Submit 3 Copies to Appropriate District Office		ew Mexico Iral Resources Department						
DISTRICT 1 P.O. Box 1980, Hobbs, NM 88240	OIL CONSERVA P.O. Bo		WELL API NO.	- 20700				
DISTRICT II P.O. Drawer DD, Artesia, NM 8821	Santa Fe, New Me		30-045-28789 5. Indicate Type of Lease					
DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87			6. State Oil & Gas L	STATE FEE X				
(DO NOT USE THIS FORM FO DIFFERENT F (FO	NOTICES AND REPORTS ON R PROPOSALS TO DRILL OR TO DR RESERVOIR. USE "APPLICATION FR RM C-101) FOR SUCH PROPOSALS	EEPEN OR PLUG BACK TO A	7. Lease Name or Us Trujillo	-				
1. Type of Well: Of. OAS WELL WELL	, X other							
2. Name of Operator SG Interests I,			8. Well No.					
3. Address of Operator	Blanco, NM 87412-042	1	9. Pool name or Wild	itland Coal				
4. Well Location	1165 Feet From The Sou	•	Feet From T	he West Line				
Section 21	5481'	10W Range Whether DF, RKB, RT, GR, etc.) GL & 5494' KB		Juan County				
	eck Appropriate Box to Indi		leport, or Other D BSEQUENT RE					
FERFORM REMEDIAL WORK	PLUG AND ABANDON		. 🔲 🗛					
	1 3 CHANGE PLANS		g opns. 🔲 pi					
	Jon. Div	CASING TEST AND C	EMENT JOB X					
OTHER:			·	🛛				
12. Describe Proposed or Completed work) SEE RULE 1103.	Operations (Clearly state all pertinent de	tails, and give pertinent dates, incl	iding estimated date of su	arting any proposed				
z Product	ion Casing: TD @ 191	6' on 11-09-92						
0 C Hole Si	ze: 7 7/8"							
NOSING REAL REAL REAL REAL REAL REAL REAL REAL	set @ 19 1867.08' 1598', 1	1900.20'), 5 1/2", 12.20', Guide Shoe , 12 Centralizers (514', 1430', 1346'	@ 1912.20', F @ 1892', 1850' , 1262', 1178'	loat Collar @ , 1766', 1682', , 1094', & 1010'.				
Gement: BS NO: 26, 10 10	(1.93 Yi 0.4% Thr	avenger + 290 sx C eld/559.7 cu ft) + ifty Lite (1.19 Yic o surface.	100 sx Class	B w/1% CF-14 &				

Bump Plug w/1250 psi. Plug Down @ 8:55 AM on 11-10-92.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

7

SKINATURE	anni a. Bage	Agent	11/13/92		
TYPE OR PRINT NAME	Carrie A. Baze	(915) 694–6107	TELEPHONE NO.		
(This space for State Use)	ZS S				
CONDITIONS OF APPROVAL,	IP ANY:				

State of Opener District Office State of New Mackio Fem C.13 District Office Energy, Minerals and Natural Resources (Department) Revised 1-Le9 District Office OIL CONSERVATION DIVISION P.O. Box 2088 Will ATI NO. 30-045-28789 District T P.O. Box 2088 Santa Fe, New Macico 87504-2088 District T Santa Fe, New Macico 87504-2088 State Off A Gast Laser No. 30-045-28789 District T Simbol Net State Off A Gast Laser No. Different Reservoir, USE 'APPLICATION FOR FERANT (FORM CONSCOLS TO OPICIES ON WELLS Trujillo 29-10-21 Convort SE THIS FORM FOR PROCESSALS OF MOLIO ROP CERANT (FORM CONSCOLS TO OPICIES ON WELLS) Trujillo 29-10-21 1. Type of Well: One State of Net Bruce Reservoir, USE 'APPLICATION FOR FERANT (FORM CONSCOLS TO OPICATION TOR FERANT (FORM CONSCOLS TO OPICATION TOR FERANT (FORM CONSCOLS TO OPICATION TOR FERANT (FORM CONSCOLS TO PROCESSALS) Trujillo 29-10-21 2. Nator of Opication SG Interests I, Itcl. 8. Well No. 2 Trujillo 29-10-21 2. Nator of Opication SG Interests I, Itcl. State of Net Meter SG Interests I, Itcl. Construct SG Interests I, Itcl. 2. Nation of Opication SG Interests I, Itcl. State of Net Meter SG Interests I, Itcl. State of Net Meter SG Interests I, Itcl. State SG Interests I, Itcl. 3	• • • •					1					
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SKONATURE <u>Game a. Baro</u> TILE <u>Agent</u> <u>DATE</u> <u>11/13/92</u>	0			-							
SKONATURE <u>Game a. Baro</u> TILE <u>Agent</u> <u>DATE</u> <u>11/13/92</u>	I hereby certify that	the information above is true	and complete to the best of my knowledge a	nd belief.	 						
TYPE OR PRINT NAME Carrie A. Baze (915) 694-6107 TELEPHONE NO.		-	_	Acont	DATE						
	TYPE OR PRINT NAI	E Carrie	A. Baze	(915)	694-6107 телернове но.						

(This space for State Lise)	
(-)	SHOEDVICOR DISTRICT IS
APPROVED BY	SUPERVISOR CISTOLOT (7.3
CONDITIONS OF APPROVAL IF ANY:	

CONDITIONS OF APPROVAL, IF ANY:

		دهم و الد الم المحمول			a the start
District Office State Lease – 6 copies		Minerals and Natural Re			Revised 1-1-89
•Fee Lease - 5 copies <u>DISTRICT I</u> P.O. Box 1980, Hobbs, NN <u>DISTRICT II</u> P.O. Drawer DD, Artesia, N <u>DISTRICT III</u> 1000 Rio Brazos Rd., Azter	1 88240 Si c, NM 87410 TION FOR PERMIT.T		8 87504-2088 192 0C∑	1 15. Inderte Type of Leas	e TATE FEE A
OIL GAS WELL WELL Z	C OTHER	SINGLE ZONE	X ZONE		
2. Name of Operator	_			8. Well No.	-100-
SG Interests	I, Ltd.			2	2/200
3. Address of Operator P. O. Box 42	1, Blanco, New	Mexico 87412-04	21	9. Pool name or Wildcat Basin Fruitla	nd damad
4 Well Location	: <u>1165</u> Feet Fr		Line and645	Feet From The	West Line
Section 21	Towns	hip 29N Ran	ge 10W	NMPM San Juan	County
		10. Proposed Depth 1950 %	11.1 F	Formation ruitland Coal	12. Rotary or C.T. Rotary
13. Elevations (Show whether 5481 GL, 54		4. Kind & Status Plug. Bond Blanket	15. Drilling Contractor Walters Dri	16. Approx. 11ing Octo	Date Work will start ber 10, 3992
17.		OPOSED CASING AN	ID CEMENT PROGI	RAM	
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
12-1/4"	8-5/8"	24 # , J−55	250'	200 class B n	eat surface
7-7/8	5-1/2"	15.5 # , J−55	1950'	200 sx 65/35	Poz surface
				mix w/6% gel	

SG Interests I, Ltd. proposes to drill a vertical hole to develop the Fraitland tail Coal formation at the above described site. The well will be drilled with a low solids non-dispersed mud. A double ram type blowout preventer will be used to maintain well control at all times during the drilling of the well. Schematic sketches of the BOP and choke assembly, along with a description of that equipment are included as Exhibits to this application. A full suite of logs will be run upon reaching TD. Both strings of casing will be cemented in separate single stage cement jobs. A high strength cement will be placed across the pay zones and at least five hundred feet above the bottom of the hole. A minimum of ten centralizers will be used to optimize placement of the cement around the pipe on the long string.

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. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my know	Ledge and bedief. ITTLE _ Agent for SG Interests I, Ltd. 9/29/92
TYPE OR PRINT NAME A. M. O'Hare, P. E.	(505) 325-5599 TELEPHONE NO.
(This space for State Use)	THE PERINT ON A GAT INSPECTICE DIST STE DATE OF T & 5 1992
Hold C-104 For NISC	APPROVAL EXPIRES 4-5-93 UNLESS DRILLING IS COMMENCED. SPUD NOTICE MUST BE SUBMITTED WITHIN 18 DAYS.

Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

80.00 cm.

NORTH

DISTRICT I P.O. Box 1980, Hobbs, NM 88240

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102

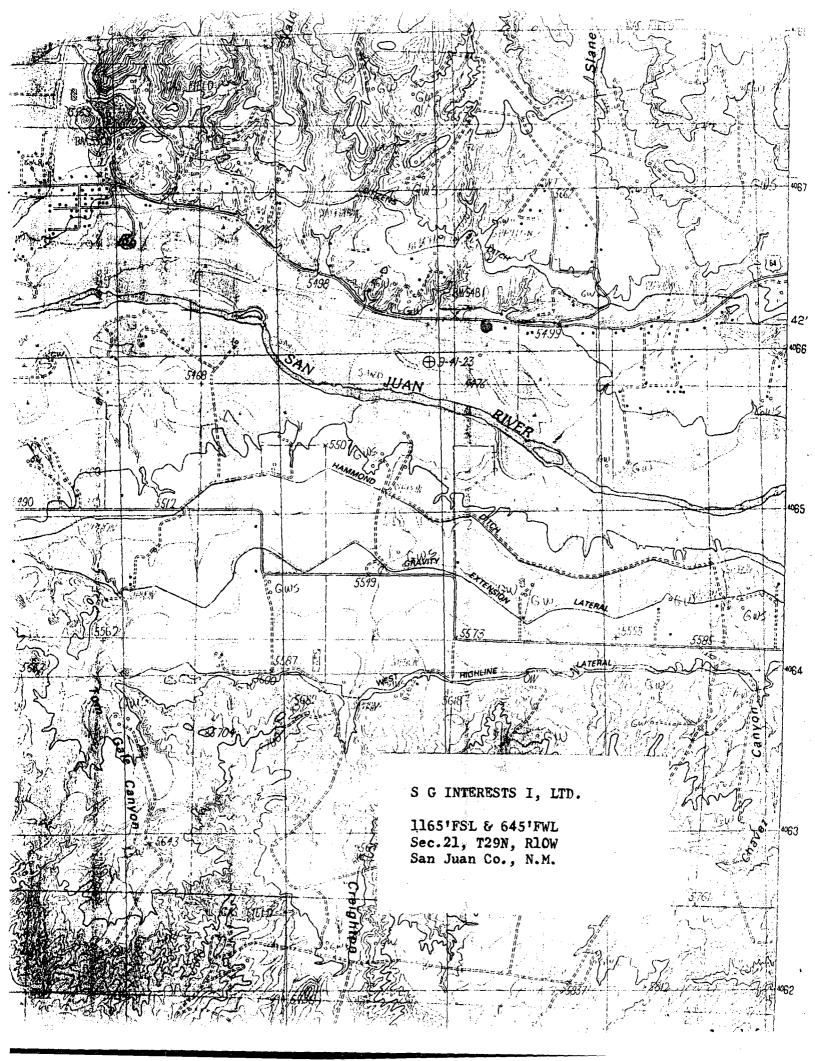
Revised 1-1-89 Æ.

OIL CONSERVATION DIVISION P.O. Box 2088

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	or until a		andard uni	it, elimi			L, has been app 2000						<u> </u>	-			
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STATE OF NEW MEXICO ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED BY THE OIL CONSERVATION DIVISION FOR THE PURPOSE OF CONSIDERING:

CASE NO. 10610 ORDER NO. R-9891

APPLICATION OF SG INTERESTS I, LTD. FOR COMPULSORY POOLING AND AN UNORTHODOX COAL GAS WELL LOCATION, SAN JUAN COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 8:15 a.m. on November 19 and December 3, 1992 at Santa Fe, New Mexico, before Examiners Michael E. Stogner and David R. Catanach, respectively.

NOW, on this <u>6th</u> day of May, 1993, the Division Director, having considered the testimony, the record and the recommendations of the Examiner, and being fully advised in the premises,

FINDS THAT:

(1) Due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.

(2) At the time of the hearing, this case was consolidated with Division Case No. 10609 for purposes of testimony.

(3) The applicant, SG Interests I, Ltd., seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, forming a standard 320-acre gas spacing and proration unit for said pool.

(4) Said unit is to be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Administrative Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(5) The "unorthodox gas well location" portion of this application should be dismissed at this time since an administrative approval has been obtained for the subject well.

(6) The applicant has a right to develop the subject unit and produce the coal gas underlying same; at this time, however, not all interest owners in the proposed gas spacing and proration unit have agreed to pool their interests.

(7) To avoid the drilling of unnecessary wells, to protect correlative rights, to prevent waste and to afford to the owner of each interest in said unit the opportunity to recover or receive without unnecessary expense his just and fair share of the Basin-Fruitland Coal Gas Pool, the subject application should be approved by pooling all mineral interests, whatever they may be, within said unit.

(8) The applicant should be designated the operator of the subject well and unit.

(9) Any non-consenting working interest owner should be afforded the opportunity to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production.

(10) Any non-consenting working interest owner who does not pay his share of estimated well costs should have withheld from production his share of reasonable well costs plus an additional charge for the risk involved in the drilling of the well.

(11) Based on precedent established in compulsory pooling cases in the Basin-Fruitland Coal Gas Pool, a 156 percent risk penalty has been established as being proper for wells within said coal gas pool.

(12) Any non-consenting interest owner should be afforded the opportunity to object to the actual well costs but actual well costs should be adopted as the reasonable well costs in the absence of such objection.

(13) Following determination of reasonable well costs, any non-consenting working interest owner who has paid his share of estimated costs should pay to the operator any amount that reasonable well costs exceed estimated well costs and should receive from the operator any amount that paid estimated well costs exceed reasonable well costs.

(14) \$4000.00 per month while drilling and \$450.00 per month while producing should be fixed as reasonable charges for supervision (combined fixed rates); the operator should be authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator should be authorized to withhold from production the proportionate share of actual expenditures required for operating the subject well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(15) All proceeds from production from the subject well which are not disbursed for any reason should be placed in escrow to be paid to the true owner thereof upon demand and proof of ownership.

(16) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order should thereafter be of no further effect.

(17) The operator of the well and unit should notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

IT IS THEREFORE ORDERED THAT:

(1) All mineral interests, whatever they may be, in the Basin-Fruitland Coal Gas Pool, underlying the S/2 of Section 21, Township 29 North, Range 10 West, NMPM, San Juan County, New Mexico, are hereby pooled to form a standard 320-acre gas spacing and proration unit for said pool.

(2) Said unit shall be dedicated to its existing Trujillo 29-10-21 Well No. 2 located at an approved unorthodox coal gas well location (Division Order NSL-3234, dated May 3, 1993) 1165 feet from the South line and 645 feet from the West line (Unit M) of said Section 21.

(3) The portion of this application for an "unorthodox gas well location" is hereby dismissed.

(4) SG Interests I, Ltd. is hereby designated the operator of the subject well and unit.

(5) Within thirty days after the effective date of this order, the operator shall furnish the Division and each known working interest owner in the subject unit an itemized schedule of estimated well costs.

(6) Within 30 days from the date the schedule of estimated well costs is furnished to him, any non-consenting working interest owner shall have the right to pay his share of estimated well costs to the operator in lieu of paying his share of reasonable well costs out of production, and any such owner who pays his share of estimated well costs as provided above shall remain liable for operating costs but shall not be liable for risk charges.

(7) Any non-consenting working interest owner may, at least forty-five days after receiving the schedule of actual well costs but not more than ninety days after such receipt, file with the Division an objection to such costs; if no objection to the actual well costs is received by the Division and the Division has not objected within the period from at least forty-five days to within ninety days following the receipt of said schedule, the actual well costs shall be the reasonable well costs; provided however, if there is an objection to actual well costs within the aforesaid forty-fifth to ninetieth day period, the Division will determine reasonable well costs after public notice and hearing.

(8) Within 60 days following determination of reasonable well costs, any nonconsenting working interest owner who has paid his share of estimated costs in advance as provided above shall pay to the operator his pro rata share of the amount that reasonable well costs exceed estimated well costs and shall receive from the operator his pro rata share of the amount that estimated well costs exceed reasonable well costs.

(9) The operator is hereby authorized to withhold the following costs and charges from production:

- (A) The pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him; and
- (B) As a charge for the risk involved in the drilling of the well, 156 percent of the pro rata share of reasonable well costs attributable to each non-consenting working interest owner who has not paid his share of estimated well costs within 30 days from the date the schedule of estimated well costs is furnished to him.

(10) The operator shall distribute said costs and charges withheld from production to the parties who advanced the well costs.

(11) \$4000.00 per month while drilling and \$450.00 per month while producing are hereby fixed as reasonable charges for supervision (combined fixed rates); the operator is hereby authorized to withhold from production the proportionate share of such supervision charges attributable to each non-consenting working interest, and in addition thereto, the operator is hereby authorized to withhold from production the proportionate share of actual expenditures required for operating such well, not in excess of what are reasonable, attributable to each non-consenting working interest.

(12) Any unleased mineral interest shall be considered a seven-eighths (7/8) working interest and a one-eighth (1/8) royalty interest for the purpose of allocating costs and charges under the terms of this order.

(13) Any well costs or charges which are to be paid out of production shall be withheld only from the working interest's share of production, and no costs or charges shall be withheld from production attributable to royalty interests.

(14) All proceeds from production from the subject well which are not disbursed for any reason shall be placed in escrow in San Juan County, New Mexico, to be paid to the true owner thereof upon demand and proof of ownership; the operator shall notify the Division of the name and address of said escrow agent within 30 days from the date of first deposit with said escrow agent.

(15) Should all the parties to this force-pooling reach voluntary agreement subsequent to entry of this order, this order shall thereafter be of no further effect.

(16) The operator of the subject well and unit shall notify the Director of the Division in writing of the subsequent voluntary agreement of all parties subject to the force-pooling provisions of this order.

(17) Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO OIL_CONSERVATION DIVISION ۵ WILLIAM J. LEMAY Director

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