

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.

NMNM24964

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

FEDERAL 20-6-10 #3

9. API Well No.

30-031-21070

10. Field and Pool, or Exploratory Area

Fruitland Coal

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)

1625' FSL, 1710' FWL (NESW) K-Sec 10-T20N-R6W

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

TYPE OF SUBMISSION

TYPE OF ACTION

☐ Notice of Intent

☒ Subsequent Report

☐ Final Abandonment Notice

☐ Acidize

☐ Alter Casing

☐ Casing Repair

☐ Change Plans

☐ Convert to Injection

☐ Deepen

☐ Fracture Treat

☐ New Construction

☐ Plug and Abandon

☐ Plug Back

☐ Production (Start/Resume)

☐ Reclamation

☐ Recomplete

☐ Temporarily Abandon

☐ Water Disposal

☐ Water Shut-Off

☐ Well Integrity

☒ Other Spud

Notice

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.)

Spudded well Jan 2, 2006. Drilled 12-1/4" hole to 179'. Rn 4 jts 8-5/8" 24# J-55 ST&C csg (164.58'); set @ 174' KB w/150 sx Class 'B' plus 2% CaCl₂ 1/4#/sk Flocele. Circ 10 B/cem to surface. Drill out cem and continue drilling new 7-7/8" hole to 680'. Rn 17 jts 4-1/2" 10.5# J-55 csg; set @ 653' w/230 sx cem, 1/4#/sk Flocele, & 5#/sk Gilsonite. Circ 15 B/cem to surface. PU 3-3/4" bit, scraper, & RIH on 19 jts 2-3/8" tbgs to 614'. Rn GSL/GR/CBL/CCL logs from PBTD (614') to surface. Roll hole w/2% KCl wtr; press test csg to 2500 psi, ok. (1/10/06) It was determined that the drilling did not penetrate the Fruitland Coal objective, and additional drilling will be required. Currently is shut in; mastervlve on tbgs head; all valves closed. SG is requesting a shut-in status for now.

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

Name (Printed/Typed)

Marcia Stewart

Title

Agent for SG Interests I Ltd

Signature

Date

July 14, 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)

NMOC

JUL 19 2006

FARMINGTON FIELD OFFICE