

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL ☐ DEEPEN ☐ PLUG BACK ☒

b. TYPE OF WELL
OIL... ☐ GAS... ☒ SINGLE ☒ MULTIPLE ☐
WELL ☐ WELL ☒ ZONE... ZONE.....

2. NAME OF OPERATOR
SG Interests I, Ltd.

3. ADDRESS AND TELEPHONE NO.
c/o Sagle & Schwab Energy Resources, PO Box 2677, Durango, CO 81302-2677

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
At Surface
465' FNL & 1780' FWL
At proposed prod. zone
465' FNL & 1780' FWL

10. FIELD AND POOL, OR WILDCAT
Pot Mesa/Corrales Field

11. SEC., T., R., M., OR BLK.
AND SURVEY OR AREA
NENW Sec 10-T20N-R6W

12. COUNTY OR PARISH
McKinley

13. STATE
NM

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
35 miles WSW from Cuba, NM

15. DISTANCE FROM PROPOSED*
LOCATION TO NEAREST
PROPERTY OR LEASE LINE, FT.
(Also to nearest drlg. unit line, if any)

16. NO. OF ACRES IN LEASE
2160

17. NO. OF ACRES ASSIGNED
TO THIS WELL
320 W/2

18. DISTANCE FROM PROPOSED LOCATION*
TO NEAREST WELL, DRILLING COMPLETED,
OR APPLIED FOR, ON THIS LEASE, FT.

19. PROPOSED DEPTH
800'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
6850' GR; 6858' KB

22. APPROX. DATE WORK WILL START*
August 2003

PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	J-55, 8-5/8"	23#	88'	80 sx
7-7/8"	J-55, 5-1/2"	14#	3177'	210 sx 'B' + 250 sx 'H'

SG Interests I, Ltd. proposes recompleting this well to the Fruitland Coal to evaluate methane reserves. The current completion (2147-2928' gross interval) will be abandoned by setting a CIBP at +/- 2115' + 2 sx cmt, displace hole with drilling mud, 15 sx plugs at 1470-1370' and 900-800'. Run CBL from PBTD to surface and cased hole neutron from PBTD to 300'. Fruitland coals will be perforated and fracture stimulated. A pumping unit will be set and the well tested for production.

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

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Lynn Barne TITLE Operations Manager DATE 7/10/2003

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY Original Signed: Stephen Mason TITLE _____ DATE JUL 29 2003

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

HOLD C104 FOR

NMOC

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. 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 June 10, 2003
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 007828		⁵ Property Name POT MESA			⁶ Well Number 4
⁷ OGRID No. 020572		⁸ Operator Name SG INTERESTS I Ltd			⁹ Elevation 6850'

¹⁰ Surface Location

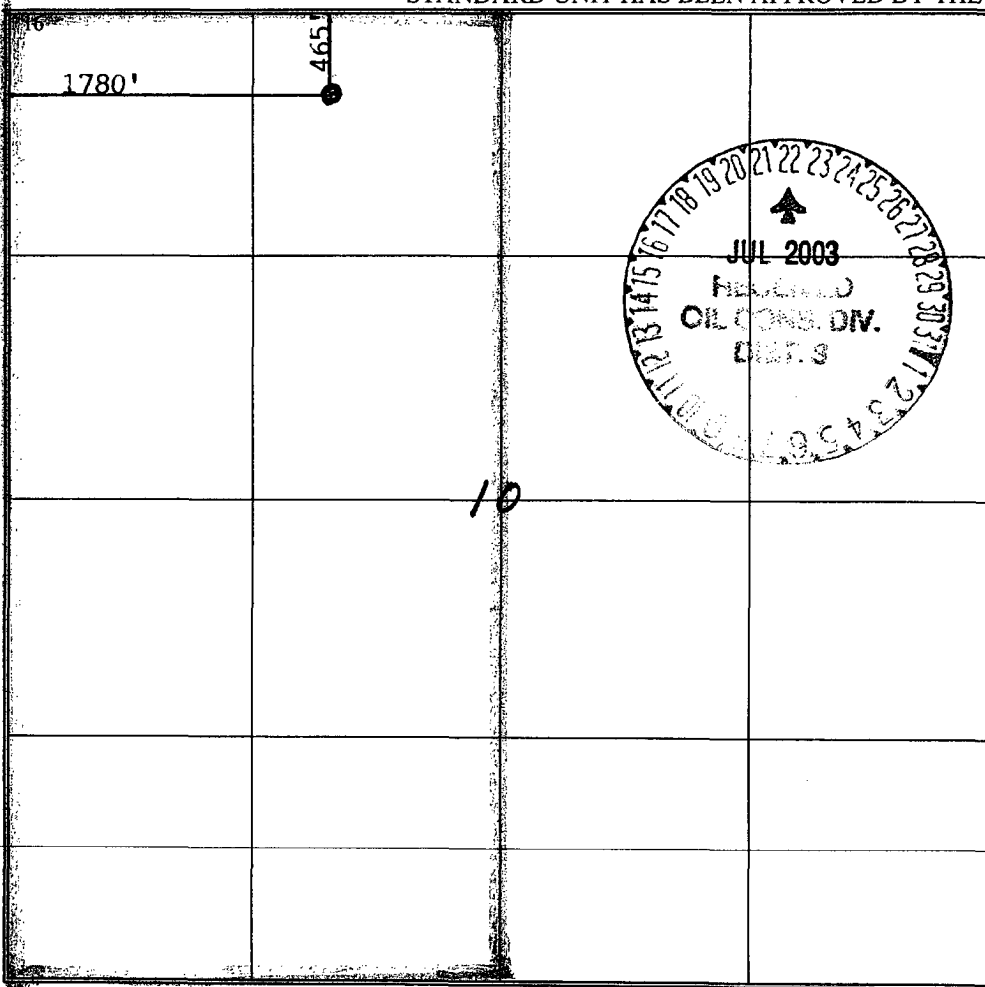
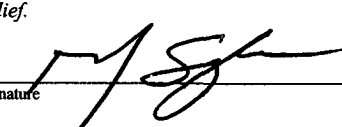
UL or lot no. C	Section 10	Township 20N	Range 6W	Lot Idn NENW	Feet from the 465	North/South line North	Feet from the 1780	East/West line West	County McKinley
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature:  Printed Name: Bob Eagle Agent for SG Interests</p> <p>Title and E-mail Address Date: July 16, 2003</p>
	<p>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.</p> <p>Date of Survey Signature and Seal of Professional Surveyor:</p>
	<p>Certificate Number</p>

SG Interests I, Ltd.
Pot Mesa #4
NW Sec 10-T20N-R6W
McKinley County, NM
Recompletion Procedure
June 24, 2003
LJG

Elevations: GL: 6850' KB: 6858'
TD: 3190' KB
PBSD: 3116' KB
Casing: 8-5/8", 23#, J-55, SA 88', cemented to surface w/80sx
5-1/2", 14#, J-55, SA 3177', cemented to surface w/460 sx
Marker Jt: Unknown

Current Wellbore Status

Perforations: Menefee: 2147' - 2920' (gross interval)
Tubing: 90 joints 2-7/8" SA 2975', SN @ 2937'
Rods & Pump: Currently in hole, detail unknown

Current Production: Well SI April 1998
Workover History: Unknown. Current perforations are the original completion.

Objective: Abandon current completion, complete and produce Fruitland Coal.

Procedure: Note Stipulations and notification requirements and comply with all safety and environmental regulations.

- 1) Install and test rig anchors. Set tanks, dig working pit, etc. MIRUSU. Record bradenhead, casing and tubing pressures. Blow down and kill well as necessary.
 - 2) TOOH and LD rods & pump. NDWH & NUBOP. TOOH and LD tubing. Note condition of rods, pump and tubing and report same.
 - 3) PU 4-3/4" bit, scraper, and 2-7/8" workstring and TIH to +/-2125'. TOOH, LD bit and scraper.
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Pot Mesa #4 Recompletion Procedure

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- 4) PU CIBP and set at +/- 2115'. Spot 3 sx Class B cmt (25 feet) on top of CIBP w/bailer or spot 15 sx plug on top of CIBP.
 - 5) TIH to PBTD (~2090') and displace hole with 50 bbl. drilling mud.
 - 6) Pull up to 1470' and spot 15 sx cmt plug (1470' - 1370').
 - 7) Pull up to 900' and spot 15 sx cmt plug (900' - 800').
 - 8) Pull up to 800', circulate hole with 2% KCl water. Pressure test casing to 500 psi. TOOH.
 - 9) Run CBL from PBTD to surface. Run cased hole neutron log from PBTD' to 300'. Fax logs to Durango. Completion interval will be determined.
 - 10) Correlate to openhole logs and perforate Fruitland Coals with 4" casing gun, 4 SPF, 120 degree phasing. Intervals to be determined.
 - 11) TIH w/SPIT TOOL (spacing to be determined) or RBP and PKR, mechanical collar locator and fluid control valve. Breakdown and acidize perms w/50 gallons per foot of perforation. TOOH.
 - 12) PU treating PKR and TIH, set PKR at +/- 100' above top perforation.
 - 13) Hold safely meeting and frac down 2-7/8" tbg per Halliburton's frac design. Record ISIP, 5, 10 & 15 min SIP.
 - 14) Check gel for break time. Open well to pit on choke. Flow to clean up. Choke back or SI if heavy sand is observed.
 - 15) TIH w/ NC, 1 jt 2-7/8" tbg,, SN and remainder of 2-7/8" tbg. CO to PBTD. Pull above perf and flow well to pit overnight. Repeat.
 - 16) Land tbg at +/- 635'. NDBOP and NUWH. TIH w/1-1/2" insert pump on 3/4" rods and space out. Replace polish rod/polish rod liner as necessary. NU Ratigan, pumping tee and stuffing box. RDMOSU.
 - 17) Set pumping unit from the Corrales No. 2 well. Hang well on. Set facilities and lines.
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