



New Mexico Energy, Minerals and Natural Resources Department

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Surface Commingling Order CTB-587-B

January 20, 2010

SG Interests I Ltd.
C/o NIKA Energy Operating, LLC
PO Box 2677
Durango, CO 81303

Attention: Marcia Stewart:

By Surface Commingling Order No. CTB-587, the Division authorized SG Interests I Ltd. (OGRID 20572) to surface commingle gas production from the Basin-Fruitland Coal Gas Pool (71629) within the following-described area (hereinafter referred to as the El Pintado CDP Gas Gathering System Area), Sandoval and McKinley Counties, New Mexico:

El Pintado CDP Gas Gathering System Area

Township 21 North, Range 6 West, NMPM

Section 29: S/2
Section 30: All
Section 31: N/2
Section 32: W/2
Section 34: All
Section 36: W/2

Township 20 North, Range 6 West, NMPM

Section 2: S/2
Section 3: S/2
Section 10: N/2
Section 16: All



This area contains all or portions of Federal Leases No. NM-99732, NM-99733, and NM-24964, State Leases No. VA2322, VA2344, and VA2284. This area currently contains eighteen (18) wells that are completed in the Basin-Fruitland Coal Gas Pool. All wells within the area are currently operated by SG Interests I Ltd.

By surface commingling order No. 587-A, SG Interests I Ltd added the following eight (8) wells producing from the Basin Fruitland Coal Gas Pool to the El Pintado CDP Gas Gathering System.

Well Name and Number	API Number	Location	Lease Number
Federal 21-6-28 Well No. 3	30-043-21010	Sec.28, T-21N, R-6W	NMNM113429
Federal 21-6-29 Well No. 1	30-043-21056	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-29 Well No. 2	30-043-21057	Sec. 29, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 1	30-043-21058	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-6-30 Well No. 2	30-043-21059	Sec. 30, T-21N, R-6W	NMNM99732
Federal 21-7-25 Well No. 3	30-043-21017	Sec. 25, T-21N, R-7W	NMNM99739
Federal 21-7-26 Well No. 1	30-043-21062	Sec. 26, T-21N, R-7W	NMNM99739
Federal 21-7-35 Well No. 1	30-043-21060	Sec. 35, T-21N, R-7W	NMNM99739

SG Interests I Ltd now seeks to add the following three (3) wells producing from the Basin Fruitland Coal Gas Pool to the El Pintado CDP Gas Gathering System.

Federal 20-5-6 Well No. 3 **API No. 30-031-21102**, W/2 of Sect. 6, Lease No. NMNM99718.

Federal 21-6-19 Well No. 3 **API No. 30-043-21047**, S/2 of Sect. 19, Lease No. NMNM99731

Federal 21-7-19 Well No. 3 **API No. 30-043-21049**, W/2 of Sect. 19, Lease No. NMNM99737

All in T-20-N, R-5-W, and T-21-N, R-6, and 7 W, NMPM, Mckinley and Sandoval Counties, New Mexico.

IT IS THEREFORE ORDERED THAT:

The Surface Commingling Order No. CTB-587-A is hereby amended and the applicant, SG Interests I Ltd is hereby authorized to add the above referenced three (3) wells to the El Pintado Gas Gathering System. This approval is subject to like approvals from BLM and SLO.

Production shall be allocated by metering the gas production from each of the wells within the El Pintado CDP Gas Gathering System utilizing individual allocation meters. Gas production shall then be commingled and transported to a Public Service of New Mexico (PNM) gas sales meter

located within the NW/4 of Section 10, Township 20 North, Range 6 West. Production shall be allocated back to each well utilizing allocation and sales meter volume data, and shall be determined in accordance with the procedure outlined in the application.

All liquids (oil, condensate and water) shall be separated, stored, measured and sold at each individual well.

All meter calibration shall be in conformance with Division Rule No. 19.15.12.10. NMAC

Additional existing or future drilled wells can be added to the commingling authority granted by this order without additional application or notice to interest owners provided that:

- a) the well(s) are located within the El Pintado CDP Gas Gathering System Area defined by this order;
- b) each new well is equipped with a gas allocation meter; and
- c) the well(s) produce from Basin-Fruitland Coal Gas Pool.

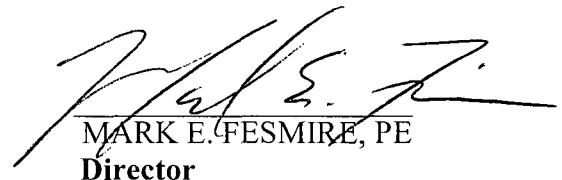
To obtain approval to add wells, SG Interests I Ltd. shall file Form C-103 (Sundry Notice) with the Santa Fe and Aztec Offices of the Division that describe the well(s) to be included. Additional notice may be required to the Bureau of Land Management (BLM) and/or the State Land Office (SLO).

To add additional wells located **OUTSIDE** of the El Pintado CDP Gas Gathering System to the gathering system, SG Interests I Ltd. must apply for an additional order or to amend this order and (per Rule 19.15.12 NMAC) must notify all owners of revenue interests within the existing El Pintado CDP Gas Gathering System as well as all owners of revenue interests in the new wells to be added.

This Order supersedes the Surface Commingling Order No. CTB-587-A issued on June 11, 2009.

NOTE: This installation shall be installed and operated in accordance with the applicable rules and regulations of the Division applicable to surface commingling. It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Aztec district office of the Division upon commencement of commingling operations.


MARK E. FESMIRE, PE
Director

MEF/re

cc: Oil Conservation Division – Aztec
Bureau of Land Management – Farmington
State Land Office – Oil, Gas, and Minerals Division