

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
- 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
- [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

[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.

Print or Type Name	Signature	Title	Date
		e-mail Address	



# Nika Energy Operating

October 11, 2007

State of New Mexico  
Energy, Minerals & Natural Resources Dept.  
Oil Conservation Division  
1220 S. St. Francis Drive  
Santa Fe, NM 87505

RE: Application for Off-Lease Gas Measurement  
& Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
McKinley County, New Mexico

RECEIVED  
2007 OCT 15 PM 12 52

Gentlemen:

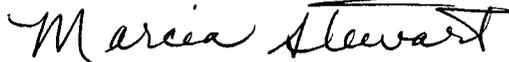
Enclosed is NMOCD Form C-107-B, Application for Surface Commingling, with all required attachments. An Application for the same Surface Commingling was sent September 20, 2007 to the Bureau of Land Management in Farmington, NM with all required BLM attachments. Interest Owners are the same for every lease involved in this proposed project.

If you have any questions or need additional information, please call either William (Tripp) Schwab or myself. Please see the contact phone number at the bottom of this letter.

Thank you for your help with this project.

Sincerely,

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

  
Marcia Stewart  
Engineering Assistant

cc: NMOCD  
Aztec, NM

District I  
1625 N. French Drive, Hobbs, NM 88240  
District II  
1301 W. Grand Ave, 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 Department

Form C-107-B  
Revised June 10, 2003

**OIL CONSERVATION DIVISION**  
1220 S. St Francis Drive  
Santa Fe, New Mexico 87505

Submit the original application to the Santa Fe office with one copy to the appropriate District Office.

**APPLICATION FOR SURFACE COMMINGLING (DIVERSE OWNERSHIP)**

OPERATOR NAME: SG INTERESTS I, LTD (c/o NIKA ENERGY OPERATING)

OPERATOR ADDRESS: PO BOX 2677, DURANGO, CO 81303

APPLICATION TYPE:

Pool Commingling  Lease Commingling  Pool and Lease Commingling  Off-Lease Storage and Measurement (Only if not Surface Commingled)

LEASE TYPE:  Fee  State  Federal

Is this an Amendment to existing Order?  Yes  No If "Yes", please include the appropriate Order No. \_\_\_\_\_  
Have the Bureau of Land Management (BLM) and State Land office (SLO) been notified in writing of the proposed commingling  
 Yes  No

**(A) POOL COMMINGLING**  
Please attach sheets with the following information

(1) Pool Names and Codes	Gravities / BTU of Non-Commingled Production	Calculated Gravities / BTU of Commingled Production	Calculated Value of Commingled Production	Volumes

(2) Are any wells producing at top allowables?  Yes  No  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No.  
(4) Measurement type:  Metering  Other (Specify)  
(5) Will commingling decrease the value of production?  Yes  No If "yes", describe why commingling should be approved

**(B) LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Pool Name and Code.  
(2) Is all production from same source of supply?  Yes  No *Basin - FRE*  
(3) Has all interest owners been notified by certified mail of the proposed commingling?  Yes  No  
(4) Measurement type:  Metering  Other (Specify)

**(C) POOL and LEASE COMMINGLING**  
Please attach sheets with the following information

(1) Complete Sections A and E.

**(D) OFF-LEASE STORAGE and MEASUREMENT**  
Please attached sheets with the following information

(1) Is all production from same source of supply?  Yes  No *FRUITLAND COAL GAS WELLS*  
(2) Include proof of notice to all interest owners.

**(E) ADDITIONAL INFORMATION (for all application types)**  
Please attach sheets with the following information

(1) A schematic diagram of facility, including legal location.   
(2) A plat with lease boundaries showing all well and facility locations. Include lease numbers if Federal or State lands are involved.   
(3) Lease Names, Lease and Well Numbers, and API Numbers.

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

SIGNATURE: *William Schwab III* TITLE: *AGENT FOR SG INTERESTS* DATE: *10/09/07*  
TYPE OR PRINT NAME *William Schwab III* TELEPHONE NO. *970-769-3589*  
E-MAIL ADDRESS: *tspp@nikaenergy.com* OFFICE (970) 259-2701

*Handwritten signature/initials in a large circle on the right side of the page.*

## Application for Off-Lease Sales & Measurement

SG Interests I, Ltd.  
EI Pintado Project  
September 2007

CENTRAL TANK BATTERY  
AND

SGI is submitting for your approval an (Off-Lease Sales) application for the EI Pintado CDP, located in the NW ¼ of Section 10, 20N, 6W. The CDP processes Fruitland Coal bed Methane from leases in T21N-R6W and T20N-R6W as represented in fig #1 (pipeline map). SGI is currently reporting production using the "On-Lease" method. (20 of 57, & 22 of 57)

### Gathering & Measurement

The gathering pipeline, sales pipeline and compression facility will be operated in compliance with Onshore Order #5, "Gas Measurement". Each individual well will have a BLM and AGA approved meter run and chart recorder. These allocation meters are owned by SG Interests, Ltd. and will be calibrated, and maintained per BLM standards. The charts are integrated monthly by a third party integrator, (R&L Chart Services). Each well will be individually sampled semi annually as required by BLM standards. The current custody transfer (sales) measurement facility is owned operated, and maintained by the Public Service Company of New Mexico, (PNM). (4 of 57)

Individual well fuel gas usage is limited to the pump jack engines and separator heaters. This gas usage is estimated using manufacturers data at four (4) MCFD per well. (5 of 57)

The CDP, Disposal Well and Transfer station fuel gas usage is measured with BLM and AGA approved meter runs and chart recorders. These fuel gas meters are owned by SG Interests, Ltd. and will be calibrated, maintained, and the charts integrated per BLM standards. (6 of 57, 7 of 57)

### Combined Production

Production from Federal leases will be combined with the production of State (NM) leases and will be processed then sold together thru the EI Pintado CDP to PNM.

### Compression & Processing

The Fruitland Coal bed in this area is considered under-pressured and the maximum shut in casing pressure witnessed at this time has been 200 psi. The PNM sales line pressure operates at 450 psi+ and has a MAOP of 550 psi. Individual wellhead compression is not feasible at this time as the wells do not have enough gas to run a compressor during this de-watering phase of coal bed production. A central delivery point compressor is the only feasible method to produce this field. Individual well delivery points are cost prohibitive as PNM charges \$200,000.00+ for each individual tie in point.

In addition to compression at the CDP there is a heated inlet separator and heated tankage for both free water and waste oil. A dehydrator is in service to ensure pipeline quality gas for contractual agreements with PNM. (4 of 57)

### Water Disposal

Adjacent to the CDP facility is a Salt Water Disposal Well, (Pot Mesa #2). This well is integral to the production and economic viability of this project. The disposal is used to inject produced water from **only** the Fruitland Coal wells located in this project. Water is not trucked into this facility and is serviced by pipeline only. (6 of 57)

Water is pumped directly to this facility from the wellhead by the downhole pumps and pump jacks and is processed thru an inlet separator. The water is sent to storage tankage and the gas measured and introduced to the gas gathering line. This gas will be allocated back to the individual wells as produced on-lease. Using the downhole pump directly eliminates the need for several well site transfer pumps and is more efficient with fuel gas usage. (5 of 57)

### North El Pintado Water Transfer

One transfer station is now utilized in this project. Water is pumped directly to this facility from the wellhead by the downhole pumps and pump jacks and is processed thru an inlet separator. The water is sent to storage tankage and the gas measured and introduced to the gas gathering line. This gas will be allocated back to the individual wells as produced on-lease. The water is then pumped to the disposal via a natural gas powered water transfer pump. Distance and elevation changes make this station necessary. (7 of 57)

### CDP, Disposal, and Water Transfer Fuel Gas System

Fuel gas for the CDP and Water Disposal is provided by the CDP. The fuel gas is gathered, separated, compressed, dehydrated and measured before providing fuel for the inlet separator, compressor, tank heaters, dehydrator, and the water injection pump.

Fuel gas for the Water Transfer is provided by the gathering line. The gas is measured with a BLM & AGA approved meter run and chart recorder.

### Fuel Gas Usage by Equipment

#### Off-Lease

Equipment	Gas Usage	Method Derived
CDP & Disposal NG Compressor Inlet Separator Dehydrator Tankage Disposal Injection Pump Disposal Inlet Separator	17 MCFD	Actual Measurement
Water Transfer Pump	1 MCFD	Mfg Estimate

#### On-Lease

Pump Jacks	2 MCFD	Mfg Calculator
Well Site Separators	2 MCFD	Mfg Estimate

**INTERESTED PARTIES LIST  
APPLICATION FOR OFF-LEASE SALES & MANAGEMENT  
SG INTERESTS I, LTD.**

<p>SEEL Development Co., L.L.C. P.O. Box 164254 Austin, TX 78716-4254 310 Congress Ave., Suite 555 Austin TX 78701 512-473-2662 Attn: Eric Dee Long <a href="mailto:edeelong@earthlink.net">edeelong@earthlink.net</a></p>	<p>Discovery Exploration Inc. 621 17<sup>th</sup> Street, Suite 1535 Denver, CO 80293</p>
<p>Tenkay Resources Inc. 1610 Woodstead Ct., Suite 310 The Woodlands, TX 77380 281-363-2406 Attn: Betty Jensen <a href="mailto:bjensen@tenkay.com">bjensen@tenkay.com</a></p>	<p>C. Mark Wheeler 3001 Northtown Place Midland, TX 79705</p>
<p>BetsWest Investments, LP 5900 Highway 290 East Brenham, TX 77833 979-830-8884 Attn: Sally Blackie <a href="mailto:sally@industryinet.com">sally@industryinet.com</a></p>	<p>John Thoma 213 Mesquite Dr. Graford, TX 76449</p>
<p>Probe Resources, Inc. 700 Louisiana, St., Suite 4250 Houston, TX 77002 Attn: Jack Baldwin 713-222-9500 <a href="mailto:jbaldwin@proberesources.com">jbaldwin@proberesources.com</a> Fax: 713-222-8181</p>	<p>Paul R. Barwis 2201 Southampton Lane Midland, TX 79705</p>
<p>Kerry W. Stein c/o Bois d' Arc Offshore Ltd. 600 Travis, Suite 5200 Houston, TX 77002 <a href="mailto:ffannin@boisdarcenergy.com">ffannin@boisdarcenergy.com</a> (Farrah Fannin)</p>	<p>James E. Geitgey 2407 Bellechase Court Midland, TX 79705</p>
<p>Cathead Investments, L.L.C. 20021 120<sup>th</sup> Street Avenue NE, Suite 202 Bothell, WA 98011 Attn: Wayne L. Laufer 425-481-8767 Ext 13 <a href="mailto:wlaufer@lauferaa.com">wlaufer@lauferaa.com</a></p>	<p>Penwell Employee Royalty Pool 600 North Marienveld, Suite 1100 Midland, TX 79701</p>
<p>Comstock Oil &amp; Gas, Inc. 5300 Town and Country Blvd. Suite 500 Frisco, TX 75034 <a href="mailto:lsanders@comstockresources.com">lsanders@comstockresources.com</a> <a href="mailto:jwalker@comstockresources.com">jwalker@comstockresources.com</a> <a href="mailto:mgood@comstockresources.com">mgood@comstockresources.com</a> 972-668-8800 Fax: 972-668-8882</p>	<p>Pintado Oil &amp; Gas LLC 909 Fannin, Suite 2600 Houston, TX 77010</p>
<p>Rock Hill Investments LLC 2312 Rice Blvd Houston TX 77005 <a href="mailto:ffannin@boisdarcenergy.com">ffannin@boisdarcenergy.com</a> (Farrah Fannin)</p>	
<p>Synergy Operating, LLC PO Box 5513 Farmington, NM 87499</p>	



# Nika Energy Operating

October 9, 2007

SEEL Development Co., LLC  
PO Box 164254  
Austin, TX 78701

Attn: Mr. Eric Dee Long

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Nw/4/ Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Dee Long:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

Federal NMNM99732  
Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

The wells drilled on the subject leases are minimal producers at present (until they have been "de-watered"), and it is necessary for the off-lease measurement and commingling of gas through the compressor to produce the wells, as these wells do not make enough gas to power individual wellsite compression.

The New Mexico Conservation Division requires that all Interest Owners be notified by certified mail, return receipt requested, of SG Interests' intentions. Each Interest Owner has 20 days to notify the New Mexico Conservation Division (1220 S. St. Francis Drive, Santa Fe, NM 87505) **in writing** if they have any objection to SG's proposed project.

The division may approve SG's application administratively, without hearing, upon receipt of written waivers from all Interest Owners, if no such owner has filed an objection within the 20-day period. If any objections are received, the application shall be set by the State Office for a hearing. Please see the enclosed attachments for more detailed information on this project application.

Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

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

Attn: Ms. Betty Jensen

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Ms. Jensen:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM53926  
Federal NMNM24964  
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State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

The wells drilled on the subject leases are minimal producers at present (until they have been "de-watered"), and it is necessary for the off-lease measurement and commingling of gas through the compressor to produce the wells, as these wells do not make enough gas to power individual wellsite compression.

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

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

Attn: Ms. Sally Blackie

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Ms. Blackie:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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The division may approve SG's application administratively, without hearing, upon receipt of written waivers from all Interest Owners, if no such owner has filed an objection within the 20-day period. If any objections are received, the application shall be set by the State Office for a hearing. Please see the enclosed attachments for more detailed information on this project application.

Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

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

Attn: Mr. Jack Baldwin

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Baldwin:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Mr. Kerry W. Stein  
c/o Bois d'Arc Offshore Ltd.  
600 Travis, Suite 5200  
Houston, TX 77002

Attn: Farrah Fannin

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Stein/Ms. Fannin:

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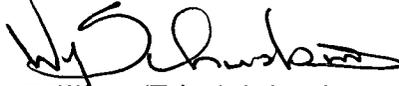
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Sincerely,

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

A handwritten signature in black ink, appearing to read 'William Schwab', written over the typed name below.

William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs

# Nika Energy Operating

October 9, 2007

Cathead Investments, LLC  
20021 – 120<sup>th</sup> Street Ave. NE  
Suite 202  
Bothell, WA 98011

Attn: Mr. Wayne L. Laufer

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Laufer:

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Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Comstock Oil & Gas, Inc.  
5300 Town & Country Blvd.  
Suite 500  
Frisco, TX 75034

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

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State Lease VA 2344

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The New Mexico Conservation Division requires that all Interest Owners be notified by certified mail, return receipt requested, of SG Interests' intentions. Each Interest Owner has 20 days to notify the New Mexico Conservation Division (1220 S. St. Francis Drive, Santa Fe, NM 87505) **in writing** if they have any objection to SG's proposed project.

The division may approve SG's application administratively, without hearing, upon receipt of written waivers from all Interest Owners, if no such owner has filed an objection within the 20-day period. If any objections are received, the application shall be set by the State Office for a hearing. Please see the enclosed attachments for more detailed information on this project application.

Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Rock Hill Investments, LLC  
2312 Rice Blvd  
Houston, TX 77005

Attn: Ms. Farrah Fannin

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Ms. Fannin:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

Federal NMNM99732  
Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

The wells drilled on the subject leases are minimal producers at present (until they have been "de-watered"), and it is necessary for the off-lease measurement and commingling of gas through the compressor to produce the wells, as these wells do not make enough gas to power individual wellsite compression.

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Synergy Operating, LLC  
PO Box 5513  
Farmington, NM 87499

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Gentlemen:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
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State Lease VA 2322  
State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Discovery Exploration, Inc.  
621 – 17<sup>th</sup> St., Suite 1535  
Denver, CO 80293

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Gentlemen:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

C. Mark Wheeler  
3001 Northtown Place  
Midland, TX 79705

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Wheeler:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Mr. John Thoma  
213 Mesquite Drive  
Graford, TX 76449

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Thoma:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

The wells drilled on the subject leases are minimal producers at present (until they have been "de-watered"), and it is necessary for the off-lease measurement and commingling of gas through the compressor to produce the wells, as these wells do not make enough gas to power individual wellsite compression.

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs

# *Nika Energy Operating*

October 9, 2007

Mr. Paul R. Barwis  
2201 Southhampton Lane  
Midland, TX 79705

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Barwis

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
State Lease VA 2284  
State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Mr. James E. Geitgey  
2407 Bellchase Court  
Midland, TX 79705

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Geitgey:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
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State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

Penwell Employee Royalty Pool  
600 N. Marienveld, Suite 1100  
Midland, TX 79701

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Employees:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM53926  
Federal NMNM24964  
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State Lease VA 3112  
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State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM  
NMOCD – Santa Fe, NM

WS:mgs



# Nika Energy Operating

October 9, 2007

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

Attn: Mr. Robbie Guinn

RE: Proposed Off-Lease Gas Measurement &  
Commingling of Sales through  
SG Interests I, Ltd Compressor Site (CDP)  
Sec 10-T20N-R6W  
Sandoval County, NM

Dear Mr. Guinn:

SG Interests I, Ltd (909 Fannin, #2600, Houston, TX 77010) has built a sales pipeline to the compressor site noted above (aka CDP: Central Delivery Point) for gas wells drilled in Townships 20N and 21N, Range 6W, McKinley and Sandoval Counties, New Mexico. These wells are located within the following leases in which you own an interest in the production to be commingled (including royalty and overriding royalty interests).

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Federal NMNM99733  
Federal NMNM53926  
Federal NMNM24964  
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State Lease VA 3112  
State Lease VA 2322  
State Lease VA 2344

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Thank you in advance for your comments.

Sincerely,

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



William (Tripp) Schwab  
President

cc: SG Interests – Houston, TX

NMOCD – Aztec, NM

NMOCD – Santa Fe, NM

WS:mgs

7005 1820 0005 4774 3559

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

SPRING TX 77381  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total Postage & Fees	\$ 5.94	10/10/2007

Sent To Attn: Ms. Betty Jensen  
Tenkay Resources, Inc.  
Street, or PO B 1610 Woodstead Ct, Suite 310  
City, St Austin, TX 77380

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3542

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

AUSTIN TX 78716  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total	\$ 5.94	10/10/2007

Sent To Attn: Mr. Eric Dee Long  
SEEL Development Co., LLC  
Street, or PO B PO Box 164254  
City, St Austin, TX 78716-4254

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3573

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

BRENNHAM TX 77833  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total	\$ 5.94	10/10/2007

Sent To Attn: Mr. Jack Ballwin  
Probe Resources, Inc.  
Street, or PO B 700 Louisiana St., Suite 4250  
City, St Houston, TX 77002

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3566

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

BRENNHAM TX 77833  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total	\$ 5.94	10/10/2007

Sent To Attn: Ms. Sally Blackie  
BetsWest Investments, LP  
Street, or PO B 5900 Highway 290 East  
City, St Brenham, TX 77833

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3580

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

HOUSTON TX 77002  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total	\$ 5.94	10/10/2007

Sent To Mr. Kerry W. Stein  
c/o Bois d'Arc Offshore Ltd  
Street, or PO B 600 Travis, Suite 5200  
City, St Houston, TX 77002

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3597

U.S. Postal Service  
**CERTIFIED MAIL RECEIPT**  
(Domestic Mail Only; No Insurance Coverage Provided)

For delivery information visit our website at www.usps.com

BOTHELL WA 98011  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	2.65	05
Return Receipt Fee (Endorsement Required)	2.15	
Restricted Delivery Fee (Endorsement Required)	0.00	
Total	\$ 5.94	10/10/2007

Sent To Attn: Mr. Wayne L. Laufer  
Cathead Investments, LLC  
Street, or PO B 20021 - 120th St., Ave., NE  
City, St Suite 202  
Bothell, WA 98011

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3603

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For delivery information visit our website at [www.usps.com](http://www.usps.com)

FRISCO TX 75034  
**OFFICIAL USE**

Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **Comstock Oil & Gas, Inc.**  
5300 Town & Country Blvd  
Suite 500  
Frisco, TX 75034

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3610

**U.S. Postal Service™**  
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*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

HOUSTON TX 77005  
**OFFICIAL USE**

Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **Rock Hill Investments, LLC**  
2312 Rice Blvd.  
Houston, TX 77005

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3627

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

FARMINGTON NM 87499  
**OFFICIAL USE**

Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **Synergy Operating, LLC**  
PO Box 5513  
Farmington, NM 87499

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3634

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

DENVER CO 80293  
**OFFICIAL USE**

Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total Postage &amp; Fees</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **Discovery Exploration, Inc.**  
621 - 17th St., Suite 1535  
Denver, CO 80293

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3641

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
*(Domestic Mail Only; No Insurance Coverage Provided)*

For delivery information visit our website at [www.usps.com](http://www.usps.com)

MIDLAND TX 79705  
**OFFICIAL USE**

Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **Mr. C. Mark Wheeler**  
3001 Northtown Place  
Midland, TX 79705

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3658

**U.S. Postal Service™**  
**CERTIFIED MAIL™ RECEIPT**  
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Postage	\$	\$1.14
Certified Fee		\$2.65
Return Receipt Fee (Endorsement Required)		\$2.15
Restricted Delivery Fee (Endorsement Required)		\$0.00
<b>Total</b>		<b>\$5.94</b>

0535  
05  
Postmark Here  
10/10/2007

Sent To: **John Thoma**  
213 Mesquite Drive  
Grafard, TX 76449

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3665

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**OFFICIAL USE**

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Certified Fee	\$2.65	05
Return Receipt Fee (Endorsement Required)	\$2.15	Postmark Here
Restricted Delivery Fee (Endorsement Required)	\$0.00	
<b>Total Postage &amp; Fees</b>	<b>\$5.94</b>	
	10/10/2007	

Sent To: Mr. Paul R. Barwis  
 2201 Southhampton Lane  
 Midland, TX 79705

City: \_\_\_\_\_

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3672

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MIDLAND, TX 79705  
**OFFICIAL USE**

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Certified Fee	\$2.65	05
Return Receipt Fee (Endorsement Required)	\$2.15	Postmark Here
Restricted Delivery Fee (Endorsement Required)	\$0.00	
<b>Total Postage &amp; Fees</b>	<b>\$5.94</b>	
	10/10/2007	

Sent To: Mr. James E. Geitgey  
 2407 Bellechase Court  
 Midland, TX 79705

City: \_\_\_\_\_

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3669

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MIDLAND, TX 79701  
**OFFICIAL USE**

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Certified Fee	\$2.65	05
Return Receipt Fee (Endorsement Required)	\$2.15	Postmark Here
Restricted Delivery Fee (Endorsement Required)	\$0.00	
<b>Total Postage &amp; Fees</b>	<b>\$5.94</b>	
	10/10/2007	

To: Penwell Employee Royalty Pool  
 600 N. Marienveld, Suite 1100  
 Midland, TX 79701

City: \_\_\_\_\_

PS Form 3800, June 2002 See Reverse for Instructions

7005 1820 0005 4774 3696

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HOUSTON, TX 77010  
**OFFICIAL USE**

Postage	\$ 1.14	0535
Certified Fee	\$2.65	05
Return Receipt Fee (Endorsement Required)	\$2.15	Postmark Here
Restricted Delivery Fee (Endorsement Required)	\$0.00	
<b>Total Postage &amp; Fees</b>	<b>\$5.94</b>	
	10/10/2007	

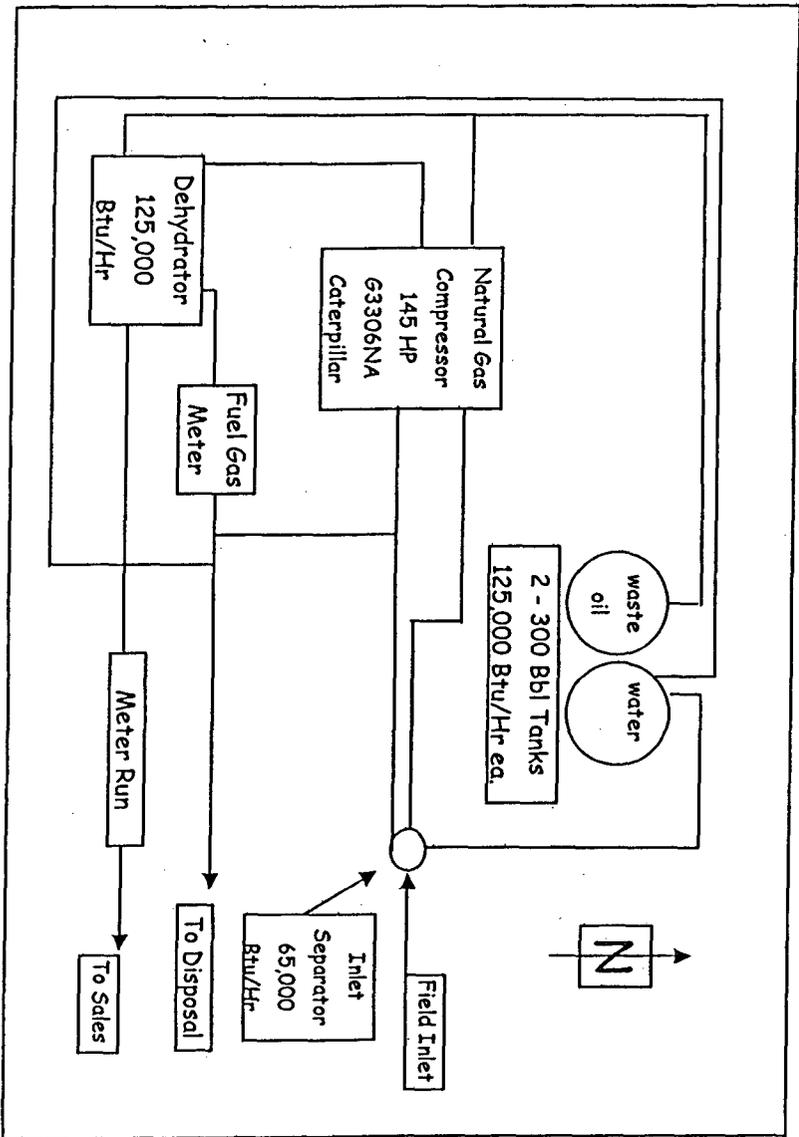
Sent To: Mr. Robbie Guinn  
 Pintado Oil & Gas, LLC  
 909 Fannin Suite 2600  
 Houston, TX 77010

City: \_\_\_\_\_

PS Form 3800, June 2002 See Reverse for Instructions

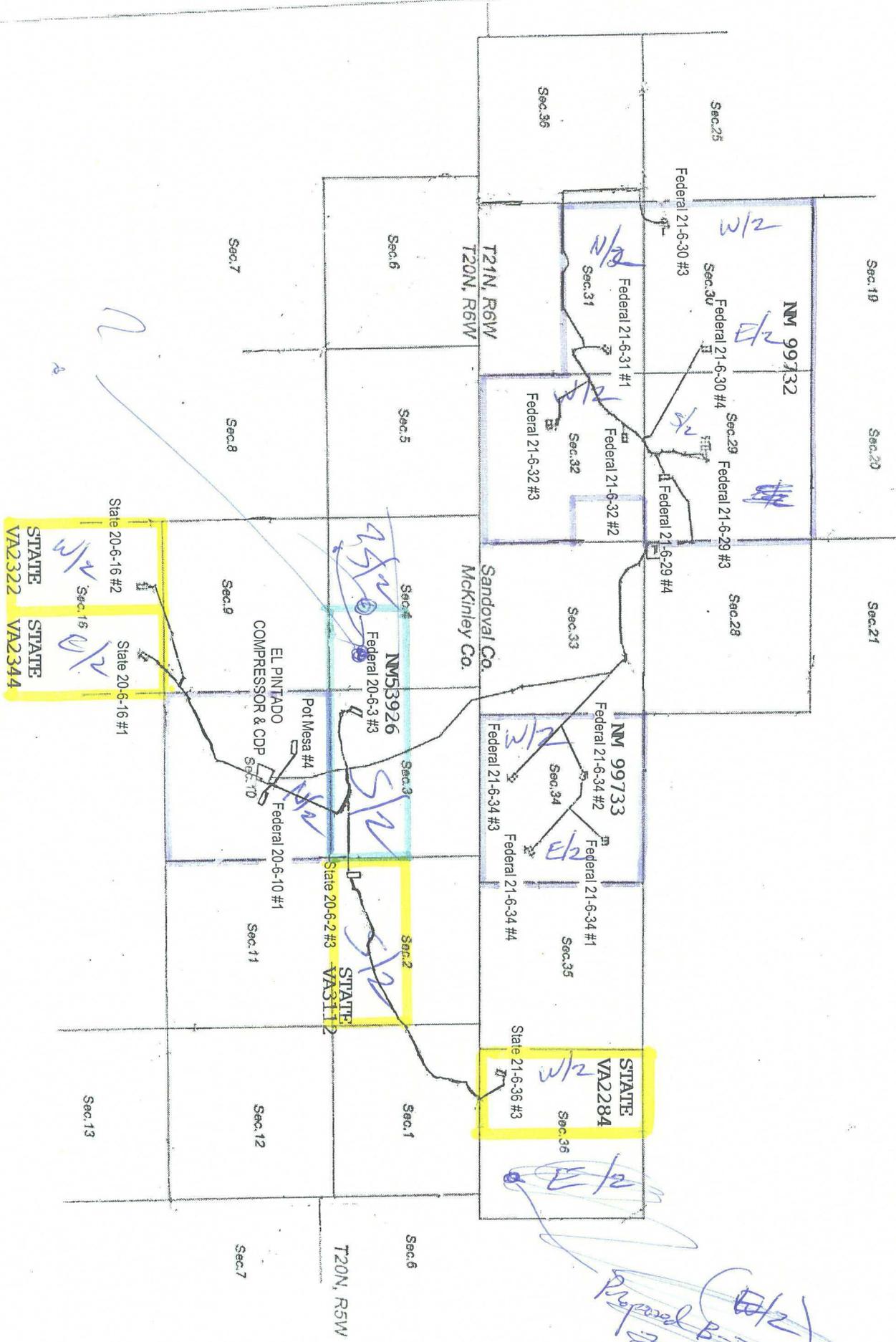
# El Pintado CDP Equipment Layout

## Fuel Gas System



(SW/4NE/4) SEC 10--T20N--R6W  
MCKINLEY COUNTY, NEW MEXICO

SG INTERESTS I, LTD



Proposed B-TRC well  
30-043-20998  
State 21-6-36 #4

**EL PINTADO SOUTH CDP & COMPRESSOR STATION**  
 (SWNE) SEC 10-T20N-R6W  
 MCKINLEY COUNTY, NM  
 LEASE NUMBER NMNM 24964

<u>API NUMBER</u>	<u>WELLS CURRENTLY ON LINE</u>	<u>LEASE NUMBER</u>	<u>LOCATION DESCRIPTION</u>	<u>1ST DELIVERY</u>	<u>CONNECTED TO CDP COMPRESSOR</u>	<u>BTU</u>	<u>ESTIMATED PRODUCTION</u>
30-031-21069-00	Federal 20-6-3 #3	NMNM53926	(SWSW) Sec 3-T20N-6W	7/1/06	7/29/2006	1015	10
30-031-21071-00	Federal 20-6-10 #1	NMNM24964	(SWNE) Sec 10-T20N-R6W	7/1/06	7/29/2006	966	12
30-031-20890-00	Pot Mesa #4	NMNM24964	(NENW) Sec 10-T20N-R6W	7/1/06	7/29/2006	1018	9
30-031-21072-00	State 20-6-2 #3	State Lease	(SWSW) Sec 2-TT20N-R6W	7/1/06	7/29/2006	979	5

**NEW CONNECTS TO CDP & COMPRESSOR**

30-031-21080-00	State 20-6-16 #1	State VA 2344	(NENE) Sec 16-T20N-R6W	3/27/07			5
30-031-21091-00	State 20-6-16 #2	State VA 2322	(NENW) Sec 16-T20N-R6W	3/27/07			5
30-043-20999-00	State 21-6-36 #3	State VA 2284	(SWSW) Sec 36-T21N-R6W	3/26/07			3
30-043-21025-00	Federal 21-6-34 #1	NMNM99733	(NENE) Sec 34-T21N-R6W	6/29/07			20
30-043-21016-00	Federal 21-6-34 #2	NMNM99733	(SENW) Sec 34-T21N-R6W	6/29/07			25
30-043-21026-00	Federal 21-6-34 #3	NMNM99733	(SESW) Sec 34-T21N-R6W	6/29/07			25
30-043-21027-00	Federal 21-6-34 #4	NMNM99733	(NESE) Sec 34-T21N-R6W	6/29/07			20
30-043-21015-00	Federal 21-6-29 #3	NMNM99732	(NESW) Sec 29-T21N-R6W				30
30-043-21004-00	Federal 21-6-29 #4	NMNM99732	(SWSE) Sec 29-T21N-R6W	7/26/07			30
30-043-21001-00	Federal 21-6-30 #3	NMNM99732	(SWSW) Sec 30-T21N-R6W				20
30-043-21103-00	Federal 21-6-30 #4	NMNM99732	(NESE) Sec 30-T21N-R6W				15
30-043-21029-00	Federal 21-6-31 #1	NMNM99732	(NENE) Sec 31-T21N-R6W				15
30-043-21011-00	Federal 21-6-32 #2	NMNM99732	(NENW) Sec 32-T21N-R6W				20
30-043-21028-00	Federal 21-6-32 #3	NMNM99732	(NESW) Sec 32-T21N-R6W				10

**Jones, William V., EMNRD**

**From:** Jones, William V., EMNRD  
**Sent:** Monday, January 28, 2008 7:55 PM  
**To:** 'tripp@nikaenergy.com'  
**Cc:** Ezeanyim, Richard, EMNRD; Brooks, David K., EMNRD  
**Subject:** Surface Commingle Application on behalf of SG Interests I Ltd: El Pintado CDP in Sandoval and McKinley Counties

Hello Mr. Schwab:

Have this almost ready to release, but need to verify:

- 1) From the list of notifications sent out, it appears that this proposed lease commingle is DIVERSELY owned (see Rule 303). Please verify that the included "interested parties" list includes all owners of revenue interests in this proposed surface commingle and they all received notice as required in Rule 303B.(4)(d)(iii).
- 2) Your application included a nice list of API's and wells (thank you), but did NOT include the dedicated spacing units for each well to be added. I can find this in Division records, but this takes additional time and is against our policy. Lands not dedicated to existing wells cannot be added to a surface commingle unless the owners of those lands are noticed of the intention to add those lands and future wells drilled on those lands. It is not clear to me in the application that lands not dedicated to existing wells were intended for inclusion into this commingle or the owners of those lands have been notified. Your list of "interested parties" did not say which exact acreages (legal descriptions) were owned by those parties. If you do have a short breakdown on "who owns what", please send a copy. Don't send a huge "takeoff".
- 3) It appears from Division records that many other Fruitland Coal wells are being permitted near and around your proposed 18 well surface commingle. I did not see any statement in your letters to the affected parties as the following rule requires for you to add additional wells in the future without again providing thorough notice to ALL owners in the El Pintado CDP surface commingle. If you want to re-notice (at this time) all interest owners in this intended surface commingle of this intention to add wells in the future, please let me know. If so, please let me know exactly which you intend for "defined parameters" prior to sending this notice - there has been some controversy over this subject. I suggest using a "defined" future limit on expansion (legally described) AND keep the same methods of commingling (meters on all wells, handling of lost gas/used gas, etc).

**303B.(4)(d)(vii) Additions.** A surface commingling order may authorize, prospectively, the inclusion therein of additional pools and/or leases within defined parameters set forth in the order, provided that (a) the **notice to the interest owners has included a statement that authorization for subsequent additions is being sought and of the parameters for such additions proposed by the applicant**, and (b) the division finds that subsequent additions within defined parameters will not, in reasonable probability, reduce the value of the commingled production or otherwise adversely affect the interest owners. A subsequent application to amend an order to add to the commingled production other leases, pools or leases and pools that are within the defined parameters shall require notice only to the owners of interests in the production to be added, unless the division otherwise directs.

- 4) What type of allocation meters were considered for this commingle? - what are the advantages of the chart recorders vs the newer gas meters without charts?

Thank You,

William V. Jones PE  
 New Mexico Oil Conservation Division  
 1220 South St. Francis  
 Santa Fe, NM 87505  
 505-476-3448

1/28/2008

**EL PINTADO SOUTH GDP & COMPRESSOR STATION**  
**(SWNE) SEC 10-T20N-R6W**  
**McKINLEY COUNTY, NM**  
**LEASE NUMBER NNMN 24964**

<u>API NUMBER</u>	<u>WELLS CURRENTLY ON LINE</u>	<u>LEASE NUMBER</u>	<u>LOCATION DESCRIPTION</u>	<u>SPACING UNITS</u>
30-031-21069-00	Federal 20-6-3 #3	NMNM53926	(SWSW) Sec 3-T20N-6W	S/2 ✓
30-031-21071-00	Federal 20-6-10 #1	NMNM24964	(SWNE) Sec 10-T20N-R6W	N/2 ✓
30-031-20890-00	Pot Mesa #4	NMNM24964	(NENW) Sec 10-T20N-R6W	W/2 <b>N2</b> ✓
30-031-21072-00	State 20-6-2 #3	State Lease	(SWSW) Sec 2-TT20N-R6W	S/2 ✓
<b><u>NEW CONNECTS TO CDP &amp; COMPRESSOR</u></b>				
30-031-21080-00	State 20-6-16 #1	State VA 2344	(NENE) Sec 16-T20N-R6W	E/2 ✓
30-031-21091-00	State 20-6-16 #2	State VA 2322	(NENW) Sec 16-T20N-R6W	W/2 ✓
30-043-20999-00	State 21-6-36 #3	State VA 2284	(SWSW) Sec 36-T21N-R6W	W/2 ✓
30-043-21025-00	Federal 21-6-34 #1	NMNM99733	(NENE) Sec 34-T21N-R6W	E/2 ✓
30-043-21016-00	Federal 21-6-34 #2	NMNM99733	(SENW) Sec 34-T21N-R6W	W/2 ✓
30-043-21026-00	Federal 21-6-34 #3	NMNM99733	(SESW) Sec 34-T21N-R6W	W/2 ✓
30-043-21027-00	Federal 21-6-34 #4	NMNM99733	(NESE) Sec 34-T21N-R6W	E/2 ✓
30-043-21015-00	Federal 21-6-29 #3	NMNM99732	(NESW) Sec 29-T21N-R6W	S/2 ✓
30-043-21004-00	Federal 21-6-29 #4	NMNM99732	(SWSE) Sec 29-T21N-R6W	S/2 ✓
30-043-21001-00	Federal 21-6-30 #3	NMNM99732	(SWSW) Sec 30-T21N-R6W	W/2 ✓
30-043-21103-00	Federal 21-6-30 #4	NMNM99732	(NESE) Sec 30-T21N-R6W	E/2 ✓
30-043-21029-00	Federal 21-6-31 #1	NMNM99732	(NENE) Sec 31-T21N-R6W	N/2 ✓
30-043-21011-00	Federal 21-6-32 #2	NMNM99732	(NENW) Sec 32-T21N-R6W	W/2 ✓
30-043-21028-00	Federal 21-6-32 #3	NMNM99732	(NESW) Sec 32-T21N-R6W	W/2 ✓