



Expires: February 28, 1995

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

5. LEASE DESIGNATION AND SERIAL NO.  
COC-42314

6. IF INDIAN, ALLOTTEE OR TRIBE NAME  
JAN 12 07

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

7. UNIT AGREEMENT NAME  
COGCC

1a. TYPE OF WORK DRILL  DEEPEN  PLUG BACK

8. FARM OR LEASE NAME, WELL NO.  
Federal 10-8-11-90R

b. TYPE OF WELL OIL WELL  GAS WELL  OTHER  SINGLE ZONE  MULTIPLE ZONE

9. API WELL NO.  
051-06068

2. NAME OF OPERATOR  
SG Interests I, Ltd.

10. FIELD AND POOL, OR WILDCAT  
Coal Basin

3. ADDRESS AND TELEPHONE NO.  
c/o Nika Energy Operating, LLC, PO Box 2677, Durango, CO 81302-2677

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA  
SWNE Sec 8-T11S-R90W

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)\*  
At Surface  
1484' FNL & 2300' FEL

12. COUNTY OR PARISH  
Gunnison

13. STATE  
CO

At proposed prod. zone  
1484' FNL & 2300' FEL

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE\*  
16.5 miles NNE from Paonia, CO

15. DISTANCE FROM PROPOSED\* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)  
1466'

16. NO. OF ACRES IN LEASE  
1861.86

17. NO. OF ACRES ASSIGNED TO THIS WELL  
320

18. DISTANCE FROM PROPOSED LOCATION \* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.  
75' (to be P&A'd)

19. PROPOSED DEPTH  
5600'

20. ROTARY OR CABLE TOOLS  
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)  
7915'

22. APPROX. DATE WORK WILL START\*  
July 2006

23. PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
12-1/4"	J-55, 8-5/8"	24#	400'	280 sx
7-7/8"	J-55, 5-1/2"	17#	5600'	1st stage: 210 sx
DV Tool @ +/- 4500'				2nd stage: 525 sx + 100 sx

SG Interests I, Ltd. proposes drilling a Williams Fork coal well at the above location to develop methane reserves. SG will set 5-1/2" casing 150' below the Williams Fork Coal base and cement to surface. The coals will be perforated and fracture stimulated.

Venting / Flaring approved for 90 days per NTL-4A

BOP equipment and accessories will meet or exceed BLM requirements as outlined in 43CFR Part 3160. Additional BOP specifications are detailed in the Eight Point Drilling Program (attached).

- Attachments:
- BOP diagram
  - One mile radius and access
  - Drill site layout
  - Proposed equipment layout

Approval of this agreement does not warrant or certify that the operator thereof and other holders of operating rights hold legal or equitable title to those rights in the subject lease which are committed hereto.

RECEIVED

NOV 15 2005

Bureau of Land Management  
Durango, Colorado

SEE ATTACHED  
CONDITIONS OF APPROVAL

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM : If proposal is to deepen or plug back, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE Operations Manager/Agent DATE November 9, 2005

(This space for Federal or State office use)  
PERMIT NO. Nand Delivered 4/28/06 APPROVAL DATE 4/28/06 APPROVED FOR A PERIOD NOT TO EXCEED 1 YEAR

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.  
CONDITIONS OF APPROVAL, IF ANY:  
APPROVED BY [Signature] /s/ Brian W. Davis TITLE Assistant Director Manager physical Ge DATE 4/28/06

\*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

OPERATOR'S COPY