

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-101

May 27, 2004

Submitted to appropriate District Office

☐ AMENDED REPORT**APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUG BACK, OR ADD A ZONE**

Operator Name and Address SG Interests I, Ltd c/o Nika Energy Operating, LLC PO Box 2677 Durango, CO 81302		OGRID Number 705 72
Property Code 34821	Property Name State 20-6-2	Well No. 4
Proposed Pool 1 Basin Fruitland Coal		Proposed Pool 2

7 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
9	2	20N	6W		1310	South	1650	East	McKinley

8 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 6941'
Multiple N	Proposed Depth 920'	Formation Basin Fruitland Coal	Contractor	Spud Date as soon as permitted
Depth to Groundwater >1,000ft.		Distance from nearest fresh water well >1,000ft.		Distance from nearest surface water 200 ft to 1,000 ft.
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12_mils thick Clay <input type="checkbox"/> Pit Volume: 1000_bbls Drilling Method: Closed-Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
Surface 12 1/4"	7"		150'		Surface
Production 6 1/4"	4 1/2"		920'		Surface

22 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.

See attached Drilling Program and BOP

Drilling/Completion pit to be located approximately 15 feet from wellhead. Pit multi-use drilling and completion to avoid additional site disturbance and pit will be considered out of service once production tubing set. Pit to be 75 feet long by 15 feet wide by 10 feet deep. Pit to be constructed, operated and closed in accordance with NMOCD guidelines and SGI procedures.

23 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 ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Printed name: William Schwab III

Title: agent for SG Interests I, Ltd

E-mail Address: tripp@nikaenergy.com

Date: 21 October 2005

Phone: (970)259-2701

OIL CONSERVATION DIVISION

Approved by:

Title: DEPUTY OIL & GAS INSPECTOR, DIST. 3

Approval Date: OCT 24 2005 Expiration Date: OCT 24 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 30-031-21081	Pool Code 71629	Field Name Basin Fruidland Coal
Property Code 34881	STATE Property Name 20-6-2	Well Number 4
OGRIID No. 20572	Operator Name SG INTERESTS I, LTD.	Elevation 6941

10 Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North-South line	Feet from the	East-West line	County
0	2	20N	6W		1310	South	1650	East	McKinley

11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North-South line	Feet from the	East-West line	County
Dedicated Acres 3.20	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

34		35	
CC 12.730.		CC	
N 89° 29' W Lot No. (TYP.) 4	3	2	1
Sec.		2	
Lat. 35.99017° N Long. 107.43856° W			
S 89° 55' W		1310'	1650'
80.1200.			

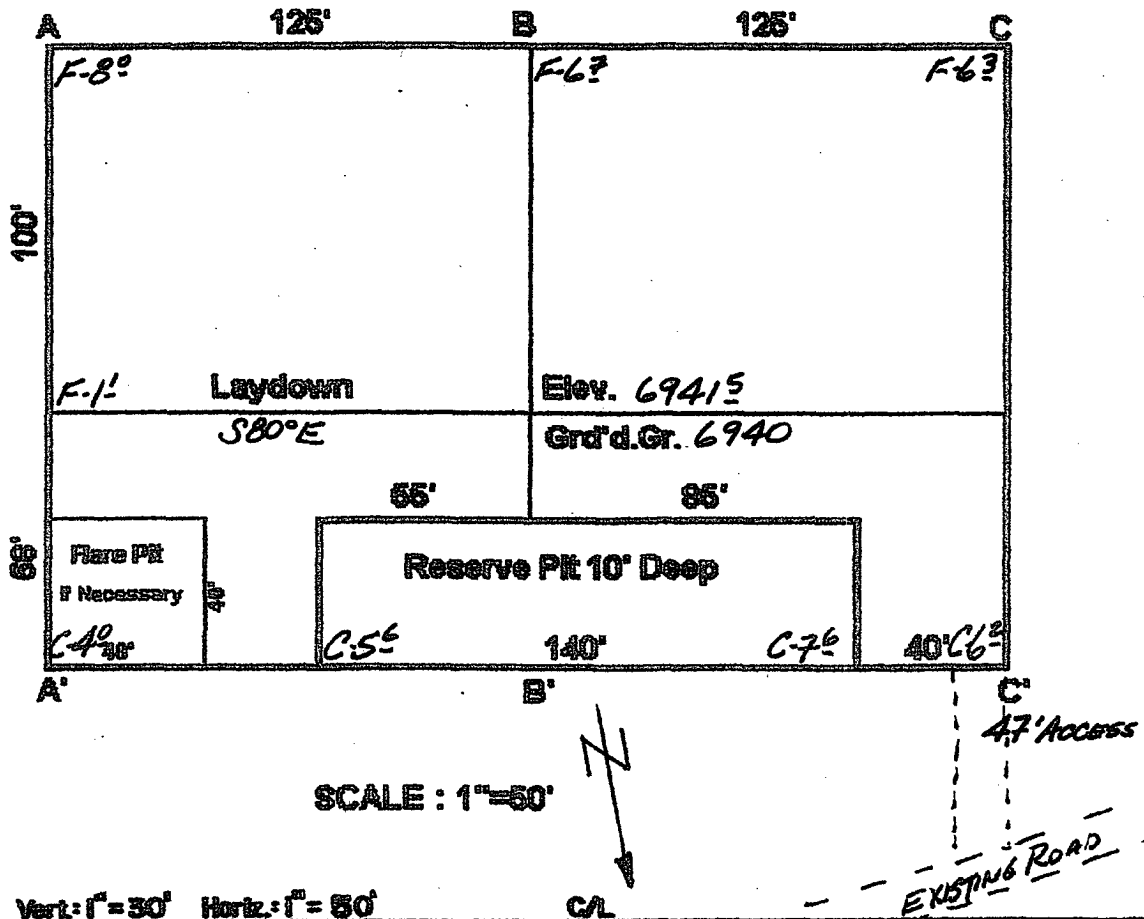
17 OPERATOR CERTIFICATION
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *[Signature]*
Printed Name: **Wm. F. Mahnke II**
Title and Email Address: **SG Interests**
Date: **10/21/05**

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: **22 Aug 2005**
Signature and Seal of Professional Surveyor: *[Signature]*
William F. Mahnke II
Certificate Number: **8466**

SG INTERESTS I, LTD.
 STATE 20-6-2 #4
 1310' FSL & 1650' FEL
 Sec. 2, T20N, R6W, NMPM
 McKinley Co., NM



SCALE : 1"=50'

A-A'	Vert. 1"=30'	Horiz. 1"=50'	CL
6945			
6935			

B-B'	Vert. 1"=30'	Horiz. 1"=50'	CL
6945			
6935			

C-C'	Vert. 1"=30'	Horiz. 1"=50'	CL
6945			
6935			

SG Interests I, Ltd.
(Agent: Nika Energy Operating, LLC)
PO Box 2677
Durango, CO 81302
(970) 259-2701

State 20-6-2 #4
SWNE Sec 2-20N-R6W
1905' FNL & 1960' FEL
McKinley County, New Mexico

EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	240'
Kirtland	370'
Fruitland	545'
Pictured Cliffs	770'
Total Depth	920'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	745'
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3. Minimum Specifications for Pressure Control Equipment:

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

A 2000 psig double ram hydraulic BOP will be used (see attached diagram). Accessories to the BOP will meet BLM requirements for a 2000 psig system. 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.

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

Eight Point Drilling Program - State 20-6-2 #4

Page 2

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, 2000 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"	0-150'	7"	20#, J-55, STC
6-1/4"	0-960'	4-1/2"	10.5#, J-55, STC

Surface Casing will be cemented with 140 sx (165 cu ft) class B w/2% CaCl and 1/4#/sx of celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Cement volumes include excess to 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 will be cemented with 100 sx (118 cu ft) class B w/2% CaCl and 1/4#/sx celloflake (Yield = 1.18 cuft/sx, Weight = 15.6 #/gal). Cement volume includes excess to circulate cement to surface. In the event cement is not circulated a temperature survey will be run to determine the actual cement top. Cementing equipment will include a guide shoe, float collar and 7 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) as needed 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>
0-150'	FW	± 8.5	30-33	NC
150'-TD	FW & LSND	± 8.7-9.1	30-50	8-10 cc

6. Testing, Coring and Logging Program:

No DSTs or cores are planned. Openhole logs will include GR, Induction, Density and Caliper Logs. The GR-Density logs will be run from TD to the top of the Fruitland formation. GR-Induction-Caliper logs will be run from TD to the bottom of the surface casing.

7. Anticipated Abnormal Pressures and Temperatures:

No abnormal pressures or temperatures are expected in this well. Maximum anticipated Fruitland reservoir pressure is 300 psig with a normal temperature gradient.

8. Operations:

Anticipated spud date is July 2005 or as soon as permits are received and work can be scheduled. Estimated drilling time is 4 - 5 days. The Fruitland will be completed as a cased hole completion, perforated and hydraulically fracture stimulated. Completion operations are expected to take 5 - 7 days and will commence as soon after completion of drilling operations and scheduling allow.

2-M SYSTEM

