

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-101

May 27, 2004

Submit to Appropriate District Office

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

☐ AMENDED REPORT

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

Operator Name and Address SG Interests I, Ltd. c/o Nika Energy Operating, LLC, PO Box 2677 Durango, CO 81302-2677		OGRID Number 020572
Property Code 032735	Property Name State 20-6-2	Well No. 3
Proposed Pool 1 71629		Proposed Pool 2

Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South Line	Feet from the	East/West Line	County
M	2	20N	6W		660	South	660	West	McKinley

Proposed Bottom Hole Location If Different From Surface

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

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 6926'
Multiple No	Proposed Depth 900'	Formation Fruitland Coal	Contractor D&D Services, LLC	Spud Date July 2005
Depth to Groundwater:		Distance from nearest fresh water well:		Distance from nearest surface water:

Pit: Liner: Synthetic ☒ 12 mils thick Clay ☐ Pit Volume: 1000 bbls Drilling Method: Rotary
Closed-Loop System ☐ Fresh Water ☒ Brine ☐ Diesel/Oil-based ☐ Gas/Air ☐

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/feet	Setting Depth	Sacks of Cement	Estimated TOC
8-3/4"	7"	20#	150'	50	Surface
6-1/4"	4-1/2"	10.5#	900'	115	Surface

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

SG Interests I, Ltd. proposes drilling a Fruitland Coal well at the above referenced location to develop methane gas reserves. SG proposes setting 4-1/2" casing 150 feet deeper than the Fruitland Coal base, perforating and fracture stimulating the Fruitland Coal. A 2000# double ram hydraulic BOP will be used. Accessories to the BOP will meet requirements for a 2000 psig system. The accumulator system capacity will be sufficient to close all BOPE with 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.

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

Printed name: Lynn Garner
Title: Operations Manager/Agent
E-mail address: lynn@nikaenergy.com
Date: May 26, 2005
Phone: (970) 259-2701

OIL CONSERVATION DIVISION

Approved by: [Signature]
Title: DEPUTY OIL & GAS INSPECTOR, DIST. 8N
Approval Date: JUN - 1 2005
Expiration Date: JUN - 1 2006
Conditions of Approval Attached ☐

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

*API Number 30-038-21072		*Pool Code 71629	*Pool Name Fruitland Coal
*Property Code 032735	*Property Name STATE 20-6-2		*Well Number 3
*OGRID No. 020572	*Operator Name SG INTERESTS I, LTD.		*Elevation 6926

10 Surface Location

UL or lot no. M	Section 2	Township 20N	Range 6W	Lot Idn	Feet from the 660	North/South line South	Feet from the 660	East/West line West	County McKinley
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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
"Dedicated Acres 32.82									
"Joint or Infill									
"Consolidation Code									
"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 34 35		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>Lynn Garner</i> Printed Name: Lynn Garner Title and E-mail Address: Operations Manager lynn@nikaenergy.com Date: January 21, 2005	
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: JUN 20 2005 Signature: <i>William E. Mahnke II</i> Certificate Number: 18466		19 N 89° 29' W 80.230m Lot No. (TYP.) 4 3 2 1 SEC. 2 Lat. 35.98850° N Long. 107.44844° W S 87° 55' W 80.120m 660' 0.072	

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Energy Minerals and Natural Resource

Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, New Mexico 87505

Form C-144

June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.

For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or ClosureIs pit or below-grade tank covered by a "general plan"? Yes ☐ No ☐Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: <u>SG Interests I, Ltd</u>		Telephone: <u>(970)259-2701</u>		e-mail address: <u>lynn@nikaenergy.com</u>	
Address: <u>c/o Nika Energy Operating, LLC, PO Box 2677, Durango, CO 81302</u>					
Facility or well name: <u>State 20-6-2 #3</u>		API #: _____		U/L or Qtr/Qtr <u>SWSW</u> Sec <u>2</u> T <u>20N</u> R <u>6W</u>	
County: <u>McKinley</u>		Latitude: <u>35.98850N</u>		Longitude: <u>107.44844W</u>	
NAD: 1927 <input type="checkbox"/> 1983 <input checked="" type="checkbox"/>					
Surface Owner: Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Indian <input type="checkbox"/>					
Pit Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume <u>1000</u> bbls			Below-grade tank Volume _____ bbl Type of fluid: _____ Construction material: _____ Double-walled with leak detection? <input type="checkbox"/> If not, explain why not. _____		
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water).			Less than 50 feet		(20 points)
			50 feet or more, but less than 100 feet		(10 points)
			100 feet or more		(0 Points)
Wellhead protection area: (Less than 200 feet from a private domestic water source or less than 1000 feet from all other water sources).			Yes		(20 points)
			No		(0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches and perennial and ephemeral watercourses).			Less than 200 feet		(20 points)
			200 feet or more but less than 1000 feet		(10 points)
			1000 feet or more		(0 Points)
			Ranking Score (Total Points)		10 POINTS

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) Onsite ☐ Offsite ☐ If offsite, name facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Ground water encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments: <u>Drilling reserve pit to drill new well.</u>

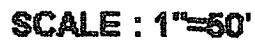
I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guideline ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Date: May 26, 2005Printed Name/Title Lynn Garner - Operations Manager/Agent Signature Lynn Garner

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval: DEPUTY OIL & GAS INSPECTOR, DIST. #4Printed Name/Title Steve HaylerSignature Steve HaylerDate: JUN - 1 2005

PROPOSED
PIPELINE



B-8

C-C'

6930							
6920							

2-M SYSTEM

