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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FEB 20 2014

SUNDRY NOTICES AND REPORTS ON WELLS

~~Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.~~

FORM APPROVED
OMB No. 1004-0137
Expires: October 31, 20145. Lease Serial No.
NMSF-077976

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other2. Name of Operator
SG Interests I, Ltd. c/o Nika Energy Operating, LLC3a. Address
PO Box 2677
Durango, CO 813023b. Phone No. (include area code)
970-259-27017. If Unit of CA/Agreement, Name and/or No.
14-08-000181968. Well Name and No.
SE Cha-Cha #409. API Well No.
30-045-25317

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

700' FNL, 1980' FWL, Sec 17, T28N, R13W

10. Field and Pool or Exploratory Area
SE Cha-Cha Gallup11. County or Parish, State
San Juan County, NM

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input checked="" type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

RCVD FEB 24 '14
OIL CONS. DIV.
DIST. 3

Pursuant to NMSF-077976 (WC), 3162.3-2 (21110) recieved January 24, 2014, SG Interests intends to repair the casing on the subject well and return the well to production. The procedure is to identify the leak, spot a balanced plug and and squeeze the hole(s). SGI will then drill out the plug and pressure test the casing to 500 psi for 15 minutes. SGI will call for witness of final charted test. To be completed by 6/1/14

Please see attached procedure for detail.

Notify NMOCD 24 hrs
prior to beginning
operations

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

William Schwab III

Title Agent for SG Interests I, Ltd.

Signature

Date 02/18/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Original Signed: Stephen Mason

Title

Date

FEB 21 2014

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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.

(Instructions on page 2)

NMOCD

GENERAL INSTRUCTIONS

This form is designed for submitting proposals to perform certain well operations and reports of such operations when completed as indicated on Federal and Indian lands pursuant to applicable Federal law and regulations. Any necessary special instructions concerning the use of this form and the number of copies to be submitted, particularly with regard to local area or regional procedures and practices, are either shown below, will be issued by or may be obtained from the local Federal office.

SPECIFIC INSTRUCTIONS

Item 4 - Locations on Federal or Indian land should be described in accordance with Federal requirements. Consult the local Federal office for specific instructions.

Item 13 - Proposals to abandon a well and subsequent reports of abandonment should include such special information as is required by the local Federal office. In addition, such proposals and reports should include reasons for the abandonment; data on any former or present productive zones or other zones with present significant fluid contents not sealed off by cement or otherwise; depths (top and bottom) and method of placement of cement plugs; mud or other material placed below, between and above plugs; amount, size, method of parting of any casing, liner or tubing pulled and the depth to the top of any tubing left in the hole; method of closing top of well and date well site conditioned for final inspection looking for approval of the abandonment.

NOTICES

The Privacy Act of 1974 and the regulation in 43 CFR 2.48(d) provide that you be furnished the following information in connection with information required by this application.

AUTHORITY: 30 U.S.C. 181 et seq., 351 et seq., 25 U.S.C. 396; 43 CFR 3160.

PRINCIPAL PURPOSE: The information is used to: (1) Evaluate, when appropriate, approve applications, and report completion of subsequent well operations, on a Federal or Indian lease; and (2) document for administrative use, information for the management, disposal and use of National Resource lands and resources, such as: (a) evaluating the equipment and procedures to be used during a proposed subsequent well operation and reviewing the completed well operations for compliance with the approved plan; (b) requesting and granting approval to perform those actions covered by 43 CFR 3162.3-2, 3162.3-3, and 3162.3-4; (c) reporting the beginning or resumption of production, as required by 43 CFR 3162.4-1(c) and (d) analyzing future applications to drill or modify operations in light of data obtained and methods used.

ROUTINE USES: Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions in connection with congressional inquiries or to consumer reporting agencies to facilitate collection of debts owed the Government.

EFFECT OF NOT PROVIDING THE INFORMATION: Filing of this notice and report and disclosure of the information is mandatory for those subsequent well operations specified in 43 CFR 3162.3-2, 3162.3-3, 3162.3-4.

The Paperwork Reduction Act of 1995 requires us to inform you that:

The BLM collects this information to evaluate proposed and/or completed subsequent well operations on Federal or Indian oil and gas leases.

Response to this request is mandatory.

The BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 8 hours per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0137), Bureau Information Collection Clearance Officer (WO-630), 1849 C St., N.W., Mail Stop 401 LS, Washington, D.C. 20240

SG Interests I, Ltd.

Cha-Cha #40

NENW, Sec. 17, T28N-R13W

Lat 36.667897° N, Long -108.244745° W

San Juan County, NM

API # 30-045-25317

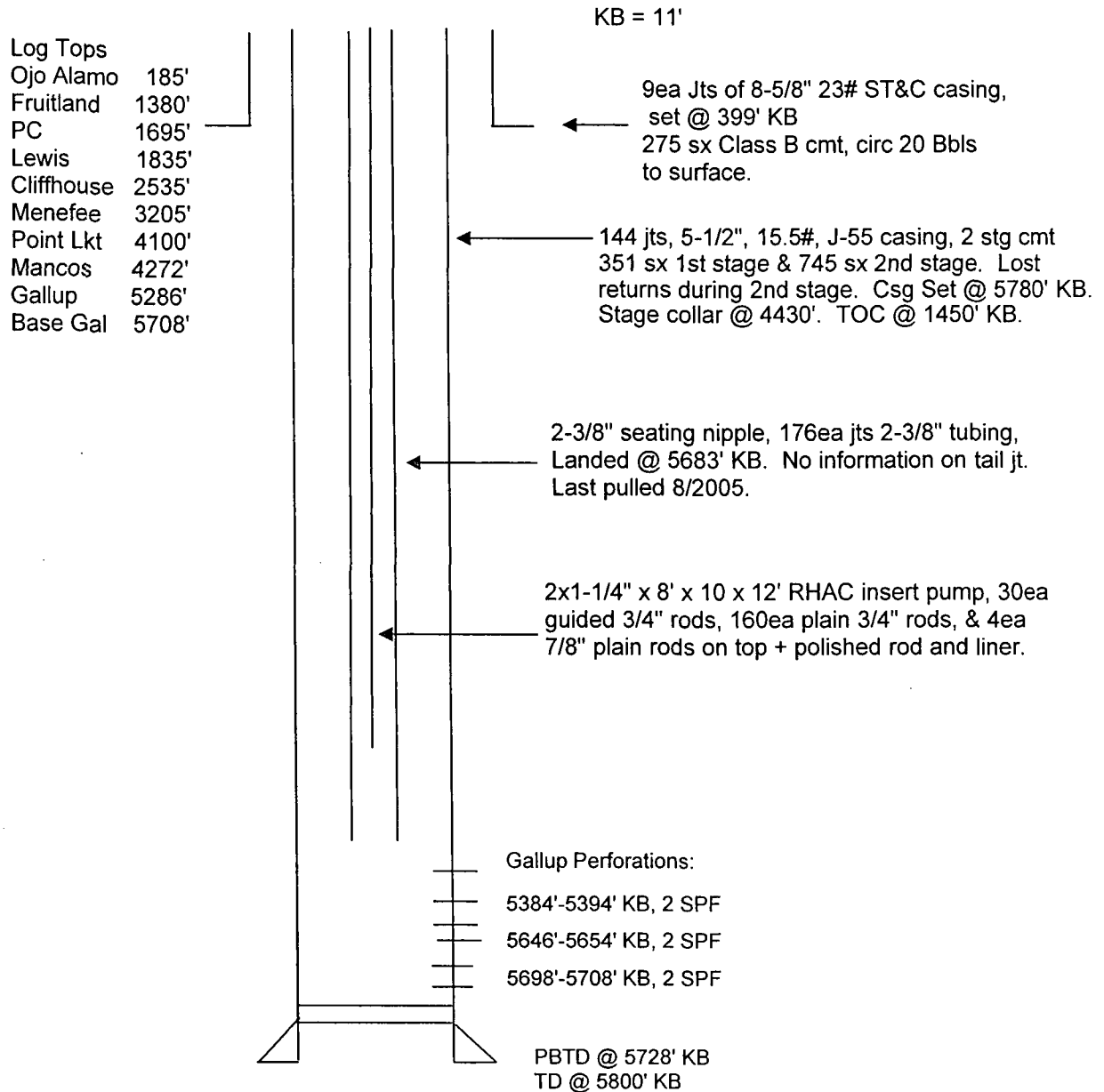
March 2014

CO paraffin, repair casing leak, pump change
TS

GL:	6024'
TD:	5800' KB
PBTD:	5728' KB
KB:	11'
CSG:	144 jts, 5-1/2", 15.5#, J-55, SA 5780' KB
Perforations:	5384'-5708' gross interval
Rathole:	20'
Tbg:	2-3/8" seating nipple + 176ea jts 2-3/8", landed @ 5683' KB
Pump & Rods:	2x1-1/4"x8x10x12 RHAC insert pump, 30ea guided 3/4" rods, 160ea plain 3/4" rods & 4ea plain 7/8" rods + polished rod and liner.
Current Production:	0 BOPD, 0 BWPD
Expected Production:	5 BOPD, 5 BWPD
Well History:	4/82 Initial Completion 7/82 First Sales 10/84 Pump change, replaced split tubing 5/85 Pump change, ran 40 rods on btm w/ PATCO scrapers, replaced jt for pin hole. 2/86 Replaced 6 jts, replaced 19 rod boxes, changed pump. 10/91 Pump change 2/92 Replaced 2 jts, changed pump. 10/95 Replaced 5 jts, changed pump. 8/05 Replaced 8 jts, 34 rods & pump. Ran 30 3/4" guided rods on btm, 160 plain 3/4" rods, & 4 7/8" rods on top.

Directions: From the Farmington intersection of US 63 & NM 371 head west and south on the Bisti Hwy 5 miles. Take right onto gravel Hemstreet Memorial Road. Continue west on Hemstreet ± 0.92 miles. Take left fork onto dirt lease road. Continue southwesterly 0.38 miles. Take right fork 0.03 miles to location.

Current Wellbore Diagram



Note: 1) Cell Phone service is nonexistent to limited on location.

- 2) Comply with all safety and environmental requirements. All workover fluids (rig pits, flowback tanks, frac tanks) Will be hauled to nearest available legal disposal site.*
- 3) Expect to hot oil or water tubing after unseating pump to trip rods. One workover required the rods to be cut and the tubing stripped out, because the pump was scaled into place.*
- 4) Take accurate tallies and counts of tbg, rods and setting depths. Report same. Test tubing with Tuboscope during first trip. Replace any bad tubing.*
- 5) This is an oilwell and care needs to be taken to contain any oil on location to pit and blowdown tank. The flowline may have a leak and after well is put online the well tender will have to walk line to check for leaks.*
- 6) This well was shut in with a supposed casing leak. The Cha-Cha #39 offset had a casing repair July of 2010. After discussion with the previous operator, it is suspected the leak is in the same general area. Leak is most likely in the MV section approximately between 3600' and 3800'. The production casing cement job did not circulate the second stage and TOC is 1450' KB. The MV in this area is a high water maker and before well was shut in the water production increased significantly. At the same time the well lost all fuel gas for the pump jack.*

Procedure:

- 1) MIRUSU. Check & record bradenhead, tubing & casing pressures. Blow well down to flow back tank.*
- 2) Unseat pump LD polish rod and stuffing box, pull 2 rods. If rods are parted, POOH w rods and run fishing tool to retrieve rods. Reinstall polish rod and stuffing box. Pump hot water down tbg to clear paraffin. Reseat pump if rods are not parted. Load tbg & test to 1000# or pump maximum. Kill w/ produced water from Tank battery #3 if necessary. POOH with rods and pump. . Flush with hot water after unseating pump if fished. Check for rod wear, corrosion, scale, rod guide wear, etc. Record and advise if significant. Check condition of polish rod, liner, stuffing box and ratigan. Replace if necessary. Send ratigan in to be rebuilt if not replaced. Replace stuffing box packing.*

- 3) NDWH, NUBOP. NU Tuboscope. Check for corrosion and operation of valves. Replace valves and fittings as necessary. Unseat donut. POOH, inspecting tubing. Replace any bad tubing.
- 4) RIH with notched collar, 1 jt tubing, SN, casing scraper and tubing. Check for fill. POOH, LD casing scraper. RIH with RBP and packer, set \pm 5430' KB. Pull up 1 jt, load hole and circulate hole clean. Set packer \pm 5390' KB. Pressure test RBP, packer and tubing to 1000 psi. If OK pressure test casing tubing annulus, establish rate of casing leak off. Release packer and isolate casing leak(s).
- 5) TIH too just above RBP and spot 3 sx of sand to cover top of RBP. POOH LD packer. RU Cementers, RIH, mix and spot balanced plug (30 sx) of Type III cmt over holes. Wash pump and lines, displace cmt with fresh water. Squeeze. Pull up above cmt. SWI holding pressure on cmt. RD cementers, SDON
- 6) In am note pressures. RU pump and pressure up on casing. If casing leaks repeat step 5. If casing holds at least 500 psi for 15 minutes, POOH standing back. *(If after second squeeze casing still leaks a decision to P&A may need to be discussed)*
- 7) PU 4-3/4" bit, bit sub, and TIH on tubing to tag. RU power swivel, break circulation and drill out cmt. Circulate hole clean. RD power swivel, POOH, LD bit and bit sub.
- 8) RIH with notched collar, 1 jt tubing, SN, tubing and string float to top of RBP. Pressure test casing for 15 minutes at 500 psi. If OK, call BLM and OCD for witness. Test and chart for witness. Blow down. POOH.
- 9) RIH with retrieving head, one jt tubing, SN and tubing. Circulate sand off RBP. Make sure RBP can be latched, unlatch. Pull up just off RBP, RU swab and swab hole clean. RD swab. RIH and latch RBP, open unloader and allow to equalize. POOH with RBP and laydown.
- 10) RIH with tail jt, perforated sub, SN and tubing. Land in lower perforation area. RDBOP, RUWH.

11) RIH with 1" stinger gas anchor, 1-1/4" insert pump, no tap tool and guided rods. Make sure all rods have guides; at least 4-5 per and sprayed metal rod boxes. If rods need to be replaced run sprayed metal rod boxes and 5 guides per rod. Space out as necessary. Check the pump action w/ gauge. Space so plunger does not contact standing valve. Check vibration and pressure kills. NU horses head and leave well pumping overnight. The no tap tool should provide a mechanical tagging action. May need propane to start engine until gas shows up.

8) Check pump action, re-space as necessary. RDMOSU

Important Numbers:

<u>Entity</u>	<u>Phone Number</u>	<u>Comments</u>
BLM	505-599-8907	
BLM	505-334-1266 Jim Lovato	Emergency after normal business hours.
NMOCD	505-334-6178	No contact given
Tripp Schwab	970-259-2701 970-769-3589 970-769-3589	Office Mobile Home
Brad McKinney	970-749-2163	Mobile
RJ McKinney	480-694-6519	Mobile