'

Field Date: 06 Feb. 2009

Lat. 36.02432° N
Long. 107.54419° W
(NAD 83)

Pit Post ●



ENERGY SURVEYORS, INC.

P.O. BOX 991
FARMINGTON, NM 87499

FAX: 801-659-4246
OFFICE: 505-325-4005
CELL: 505-360-8142

**Federal 21-7-26 #1
Reserve Pit Marker**

