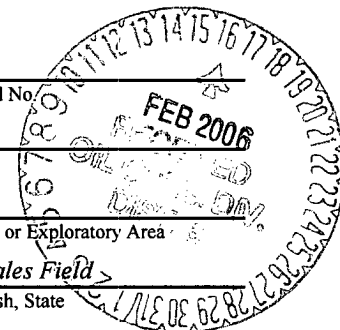


UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
**SUNDRY NOTICES AND REPORTS ON WELLS**

**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

1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. <b>NM 53926</b>
2. Name of Operator <b>SG Interests I, Ltd., c/o Nika Energy Operating, LLC</b>		6. If Indian, Allottee or Tribe Name
3a. Address <b>PO Box 2677, Durango, CO 81302</b>	3b. Phone No. (include area code) <b>(970) 259-2701</b>	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>465' FSL, 1785' FEL (SWSE) Sec 3-T20N-R6W</b>		8. Well Name and No. <b>CORRALES #1</b>
		9. API Well No. <b>30-031-20892</b>
		10. Field and Pool, or Exploratory Area <b>Pot Mesa/Corrales Field</b>
		11. County or Parish, State <b>McKinley County, NM</b>



**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 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 type="checkbox"/> Casing Repair <input type="checkbox"/> New Construction <input type="checkbox"/> Recomplete <input checked="" type="checkbox"/> Other Lease Extension
	<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 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 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 shall 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 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.)

To follow up the phone conversation between Tripp Schwab (Agent for Sg Interests) and Steve Mason (Farmington BLM), Lease NM53926 is scheduled to expire February 1, 2006 and SG is requesting a 60 day extension to allow the facilities to be completed and the well to be put in service. The gathering system pipeline has been installed, the compressor station has been started, the reconstruction of the WDW is currently being done and the field is close to being able to produce. In addition, two new wells have been drilled on this lease at the end of 2005. SG intends to establish production February 2006.

RECEIVED  
JAN 27 PM 12 06  
70 FARMINGTON NM

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

Name (Printed/Typed) <b>William Schwab III (Tripp)</b>	Title <b>Agent for SG Interests I Ltd</b>
Signature <i>[Signature]</i>	Date <b>January 26, 2006</b>

THIS SPACE FOR FEDERAL OR STATE USE		
Approved by <b>Original Signed: Stephen Mason</b>	Title	Date <b>FEB 14 2006</b>
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)

NMOC