

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD

SG Interests 1, LTD
Cisco 20-6-12 #4
API No. 30-031-21114

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM

- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR

NSL-7007
Pool
-FRANCISCAN LAKE
Mesa Verde
26710

- [D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners

- [B] Offset Operators, Leaseholders or Surface Owner

- [C] Application is One Which Requires Published Legal Notice

- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,

- [F] Waivers are Attached

Well
Cisco 20-6-12 #4
Operator
SG Interests I,
LTD
20572

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Thomas P. Dugan _____ Attorney _____ 1/22/2014 _____
 Print or Type Name Signature Title Date

tpdugan@dugan-law.com
 e-mail Address

Dugan & Associates, P.C.

Thomas P. Dugan

A Professional Corporation
Attorneys at Law

(970) 259-1770
Fax: (970) 259-1882

Admitted in Alabama, Colorado, New York,
New Mexico & Southern Ute Tribal Court

900 Main Avenue, Suite A
Durango, Colorado 81301

January 22, 2014

VIA OVERNIGHT DELIVERY

Hon. Jami Bailey, Director
New Mexico Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

APPLICATION FOR ADMINISTRATIVE NON-STANDARD LOCATION (NSL) ORDER

**Re: SG Interests I, Ltd.
Cisco 20-6-12 Well No. 4
API No. 30-031-2114**

Dear Ms. Bailey:

On behalf of SG Interests I, Ltd. (Operator), we hereby request administrative approval of the following proposed non-standard location for the above-referenced well:

**1205 feet FSL & 330 feet FEL
Section 12, Township 20 North, Range 6 West, N.M.P.M.
McKinley County, New Mexico**

This well will be completed in the Franciscan Lakes; Mesa Verde Pool, which is spaced on 40 acres pursuant to statewide rules. The SE/4 SE/4 (Unit P) of Section 12 will be dedicated to the well. The applicable setback is 330 feet. This location is non-standard because it is only 125 feet from the northern boundary of the spacing unit, and is also closer to the northeast corner of Unit P than would be a location 330 feet from the northern and 330 feet from the eastern boundary of that spacing unit. The location is depicted on Form C-102, attached as Exhibit A.

Operator originally intended to locate this well farther to the South. However, the well was moved to the presently proposed location at the request of the United States Bureau of Land Management (BLM) to avoid interference with an archeological site.

The proposed location encroaches to the North toward Unit I of Section 12, and diagonally to the northeast toward Unit L of Section 7-20N-5W. The Operator has determined that working

January 22, 2014

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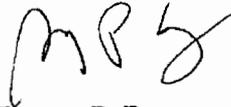
interest ownership is identical as between the drill-site tract (Unit P) and Unit I of Section 12. However, ownership of the diagonally offsetting unit is not identical with the foregoing. Accordingly, pursuant to Rule 19.15.15.13.D NMAC, notice of this Application in the form attached as Exhibit B2, and including a copy of this Application and attachments, has been sent by Certified Mail, Return Receipt Requested, prior to filing of this Application, to the person(s) identified in Exhibit B1.

A copy of an area plat as required by Rule 19.15.15.13.C is attached at Exhibit C. Exhibit C shows a survey irregularity along the eastern boundary of Section 12 such that there is presumably no common corner between the drillsite tract and Unit L of Section 7-20N-5W. However, notice to affected persons in that spacing unit has nevertheless been given because the application of Rule 19.15.14.12.A(2)(c) in this specific situation may be uncertain, and it seems clear that no spacing unit to the northeast other than Unit L of Section 7-20N-5W could be affected.

✓ 19.15.4.12.A(2)(c)
Administrative approval of the above-identified location is accordingly requested. Please advise if further information is needed.

Yours truly,

DUGAN & ASSOCIATES, P.C.



Thomas P. Dugan
(Direct Extension #116)
(E-mail: tpdugan@dugan-law.com)

TPD/ah
Enclosures

RECEIVED

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCT 26 2012

APPLICATION FOR PERMIT TO DRILL OR REENTER

Farmington Field Office

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM 109382	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator SG Interests I, LTD. (Agent: Nika Energy Operating, LLC)		7. If Unit of CA Agreement, Name and No.	
3a. Address P.O. Box 2677 Durango, Colorado 81302		8. Lease Name and Well No. Cisco 20-6-12 #4	
3b. Phone No. (include area code) 970-259-2701		9. API Well No. 30-031-21114	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface Unit Ltr P (SESE) 1205' FSL & 330' FEL At proposed prod. zone Same As Above		10. Field and Pool, or Exploratory Franciscan Lakes MV	
14. Distance in miles and direction from nearest town or post office* 65.6 miles from Counselor, NM		12. County or Parish McKinley	13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 960	17. Spacing Unit dedicated to this well 40 acres RCVD APR 25 '13 OIL CONS. DIV.	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. None	19. Proposed Depth 2900	20. BLM/BIA Bond No. on file NM 1935 DIST. 3	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6759' GL	22. Approximate date work will start* 11/25/2012	23. Estimated duration 10 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature	Name (Printed/Typed) Mike L. Mankin	Date 10/25/2012
Title		

Approved by	Name (Printed/Typed) Mike L. Mankin	Date 4/23/13
Title AFM		
Office FFO		

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, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Continued on page 2)

*(Instructions on page 2)

BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOCF FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOCF PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

NMOCF

HOLD ON FOR US

NOTIFY AZTEC OCD 24 HRS. PRIOR TO CASING & CEMENT

DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

MAY 02 2013 ea

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

Exhibit A to Non-Standard Location Application

District I
1625 N. French Dr, Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

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 August 1, 2011
Submit one copy to appropriate District Office
OCT 25 2012

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-031-2114	² Pool Code	³ Pool Name Franciscan Lakes Mesa Verde
⁴ Property Code	⁵ Property Name CISCO 20-6-12	⁶ Well Number 4
⁷ OGRID No. 20572	⁸ Operator Name SG INTERESTS I, LTD.	⁹ Elevation 6759

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
P	12	20 N	6 W		1205	South	330	East	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

¹² Dedicated Acres 40	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.

¹⁶ N 89°59' W 80.00 Ch. Sec. 12 N 0°01' W N 89°52' W 80.39 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 hereinafter entered by the division. Signature: <i>M. L. Markin</i> Date: <i>10/25/12</i> Printed Name: <i>Alike L. Markin</i> E-mail Address: <i>mike@markinland.com</i>
	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: <i>William E. Mannke II</i> Registered Professional Surveyor # 8466 Certificate Number: 8466

Bearings from GLO Plat

$$Y = \sqrt{115^2 + 330^2}$$

$$= 349.5$$

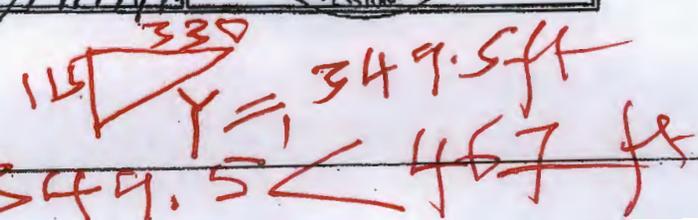


EXHIBIT B1 to Non-Standard Location Application

Name and Address of Affected Person(s)

Unit L of Section 7-20N-5W

R&R Royalty, Ltd.

500 N. Shoreline #322

Corpus Christi, TX 78401

Exhibit B2

January 21, 2014

R&R Royalty, Ltd.
500 N. Shoreline #322
Corpus Christi, TX 78401

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Re: **SG Interests I, Ltd.**
Cisco 20-6-12 Well No. 4
API No. 30-031-2114

Ladies and Gentlemen:

Please be advised that SG Interests I, Ltd. will be filing an application with the New Mexico Oil Conservation Division for administrative approval of a proposed non-standard location for the referenced well.

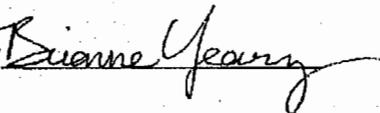
The well will be located in the SE/4 SE/4 (Unit P) of Section 12, Township 20 North, Range 6 West, 1205 feet from the South line and 330 feet from the East line of Section 12. This notice is being sent to you because the operator believes that you own an interest in a tract adjoining this spacing unit. A copy of the Application and all required attachments is enclosed.

If you have an objection to the attached Application, you should file your objection in writing with the New Mexico Oil Conservation Division, at the address shown in the Application, within 20 days from the date the Division receives the Application. The Division may approve the unorthodox location without further notice or hearing if no affected person has filed an objection within the 20-day period.

In the event that you do not object to the proposed location, we would greatly appreciate your signing and dating the waiver of objection below and returning the same to us, so that approval of our application can be expedited.

Sincerely

SG Interests I, Ltd.

By 

SG Interests I, Ltd.
January 21, 2014
Page 2

The undersigned hereby waives any objection to approval of the Application for Non-Standard Location (NSL) described in the above notice.

_____ Date: _____

By _____, _____

7010 1670 0000 7843 6961

U.S. Postal Service
CERTIFIED MAIL[®] RECEIPT
(Domestic Mail Only; No Insurance Coverage Provided)
For delivery information visit our website at www.usps.com

OFFICIAL USE

Postage	\$1.12
Certified Fee	3.10
Return Receipt Fee (Endorsement Required)	2.55
Restricted Delivery Fee (Endorsement Required)	
Total Postage & Fees	\$6.77

Postmark
Here

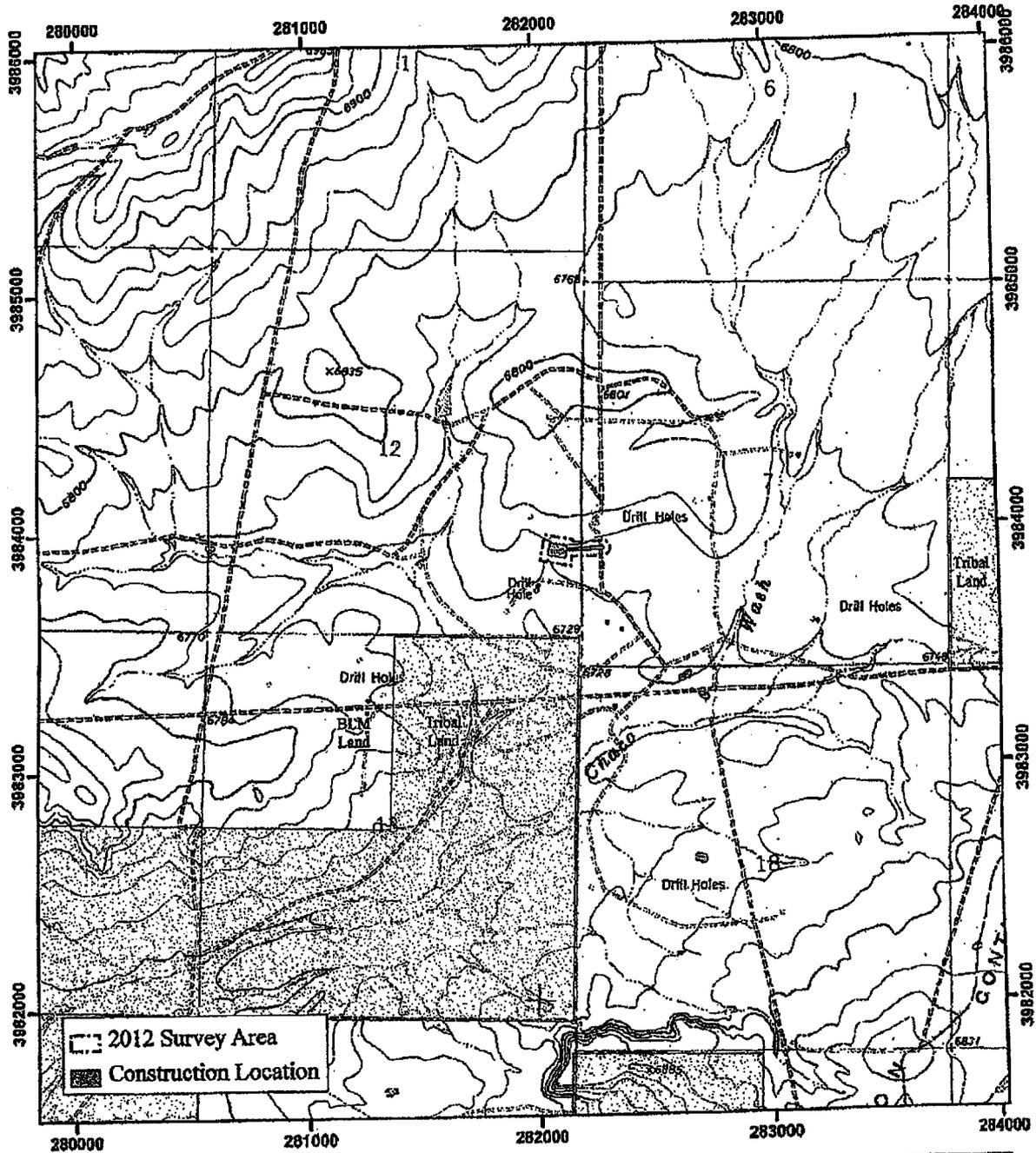
Sent to R+R Royalty, LTD
 Street, Apt. No. or PO Box No. 500 N. Shoreline #322
 City, State, ZIP+4[®] Circus Christi TX 78401

PS Form 3800, August 2005

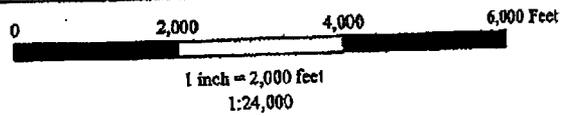
Exhibit C to Non-Standard Location Application

Project Area

AAC 2013-023 Cisco 20-6-12 Number 4 Cultural Resource Monitoring



McKinley County, NM
USGS 7.5 Star Lake, New Mexico
NAD 83 UTM Zone 13
Section 12, T20N, R5W
Section 7, T20N, R5W
NMCRIS No. 125057
AAC-2013-023
AAC GIS Services 6/12/13 S. Nichols



Official Use Only - Disclosure of site locations prohibited