

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.

NMNM99739

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

FEDERAL 21-7-25 #3

9. API Well No.

30-043-21017

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

Sandoval 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)

Unit L: 1740' FSL, 980' FWL (NWSW)

Sec 25-T21N-R7W

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

Drilling & Completion

Update

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 recomple 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.)

Spudded well 6/13/06. Drill 12-1/4" hole to 175' KB; circ & cond hole. Rn 4 jts 8-5/8" 24# J-55 ST&C csg (162.34'); set @ 172' KB w/155 sx Class '5' w/2% CaCl, 1/4#/sk Celloflake. Circ 10 B/cem to surf. Press test BOP, csg (low 250 psi, high 1500 psi), ok. Drill cement & new 7-7/8" hole to TD 820' KB. RU logging crew, logged well. Rn 20 jts 4-1/2" 10.5# J-55 ST&C csg (796.53'); set @ 804' KB w/175 sx Std "5", 2% CaCl, 1/4#/sk Celloflake, 3#/sk Gilsonite. Circ 10 B/cem to surface (6/18/06). Shoe @ 804' KB; float collar @ 762'; marker jt @ 497'-518'KB.

(6/22/06) PU 3-7/8" bit, scraper, DC's & RIH on 2-3/8" work string; tag FC @ 762'. Circ hole clean & roll hole w/2% KCl wtr, POOH. RU & rn CBL/CCL/GR logs from PBTD (762') to surface; good bond. PT csg, wellhead to 3000 psi, ok. Perf coal intervals 584'-604' w/3-1/8" csg gun, 4 spf, 120 deg phasing - all shots fired.

(Continued on Page 2 Attached)

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

August 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)

NMOCD

AUG 23 2006

FARMINGTON FIELD OFFICE

SUNDRY NOTICE – FORM 3160-5

Dated August 14, 2006

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SG INTERESTS I, LTD

API No. 30-043-21017

FEDERAL 21-7-25 #3

(NWSW) L-SEC 25-T21N-R7W

SANDOVAL COUNTY, NM

RIH opened to 594' & acidized w/500 gal HCl DI Fe acid. Fraced as follows: Pumped 500 gal acid; pumped 38,047 gal/SilverStim LT w/SWNT; placed 792 sx 20/40 Brady w/max BHC of 5.18 #/gal. Swabbed well. Land 20 jts 2-3/8" 4.7# J-55 tbg w/NC on bottom @ 674'; SN on to of bottom jt @ 639'. PU 2" x 1-1/2" x 12' RWAC insert pump, bucket test, & RIH on 2 ea 1-1/4" sinker bars plus 22 ea 3/4" rods plus 1 ea 8', 6', 4', 2' - 3/4" pony rods. Seat pump w/polish rod. Load tbg & ck pump action to 600 psi, ok. Rig down (8/1/06)

WO Pipeline.