

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] OPERATOR/Applicant Name: _____ OGRD: _____
 (If one well) Lease/Well Name: _____
 Well API No. 30- _____

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

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

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

[3] 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
U.S. Bureau of Land Management
- [E] Notification and/or Concurrent Approval by SLO
Commissioner of Public Lands, State Land Office
- [F] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [G] Waivers are Attached

[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.

| | | | |
|--------------------|-----------|-------|------|
| Print or Type Name | Signature | Title | Date |
| | | | |
| e-mail Address | | | |

APPLICATION FOR AUTHORIZATION TO INJECT

RECEIVED

2007 NOV 7 AM 11 59

- I. PURPOSE: _____ Secondary Recovery _____ Pressure Maintenance Disposal _____ Storage
Application qualifies for administrative approval? _____ Yes _____ No
- II. OPERATOR: SG Interests I, Ltd.
ADDRESS: PO Box 2677, Durango, CO 81302
CONTACT PARTY: William Schwab III (Tripp) PHONE: 970-259-2701
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? _____ Yes No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

NAME: William Schwab III TITLE: Agent for SG Interests

SIGNATURE: W Schwab III DATE: October 31, 2007

E-MAIL ADDRESS: tripp@nikaenergy.com

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

DISTRIBUTION: Original and one copy to Santa Fe with one copy to the appropriate District Office

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; Location by Section, Township and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District Offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and the name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

- (1) The name, address, phone number, and contact party for the applicant;
- (2) The intended purpose of the injection well; with the exact location of single wells or the Section, Township, and Range location of multiple wells;
- (3) The formation name and depth with expected maximum injection rates and pressures; and,
- (4) A notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 South St. Francis Dr., Santa Fe, New Mexico 87505, within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

INJECTION WELL DATA SHEET

OPERATOR: SG Interests I, LLC

WELL NAME & NUMBER: Federal 21-6-28 SWD #33

WELL LOCATION: 660' FSL, 660' FWL
FOOTAGE LOCATION

M UNIT LETTER

28 SECTION

21N TOWNSHIP

6W RANGE

WELLBORE SCHEMATIC

WELL CONSTRUCTION DATA
Surface Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ sx. *or* _____ ft³

Top of Cement: _____ Method Determined: _____
Intermediate Casing

Well has not been drilled or completed.
Data will be submitted post completion.

Hole Size: _____ Casing Size: _____

Cemented with: _____ sx. *or* _____ ft³

Top of Cement: _____ Method Determined: _____
Production Casing

Hole Size: _____ Casing Size: _____

Cemented with: _____ sx. *or* _____ ft³

Top of Cement: _____ Method Determined: _____

Total Depth: _____

Injection Interval

_____ feet to _____

(Perforated or Open Hole; indicate which)

INJECTION WELL DATA SHEET

Tubing Size: _____ Lining Material: _____

Type of Packer: _____

Packer Setting Depth: _____

Other Type of Tubing/Casing Seal (if applicable): _____

Additional Data

1. Is this a new well drilled for injection? Yes No

If no, for what purpose was the well originally drilled? _____

2. Name of the Injection Formation: Entrada, Bluff, Morrison

3. Name of Field or Pool (if applicable): SWD Pool code # 96162

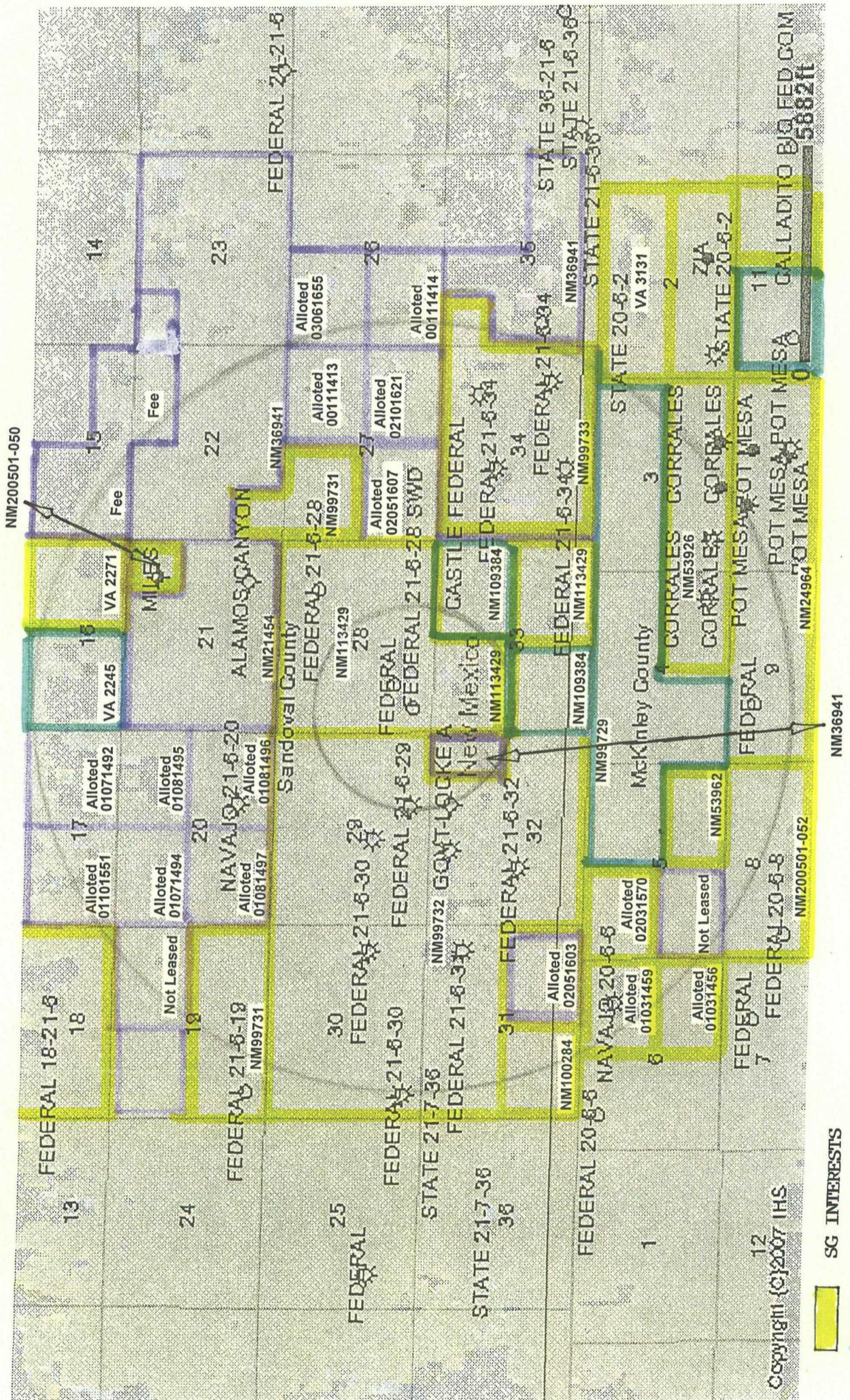
4. Has the well ever been perforated in any other zone(s)? List all such perforated intervals and give plugging detail, i.e. sacks of cement or plug(s) used. _____

5. Give the name and depths of any oil or gas zones underlying or overlying the proposed injection zone in this area: Fruitland Coal

Application for Authorization to Inject – Item V

Map of Wells on Area of Review and Area of Interest

SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October, 2007



**Application for Authorization to Inject - Item VI
Wells in Area of Review**

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

There are no wells, producing or plugged, located in the area of review that penetrate the proposed injection zone(s).

Application for Authorization to Inject - Item VII

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

Item VII, Sub-Heading 1.

The proposed average daily rate of injection is 3000 BWPD with a daily volume of the same. It is hoped the Federal 21-6-28 #33 will have a maximum daily rate and volume of 6000 BWPD so as to allow for future expansion of the Fruitland CBM project "El Pintado".

Item VII, Sub-Heading 2.

Currently the proposed injection system will be closed. Water is piped to and held in existing tankage, then pumped into the injection well. Some produced water may be trucked to the disposal in the future.

Item VII, Sub-Heading 3

The proposed maximum injection pressure is approximately 1200 PSI. The maximum injection pressure will be set by the depth of the uppermost perforation of the injection interval. Initially the average injection pressure is anticipated to be 300 to 400 PSI at the wellhead. The injection facility will have a calibrated water measuring device as well as calibrated pressure gauges and a calibrated pressure chart recorder.

Item VII, Sub-Heading 4

The primary source of water to be injected will be from adjacent Fruitland CBM produced water. A small amount (5 BWPD) of produced water from an adjacent oil well (Noo Navajo #1, Mesa Verde formation) will be disposed of in the proposed injection well.

Item VII, Sub-Heading 5

Analysis of the proposed disposal formation water will be submitted after completion of the well.

Application for Authorization to Inject - Item VIII

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

The objective disposal reservoir is the Entrada Sandstone. The Entrada in the southeastern part of the San Juan Basin is an eolian sandstone deposit during Middle Jurassic. The Entrada disposal reservoir is composed of fine-grained, well-sorted sandstone, massive or horizontally bedded in the upper part and thinly laminated, with steeply dipping cross bedding, in the lower part. Porosity (23 percent average) and permeability (370 millidarcies average) are very good throughout. The reservoir thickness is expected to be greater than 100 ft. The Entrada is anticipated to be encountered in the range of 6200 to 6500 ft deep.

The proposed well location is in the Torreon Sub area of the Navajo-Gallup Water Supply Project. The Torreon Sub area includes the Chapters of Counselor, Ojo Encino, Torreon, and Pueblo Pintado. Essentially all of the municipal water is from the Ojo Alamo Aquifer. The Base of the Ojo Alamo (An unconformity with the underlying Cretaceous) is approximately 300 ft deep in this area. Aquifers below the Ojo Alamo with a TDS of 10,000 mg/l or less are not known to SG Interests.

There are no known fresh water zones below the proposed injection zone (Entrada).

Application for Authorization to Inject - Item IX

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

Proposed Stimulation.

The stimulation program will be developed after review of drilling and test data. Most likely the well will be perforated in the injection interval at four (4) shots per foot of formation thickness with 120 degree phasing. An acid breakdown of the perforations will be done with a 15% DI (*double inhibited*) acid solution. The zone(s) will be hydraulically stimulated with a slickwater frac, using 20/40 Brady sand as a proppant, pumped at 20 to 25 barrels per minute rate for a total of 1500 pounds per foot.

Application for Authorization to Inject - Item X

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

The logging and test data will be submitted after drilling and completion.

Application for Authorization to Inject - Item XI

SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007

Water Well Sampling.

A search of the Waters Data Base of the New Mexico Office of the State Engineer showed there were no water wells in 21N, 6W Sec 28 or in any of the sections surrounding Section 28. In addition a visual search of the area did not reveal any water wells.

New Mexico Office of the State Engineer POD Reports and Downloads

Township: Range: Sections:

NAD27 X: Y: Zone: Search Radius:

County: Basin: Number:

Suffix:

Owner Name: (First) (Last) Non-Domestic
 Domestic All

POD / Surface Data Report Avg Depth to Water Report Water Column Report

WATER COLUMN REPORT 10/29/2007

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are biggest to smallest)

| Depth | Water (in feet) | | | | | | | | | | | Depth |
|------------|-----------------|-----|-----|-----|---|---|---|------|---|---|------|-------|
| POD Number | | Tws | Rng | Sec | q | q | q | Zone | X | Y | Well | |
| Water | Column | | | | | | | | | | | |

No Records found, try again

Application for Authorization to Inject - Item XII

SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007

Certification:

I hereby certify that there is no engineering or geological evidence of open faults or any hydrologic connection between the targeted disposal formations and underground drinking water.

Executed this 31st day of October, 2007.

Name: William Schwab III

Position Title: Agent for SG Interests, Ltd.

Address: PO Box 2677, Durango, Colorado 81302

Telephone: 970-259-2701 or 970-769-3589

E-mail: tripp@nikaenergy.com



Date 10/31/2007

STATE OF NEW MEXICO
County of Bernalillo SS

Bill Tafoya, being duly sworn, declares and says that he is Classified Advertising Manager of The Albuquerque Journal, and that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, and that payment therefore has been made of assessed as court cost; that the notice, copy of which is hereto attached, was published in said paper in the regular daily edition, for

3 times, the first publication being on the 28 day of Oct., 2007, and the subsequent consecutive publications on Oct. 31, Nov. 2, 2007.

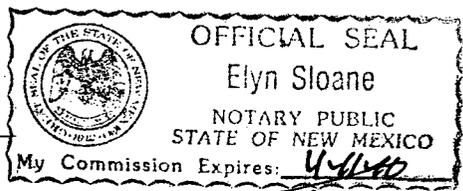
[Handwritten signature]

Sworn and subscribed to before me, a Notary Public, in and for the County of Bernalillo and State of New Mexico this 2 day of Nov. of 2007

PRICE \$58.48

Statement to come at end of month.

ACCOUNT NUMBER C81079



[Handwritten signature]

Nika Energy Operating, LLC on behalf of SG Interests, Ltd. (Lubbock, TX) intends to drill the lateral 21-6-28 SWD #33 Injection Well on or about Thursday, September 4, 2007. The proposed injection well is located in the 1/4 SW/4 (660 FSL, 660 FWL) Section 28, Township 21 North, Range 6 West, Sandoval County, New Mexico, 20.1 miles north of Las Alamos, New Mexico. Brine water produced as a side product from surrounding gas wells will be injected into the Entrada/Bluff/Trinidad Formations at approximately 6600 feet total depth. Expected maximum injection rate is 100 BWPD; expected maximum pressure is 1280 psi. 1100 feet of 5/8" casing will be run from surface in the injection well to release any possible fresh water zones or formations. Any and all interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 S. Central Drive, Santa Fe, New Mexico 87505, within 15 days from this publication. Inquiries should be addressed to: Tripp Schwab (970) 9-2701. Nika Energy Operating, LLC, Agent for SG Interests, Ltd., 16 Sawyer Drive, Suite A, Durango, CO 81303 or P.O. Box 2677, Durango, CO 81302. Journal, October 28, 2007, p. 1A4.

**Application for Authorization to Inject - Item XIII
Proof of Notice**

**SG Interests I, Ltd.
Federal 21-6-28 SWD #33
October 2007**

***** Proof *****

**Albuquerque Publishing Company
7777 Jefferson NE
Albuquerque, NM 87109
(505)823-7777**

| Account Information | Ad Information |
|---|---|
| Phone: (970) 259-2701 Name: NIKA ENERGY OPERATING LLC Account #: C81079 Address: P O BOX 2677 DURANGO, CO 81302 Client: Placed by: MARCIA Fax #: | Classification: 0001-Legals - Non - Government Size: 1 x 38.000 Start date: 10-28-07 Billed size: 38.00 lines-6.5pt Stop date: 11-02-07 Ad #: 4345657 Insertions: 3 Ad type: Liner Ad Rate code: Non-Government Le- gals Publications: Journal Daily (AM) Journal Sunday |

Ad Copy:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX) intends to drill the Federal 21-6-28 SWD #33 Injection Well on or about Thursday, December 1, 2007. The proposed injection well is located in the SW/4 SW/4 (660' FGL, 660' FWL) of Section 26, Township 21 North, Range 6 West, Sandoval County, New Mexico, 20+ miles north of Cuba, New Mexico. Brine water produced as a side product from surrounding gas wells will be injected into the Entrada/Bluff/Morrison Formations at approximately 6600 feet total depth. Expected maximum injection rate is 3000 BWPD; expected maximum pressure is 1280 psi. 1100 feet of 9-5/8" casing will be run from surface in the injection well to case off any possible fresh water zones or formations. Any and all interested parties must file objections or requests for hearing with the Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87305, within 15 days from this publication. Inquiries should be addressed to: Tripp Schwab, (970) 259-2701, Nika Energy Operating, LLC, Agent for SG Interests I, Ltd, 266 Sawyer Drive, Suite A, Durango, CO 81303 or PO Box 2677, Durango, CO 81302.
Journal: October 28, 31, November 2, 2007

Ad Cost: \$ 54.72
Tax @ 6.8750%: \$
Tax @ 7.3125%: \$
Tax @ 7.8750%: \$
Total: \$ 58.48

Nika Energy Operating

November 5, 2007

Pintado Oil & Gas
909 Fannin, Suite 2600
Houston, TX 77010

Attention: Mr. Robbie Guinn
Land Manager

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Mr. Guinn:

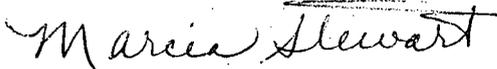
Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD


Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Yates Drilling Co, et al
105 S. 4th St.
Artesia, NM 88210

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Yates Drilling Co:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Enerdyne, LLC
PO Box 502
Albuquerque, NM 87103

Attention: Mr. Don Hanosh
Manager

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Mr. Hanosh:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD

Marcia Stewart

Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

SEEL Development Co., LLC
PO Box 164254
Austin, TX 78716-4254

Attention: Owner No. 952102

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952102:

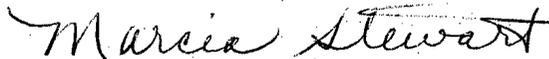
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Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Discovery Exploration, Inc.
2922 Evergreen Pkwy, #309
Evergreen, CO 80439

Attention: Mr. Jeff Kim

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Mr. Kim:

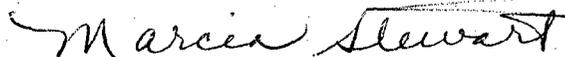
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Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Tenkay Resources, Inc.
1610 Woodstead Ct, Suite 310
The Woodlands, TX 77380

Attention: Ms. Betty Jensen
Owner No. 952108

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Ms. Jensen:

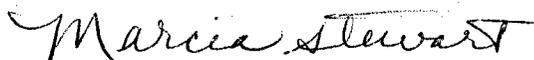
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Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

BetsWest Investments, LP
5900 Highway 290 East
Brenham, TX 77833

Attention: Owner No. 952110

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952110:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Probe Resources, Inc.
700 Louisiana St., Suite 4250
Houston, TX 77002

Attention: Owner No. 952109

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952109:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Kerry W. Stein (1-D.R.)
c/o Bois d'Arc Offshore Ltd.
600 Travis, Suite 5200
Houston, TX 77002

Attention: Owner No. 952113

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952113:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Cathead Investments, LLC (1-D.R.)
20021 – 120th Ave NE, Suite 202
Bothwell, WA 98011

Attention: Owner No. 952114

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952114:

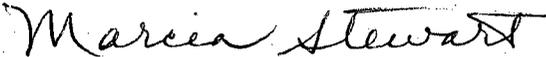
Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Synergy Operating, LLC (1-D.R. & 2-LOGS)
PO Box 5513
Farmington, NM 87499

Attention: Owner No. 952053

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952053:

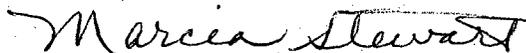
Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

Nika Energy Operating

November 5, 2007

Comstock Oil & Gas, Inc. (1-D.R.&2-LOGS)
5300 Town & Country Blvd, Suite 500
Frisco, TX 75034

Attention: Owner No. 952107

RE: Application for Authority to Inject
Federal 21-6-28 SWD #33 (Water Disposal Well)
660' FSL, 660' FWL (SW/SW)
Unit M: Sec 28-T21N-R6W
Sandoval County, NM

Dear Owner No. 952107:

Nika Energy Operating, LLC, on behalf of SG Interests I, Ltd (Houston, TX), intends to drill a water injection well as above for disposing of produced brine water from nearby gas wells. The injection well will have a total depth of 6600 feet and will be in the Entrada/Bluff/Morrison Formation.

The New Mexico Oil Conservation Division requires that we furnish a copy of our Application for Authority to Inject (with all attachments) to each leasehold operator within a one-half mile of the well location (See attached). As a leasehold operator, you must file any objection or request for a hearing within 15 days from the date this letter and application were mailed to you. Any such objection or request should be mailed to New Mexico Oil Conservation Division, 1220 S. St. Francis Drive, Santa Fe, New Mexico 87505.

Any questions should be directed to Tripp Schwab at the number listed at the bottom of this letter.

Sincerely,

NIKA ENERGY OPERATING, LLC
AGENT FOR SG INTERESTS I, LTD



Marcia Stewart
Engineering Assistant

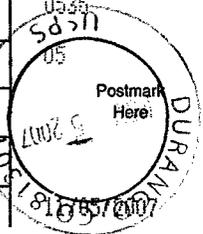
7006 2150 0001 7642 7275

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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Postage & Fees | \$ 6.11 | |



Sent To: Yates Drilling Co. Etal
 Street, Apt or PO Box: 105 S. 4th St.
 City, State: Artesia, NM 88210

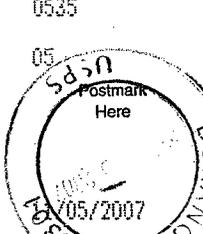
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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Postage & Fees | \$ 6.11 | |



Sent To: SG Interests LPINTADO
 Street, Apt or PO Box: Attn: Robby Guinn, 909 Fannin, #2600
 City, State: Houston, TX 77010

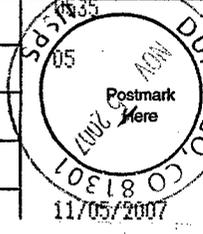
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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Pr | \$ 6.11 | |



Attn: Owner No. 952102
 SEEL Development Co., LLC
 PO Box 164254
 Austin, TX 78716-4254

7006 2150 0001 7642 7329

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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Pr | \$ 6.11 | |



To: Attn: Mr. Don Hanosh, Mgr
 Enerdyne, LLC
 PO Box 502
 Albuquerque, NM 87103

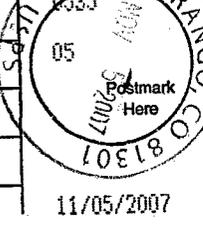
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| Return Receipt Fee (Endorsement Required) | \$ 2.15 | |
| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Pr | \$ 6.11 | |



Attn: Mr. Jeff Kim
 Discovery Exploration, Inc.
 2922 Evergreen Pkwy, #309
 Evergreen, CO 80439

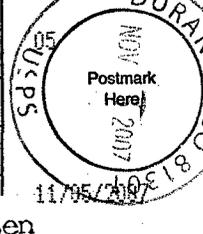
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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total Pr | \$ 6.11 | |



Attn: Ms. Betty Jensen
 Tenkay Resources, Inc.
 1610 Woodstead Ct, Suite 310
 The Woodlands, TX 77380

7006 2150 0001 7642 7374

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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | |

Owner No. 952109
 Sent To Probe Resources, Inc.
 Street, or PO 700 Louisiana St., Suite 4250
 City, St. Houston, TX 77002

PS Form 3800, August 2006 See Reverse for Instructions

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| Return Receipt Fee (Endorsement Required) | \$ 2.15 | |
| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | |

Owner No. 952110
 Sent To BetsWest Investments, LP
 Street, or PO 5900 Highway 290 East
 City, St. Brenham, TX 77833

PS Form 3800, August 2006 See Reverse for Instructions

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| Return Receipt Fee (Endorsement Required) | \$ 2.15 | |
| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | 11/05/2007 |

Attn: Owner No. 952113
 Sent To Kerry W. Stein (1-D.R.)
 Street, or PO B c/o Bois d'Arc Offshore Ltd.
 City, St. 600 Travis, Suite 5200
 Houston, TX 77002

PS Form 3800, August 2006 See Reverse for Instructions

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| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | 11/05/2007 |

Attn: Owner No. 952114
 Sent To Cathead Investments, LLC (1-D.R.)
 Street, or PO E 20021 - 120th Ave NE, Ste 202
 City, St. Bothwell, WA 98011

PS Form 3800, August 2006 See Reverse for Instructions

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| Return Receipt Fee (Endorsement Required) | \$ 2.15 | |
| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | 11/05/2007 |

Synergy Operating, LLC
 Sent To (1-D.R. & 2-LOGS)
 Street, or PO B PO Box 5513
 City, St. Farmington, NM 87499

PS Form 3800, August 2006 See Reverse for Instructions

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| Return Receipt Fee (Endorsement Required) | \$ 2.15 | |
| Restricted Delivery Fee (Endorsement Required) | \$ 0.00 | |
| Total | \$ 6.11 | 11/05/2007 |

Attn: Owner No. 952107
 Sent To Comstock Oil & Gas Inc.
 Street, or PO I 5300 Town & Country Blvd#500
 City, St. Frisco, TX 75034

PS Form 3800, August 2006 See Reverse for Instructions

Injection Permit Checklist 2/8/07

SWD Order Number 1104 Dates: Division Approved _____ District Approved _____

Well Name/Num: Federal 21-6-28 SWD #33 Date Spudded: New Drill

API Num: (30-) 043-21054 County: Sandoval

Footages 660 FSL/660 FWL Sec 28 Tsp 21N Rge 6W

Operator Name: SIG INTERESTS I, LTD. Contact WILLIAM SCHWAB III *ACert NIKA Energy Operating LLC*

Operator Address: P.O. BOX 2677, DURANGO, CO, 81302

Current Status of Well: Not Drilled Planned Work: Drill, Equip Inj. Tubing Size: 1

| | Hole/Pipe Sizes | Depths | Cement | Top/Method |
|-----------------|-----------------|--------------|--------|------------|
| Surface | | <u>1100'</u> | | |
| Intermediate | | | | |
| Production | | | | |
| Last DV Tool | | | | |
| Open Hole/Liner | | | | |
| Plug Back Depth | | | | |

Diagrams Included (Y/N): Before Conversion _____ After Conversion NOT YET

Checks (Y/N): Well File Reviewed _____ ELogs in Imaging AFTER DRILL

| Intervals: | Depths | Formation | Producing (Yes/No) |
|---------------------|-------------|-------------------|-------------------------------|
| Salt/Potash | | | |
| Capitan Reef | | | |
| Cliff House, Etc: | | | |
| Formation Above | | | |
| Top Inj Interval | <u>6200</u> | <u>Entral</u> | <u>1240</u> PSI Max. WHIP |
| Bottom Inj Interval | <u>6500</u> | <u>"MORRISON"</u> | <u>NO</u> Open Hole (Y/N) |
| Formation Below | | | <u>NO</u> Deviated Hole (Y/N) |

Fresh Water: Depths: 0-300' OTO ALAMO Wells(Y/N) _____ Analysis Included (Y/N): NO Affirmative Statement

Salt Water Analysis: Injection Zone (Y/N/NA) 0 DispWaters (Y/N/NA) _____ Types: FRC/MVRA (oil well)

Notice: Newspaper (Y/N) Surface Owner _____ Mineral Owner(s) _____

Other Affected Parties: Probe Res. Stain, Yates, Besantone, Seal Dev. Co., DISC EXPL. Tanking, Comstock

AOR/Repairs: NumActiveWells 0 Repairs? _____ Producing in Injection Interval in AOR NO

AOR Num of P&A Wells 0 Repairs? _____ Diagrams Included? _____ RBDMS Updated (Y/N) _____

Well Table Adequate (Y/N) _____ AOR STRs: Sec _____ Tsp _____ Rge _____ UIC Form Completed (Y/N) _____

New AOR Table Filename _____ Sec _____ Tsp _____ Rge _____ This Form completed _____

Conditions of Approval: Sec _____ Tsp _____ Rge _____ Data Request Sent _____

ELOG, Swab Test, analyse, turn in data

AOR Required Work: _____

Required Work to this Well: _____

Jones, William V., EMNRD

From: tripp schwab [tripp@nikaenergy.com]
Sent: Friday, November 09, 2007 9:18 AM
To: Jones, William V., EMNRD
Subject: RE: SWD Application on behalf of SG Interests: Federal 21-6-28 SWD #33 Unit M Sec 28, T21N, R6W Sandoval County, New Mexico

Rule 40 OK
 F LTD OGRID = 20572

Mr. Jones,

Thank you for your timely reply. Talking to Steve Hayden a few weeks ago he indicated the nearest Entrada Production was "a long way away". Honestly, I do not know where it is he was talking about or how many miles away it is. I will try to find out.

The Operator of Record is SG Interests. Nika Energy Operating is a contractor to SG as well as a designated agent. Nika Energy Operating does not own any production in NM. I have a company, Nika Energy Holdings, that owns part of an entity owned by SG. That entity does own production but is covered under SG.

I am certain SG is in compliance with Rule 40 but will verify. We do not have any wells out of compliance.

I believe we intend this well to be a Class II disposal but would like to read the definition of Class I. I have scoured the rules and must be overlooking the definitions. Could you guide me?

The API # for the Federal 21-6-28 SWD #33 is 30-043-21054.

Thank you for your help.

Tripp Schwab

Nika Energy, LLC.
 Box 2677
 Durango, CO 81302
 970.259.2701 office
 970.385.1598 fax

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]

Sent: Thursday, November 08, 2007 4:51 PM

To: tripp schwab

Cc: Marcia Stewart; Ezeanyim, Richard, EMNRD; Phillips, Dorothy, EMNRD; Hayden, Steven, EMNRD

Subject: SWD Application on behalf of SG Interests: Federal 21-6-28 SWD #33 Unit M Sec 28, T21N, R6W Sandoval County, New Mexico

Hello Mr. Schwab and Ms. Stewart:

I reviewed your injection application and can't find anything wrong.

- 1) Let me know when you get a post-drill, post-conversion wellbore diagram (and the casing/cement design).
- 2) The permit would require an evaluation of the Entrada (induction logs and swab test and water analysis). Where is the nearest Entrada production?
- 3) You did have to notify lots of entities and that increases the likelihood of a protest which could delay things.
- 4) Who will the "operator of record" be? SG or Nika Energy? Is each of these companies in compliance with Rule 40 as to inactive wells and bonds?

We only require a general bond for operation of wells in New Mexico as long as any injection well is only a Class II well - which this would be. If you want to dispose of plant waters or waters considered to be Class I waters, then you may need another injection well permit from our Environmental Bureau (Carl Chavez in this office knows about this) So if SG is the "operator", and this is a Class II injection well, and they have a valid bond and are in compliance with Rule 40, then all is well. Check with Dorothy Phillips (505-476-3461) for bonding - she is the Santa Fe person in charge of bonding.

11/9/2007