

## 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

Form C-101

May 27, 2004

## Oil Conservation Division

1220 South St. Francis Dr.

Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

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

1 Operator Name and Address SG Interests I, Ltd 20572 c/o Nika Energy Operating, LLC PO Box 2677 Durango, CO 81302		2 OGRID Number 20572
3 Property Code 34881	4 Property Name State 20-6-2	5 API Number 30-031-21084
9 Proposed Pool 1 Basin Fruitland Coal 71629		10 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
E	2	20N	6W		990	North	990	West	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
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## Additional Well Information

11 Work Type Code N	12 Well Type Code G	13 Cable/Rotary R	14 Lease Type Code S	15 Ground Level Elevation 6829'
16 Multiple N	17 Proposed Depth 960'	18 Formation Basin Fruitland Coal	19 Contractor	20 Spud Date as soon as permitted
Depth to Groundwater >100'		Distance from nearest fresh water well >1,000'		Distance from nearest surface water >1,000' >200' <1000'
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'		
Production 6 1/4"	4 1/2"		960'		

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: 06 December 2005

Phone: (970)259-2701

## OIL CONSERVATION DIVISION

Approved by:

Title:

Approval Date:

DEC 07 2005

Expiration Date:

DEC 07 2006

Conditions of Approval Attached ☐

District I  
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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**

* APT Number 30-026-21084		* Pool Code 71629	* Pool Name Basin Fruitland Coal
* Property Code 34881	* Property Name STATE 20-6-2		* Well Number 2
* OGRID No. 20572	* Operator Name SG INTERESTS I, LTD.		* Elevation 6829'

**10 Surface Location**

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	2	20N	6W		990	NORTH	990	WEST	MCKINLEY

**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 250.72	* Joint or Infill N	* Consolidation Code	* Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

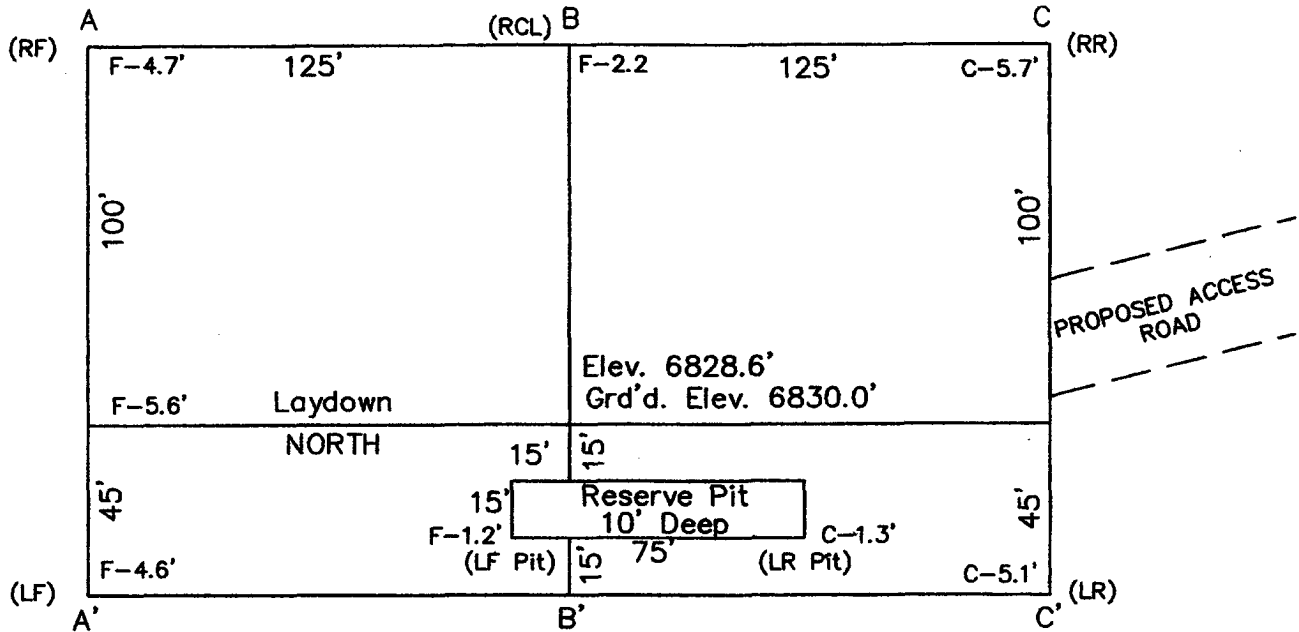
10 1168 ch 990' LOT 4 LAT. 35.99687°N LONG. 107.44812°W 990' 7168 ch 20.00 ch 7100 ch 20.00 ch	N 89°29' W	80.23 ch.	17 <b>OPERATOR CERTIFICATION</b> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. Signature: <i>William Schubert</i> William Schubert Agent for SG Interests Title and E-mail Address Date
	LOT 3	LOT 2	
40.00 ch N 01° W 40.00 ch	S 89°55' W	80.12 ch.	18 <b>SURVEYOR CERTIFICATION</b> 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: October 18, 2005 Signature and Seal of Professional Surveyor: <i>William E. Mahke I</i> WILLIAM E. MAHKE I Certificate Number: 8466

# SG INTERESTS I, LTD.

STATE 20-6-2 #2

990' FNL, 990' FWL SECTION 2, T20N, R6W, NMPM

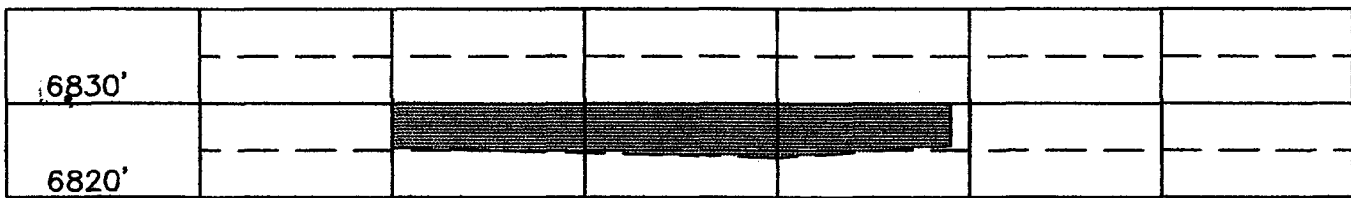
McKINLEY COUNTY, N.M.



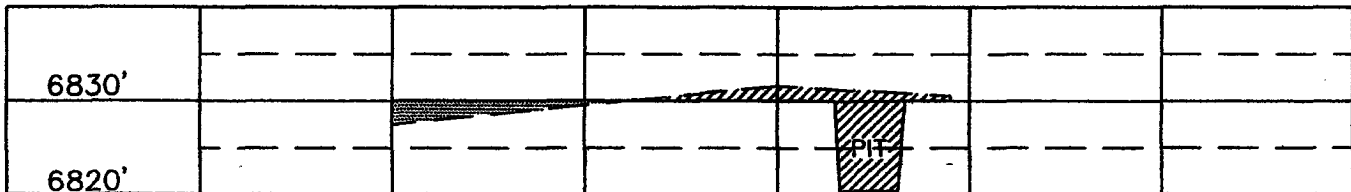
Scale: 1"=50'



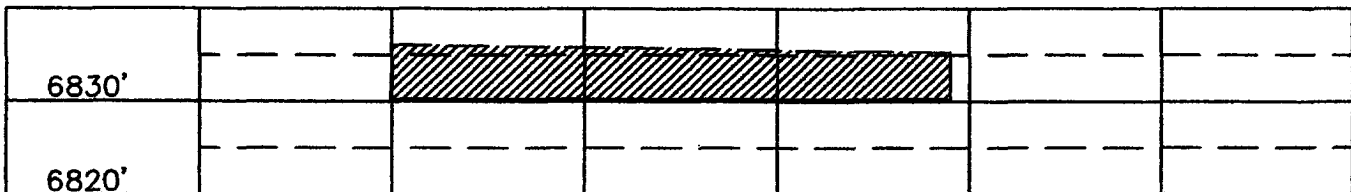
A-A' Vert.: 1"=20' Horiz.: 1"=50' C/L



B-B'



C-C'



NIKA ENERGY OPERATING, LLC  
SG INTERESTS I, LTD.

WELL NAME: State 20-6-2 #2  
FIELD NAME: Basin Fruitland Coal  
LOCATION: Sec 2-T20N-R6W  
UL 4; 990' FNL & 990' FWL  
McKinley County, New Mexico

PROPOSED TD: 960'

DRILLING SKELETON:

<u>Interval</u>	<u>Hole Size</u>	<u>Casing Size</u>	<u>Depth</u>
Surface	12-1/4"	7"	150'
Production	6-1/4"	4-1/2"	960'

MUD PROGRAM:

<u>Interval</u>	<u>Mud Type</u>	<u>Mud Weight</u>	<u>Funnel Viscosity</u>	<u>Water Loss</u>
0 - 150'	Native	8.5 - 9.1	30 - 50	N/C
150' - TD	Native/LSND	8.5 - 9.1	30 - 50	8 - 10

CORE PROGRAM: None

ELECTRICAL LOGGING PROGRAM: No DST's 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.

## Fruitland Drilling Program - State 20-6-2 #2

Page 2

### CASING AND CEMENTING PROGRAM:

<u>Interval</u>	<u>Size, Wt, Grade, Thread</u>	<u>Depth</u>	<u>Cement</u>
Surface	7", 20#, J-55, ST&C	150'	140 sx Class B w/2% CaCl + 1/4#/sx celloflake
Production	4-1/2", 10.5#, J-55, ST&C	TD	120 sx Class B. Both slurries to contain 1/4#/sx celloflake.

WELLHEAD: 3000# Independent Style

### BLOWOUT PREVENTION EQUIPMENT REQUIREMENTS:

<u>Description</u>	<u>Rating</u>
Double Ram Type Preventer	2000 psi
Rotating Head	2000 psi

BOPE testing will be done by third party testers in accordance with Onshore Order No. 2. The test must be performed and recorded using a test pump, calibrated test gauges and properly calibrated strip or chart recorder. The test gauges and recorders must be of the proper range and resolution commensurate with the authorized test pressure. The test must be recorded in the driller's log and will include a low pressure test requirement of 250 psig held for 5 minutes and a high pressure test requirement held for 10 minutes. Casing pressure tests must be held for 30 minutes with no more than 10 percent pressure drop during the test.

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

State 20-6-2 #2  
NWNW Sec 2-20N-R6W  
990' FNL & 990' FWL  
McKinley County, New Mexico

### EIGHT POINT DRILLING PROGRAM

1. Estimated Formation Tops:

Ojo Alamo	280'
Kirtland	410'
Fruitland	585'
Pictured Cliffs	810'
Total Depth	960'

2. Estimated Depth of Anticipated Minerals:

Fruitland (Gas)	785'
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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 #2**  
**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 120 sx (142 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