



FORM APPROVED
OMB NO. 1004-0136

Expires: February 28, 1995

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL ☒ DEEPEN ☐ PLUG BACK ☐
b. TYPE OF WELL OIL ☐ GAS ☒ OTHER ☐ SINGLE ZONE ☒ MULTIPLE ZONE ☐

2. NAME OF OPERATOR
SG Interests I, Ltd.

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

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At Surface
1484' FNL & 2300' FEL

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. 1466'
(Also to nearest drlg. unit line, if any)

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

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

16. NO. OF ACRES IN LEASE
1861.86

19. PROPOSED DEPTH
5600'

17. NO. OF ACRES ASSIGNED
TO THIS WELL
320

20. ROTARY OR CABLE TOOLS
Rotary

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 30 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 Egon Darne 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

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

/s/ Brian W. Davis

TITLE

Assistant Manager
physical geology

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