

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
SUNDRY NOTICES AND REPORTS ON WELLS

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

FORM APPROVED
OMB No. 1004-0135
Expires July 31, 1996

5. Lease Serial No.

NM 24964

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.

POT MESA #2 SWD

9. API Well No.

30-031-20888

10. Field and Pool, or Exploratory Area

Pot Mesa

11. County or Parish, State

McKinley County, NM

1. Type of Well

☐ Oil Well ☐ Gas Well ☒ Other

2. Name of Operator

SG Interests I, Ltd., c/o Nika Energy Operating, LLC

3a. Address

PO Box 2677, Durango, CO 81302

3b. Phone No. (include area code)

(970) 259-2701

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

1785' FNL, 2175' FEL (SWNE) Sec 10-T20N-R6W

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

TYPE OF SUBMISSION	TYPE OF ACTION
<input 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 checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing <input type="checkbox"/> Fracture Treat <input type="checkbox"/> Reclamation <input checked="" type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input 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 checked="" type="checkbox"/> Water Disposal

If the report is to be filed or completed (only use all pertinent details including estimated starting date of any proposed work and approximate duration thereof). If the report is to be filed or completed (only use all pertinent details including estimated starting date of any proposed work and approximate duration thereof). Attach the field unit with the work will be performed or provide the field No. on file with BLM/BLM. Report subsequent reports shall be filed within 30 days following completion of the indicated operation. If the operation results in a multiple completion or reoperation in a new interval, a Form 3160-5 shall be filed once the operation has been completed. Final Abandonment Notices shall be filed only after all requirements including reoperation have been completed and the operator has determined that the well is to be abandoned.

RUSU (2/26/06). TP 2 psi; CP 5 psi; BH 0 psi. Remove slips, unseat pkr, LD 60 jts 2-3/8" tbg, SN, & tension pkr. Change to 2-7/8"; RIH w/4-3/4" bit/scrapper, x-overs on YB 2-7/8" tbg.; tag fill @ 2110'. CO to 2160'. PU 5-1/2" pkr & RIH on 2-7/8" tbg to 2155'; spot 20 B/mud flush across perfs; press test cem plug, csg, WH, & BOPE to 1000 psi, ok. Mixed & pmpd 150 sx 50/50 Pozmix, 3% gal, .2% Versaset, 2% CaCl @ 13#/gal, 80 sx cem in perfs to 555 psi; reverse out 70 sx. Pulled pkr to 1920'; re-set & press to 552 psi. Rel pkr & POOH. RIH w/4-3/4" bit/scrapper; tag cem @ 1970' & drill hard cem to 2004'; then drilled/pushed cem plug to 2160'; circ clean. RIH open ended w/2-7/8" tbg to 2140'; spot 30 sx plug, std cem at (Continued on Page 2 Attached)

cc: Will Jones

New Mexico State NMOCD, Santa Fe, NM

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Marcia Stewart

Title

Agent for SG Interests I Ltd

Signature

Marcia Stewart

Date

April 3, 2006

THIS SPACE FOR FEDERAL OR STATE USE

Approved by	Title	Date
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, 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.

(Instructions on reverse)

SUNDRY NOTICE dated April 3, 2006

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(SWNE) SEC 10-T20N-R6W
MCKINLEY COUNTY, NM

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15.6#/gal from 2140' to (est) 1850', POOH. WOC. RIH w/4-3/4" bit/scrapper; tag cem @ 2119'; drill out hard cem to 2135' & circ clean to 2150'. PT squeeze to 500 psi; bled off 10 psi every 1 min. Pump 10 BW, 55 sx Class 'B' cem w/.4% Halad 322 mixed @ 15.6#/gal, followed by 6 BW, POOH. Pumped 7 BW dn csg. RIH w/4-3/4" bit/scrapper 3-1/2" DC's on 2-7/8" tbg to top of cem @ 1929'. Drld soft cem for 20'; then hard cem to 2070', circ bottoms up. PT top perfs to 500 psi for 30 min, ok. Drld remainder of cem & CO to 2250'. PT all Cliff House perfs to 500 psi for 30 min, ok. CO sand to cem plug @ 2240'; drill cem to 2310'; drill/push to 3184'. Roll hole w/2% KCl wtr, POOH. RU & perf (3/10/06) Menefee zones 2704'-2692' (12', 24 holes); 2675'-2658' (17', 34 holes); 2632'-2614' (18', 36 holes); re-perforate 2246'-2242' (4', 8 holes) w/3-1/8" csg gun, 2 spf, 120 deg phasing – all shots fired, RD. PU SPIT tool for 5-1/2" csg w/mechanical ccl, control valve for 30' spacing, & RIH on 2-7/8" tbg; set below bottom perfs & PT, ok. Straddle new/old perfs; BD/acidize in 7 settings w/15% FE acid. Pull tools 2 stnds above perfs & overflush 20 bbls w/2% KCl wtr, POOH. Pumped frac as follows: pad, 86,653 gals X-link gel + 137,863# Premium Brown Sand; 1st stage 1#/gal; 2nd stage 2#/gal; 3rd stage 3#/gal & flush, RD; shut well in. CO to PBDT (3184'). Returns not 100% until we lost 80 bbls in formation; then full returns bringing up frac sand; circ clean @ PBDT. PU 5-1/2" injection pkr, 1 jt 2-7/8" tbg, 1 ea F nipple (2.280" profile) & RIH on 2-7/8" tbg w/1 ea 6' & 8' pup jt under top jt of tbg. Circ hole w/produced wtr for 1 hr; lost 100 BW. Switched to pkr fluid & circ around. Set pkr w/20K tension & pack off. Fill csg back up w/amt lost before setting pkr (\pm 10 bbls). Attempt MIT on backside 500 psi, no go. Press up many times to 500 psi & bled off to 40 psi in 1 min. POOH LD inj pkr. RIH w/RBP/sqz pkr; set RBP @ 2220'; circ & PT RBP to 1500 psi, ok. Set pkr @ 2020'; press up to 1500 psi & press dropped 50 psi/min. Press up backside to 1000 psi & press dropped 100 psi/min. Set pkr @ 1970'; press up backside to 1000 psi; press dropped 50 psi/min. Set pkr @ 1874'; press up backside to 1000 psi, ok; POOH w/pkr. RIH w/2-7/8" tbg open ended; spot 2 sx sand on RBP – PU to 2145'. Mixed 50 sx neat cem, plus .4% Halad 322 @ 15.6#/gal & spotted from 2145'-1715'; POO cem plug slowly, then OOH. Csg slowly taking 6 bbls (should have taken only 4.85 bbls to replace metal in tbg); press up to 1000 psi using .5 bbls; press dropped slowly to 844 psi & held. Whut well in w/844 psi. RIH w/4-3/4" bit/scrapper, 2 ea 3-1/8" spiral DC on 2-7/8" tbg; tag cem @ 1804'. Drill/circ to 1815' (csg collar @ 1803') & press test to 500 psi, ok. Drill to 2070'. Circ clean & press test to 600 psi, ok. Drill out cem to 2150' & circ clean; press to 500 psi; press dropped 100 psi every 2 min. PU 5-1/2" tension pkr & RIH on 1 ea 2-7/8" x 6' pup, 2-7/8" F nipple (2.25" ID), 1 ea 2-7/8" x 8' pup, 1 ea 2-7/8" x 2' sliding

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sleeve + 66 jts 2-7/8" tbg; set pkr in 15K tension & pack off. Pump 500 gal 300 psi Seal-Maker down annulus; followed by 121/2 bbls pkr fluid. RU slick line & close sliding sleeve; PT tbg 1500 psi, ok. Squeeze annulus to 750 psi; pull plug from F nipple; connect N2 bottles to annulus & leave 500 psi on annulus overnight. Next a.m., 650 psi on annulus. RU pump to tbg & pump 60 B/2% KCl wtr @ 440 psi to establish inj rate. Kelly Roberts w/NMOCD arrived at noon (3/24/06) & witnessed 30 min MIT of 650 psi, ok. RDSU Clean out cem cuttings from rig pit & put in lined pit on location. Rig released @ 3:00 pm 3/24/06.

Well ready for injection.

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☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

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☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other First
Injection

13. Describe Proposed or Completed Operations (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 recomplate 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 shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Kelly Roberts (NMOCD) witnessed 30 min MIT of 650 psi 3/24/06 - ok.

1st Injection (3/28/06): Monica Kueling (NMOCD) was present to witness and inspect pressure kills. Well took on water at a rate of 530 BWPD at 0 psi.

cc: *Will Jones*

New Mexico State NMOCD, Santa Fe, NM

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Marcia Stewart

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Agent for SG Interests I Ltd

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