

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.

NMNM99733

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No.

FEDERAL 21-6-34 #1

9. API Well No.

30-043-21025

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 A: 1289' FNL, 1291' FEL

Sec 34-T21N-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 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 Drilling & Completion Update
	<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 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 6/19/06. Drilled 12-1/4" surface hole to 182'. Rn 4 jts 8-5/8" 24# J-55 ST&C csg (170.1'); set @ 179' KB w/130 sx Class '5' plus 2% CaCl, 1/4#/sk Celloflake. Circ 9 B/cem to surface. PT BOP & csg (1500# high, 250# low), good. Continued drilling new 7-7/8" hole to TD 930'. Circ & cond hole. Ran open-hole log. Rn 23 jts 4-1/2" 10.5# J-55 ST&C csg (914.39'); set @ 922' KB (float collar @ 883' KB) w/200 sx Class '5', plus 1/4#/sk Celloflake, 3#/sk Gilsonite, 2% Cacl. Circ 10 B/cem to surface. RDMODR (6/26/06) (6/29/06) MIRUSU PU 3-7/8" bit/scraper on 1 ea 3-1/8" DC & RIH on 2-3/8" tbg work string. CO to PBTB (883') & roll hole w/2% KCl wtr, POOH. RU & rn GR/CCL/CBL from PBTB (883') to surface, good cem. PT csg w/rig pump to 2500 psi, ok. Perf Fruitland Coal w/3-1/8" csg gun, 4 spf, 120 deg phasing, 722'-737' (15', 60 holes) - 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 15, 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

AUG 22 2006

FARMINGTON OFFICE

SUNDRY NOTICE – FORM 3160-5

Dated August 15, 2006

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SG INTERESTS I, LTD

API No. 30-043-21025

FEDERAL 21-6-34 #1

(NENE) A-Sec 34-T21N-R6W

SANDOVAL COUNTY, NM

Acidized perfs w/1000 gal acid. Pumped 27,812 gal AQUA-SAFE X20 fluid; placed 430 sx 20/40 Brady Sand plus 200 sx SLC sand. CO to PBTD (883') & circ clean. Swabbed well. Land 24 jts 2-3/8" 4.7# J-55 tbg w/NC@ 786'; SN @ 753'. PU 2" x 1-1/2" x 12' RWAC insert pump, bucket test, & RIH on 2 ea 1-1/4" sinker bars, 27 ea 3/4" E rods plus 1 ea 6' & 4' 3/4" pony rods. Seat w/polish rod & load tbg; ck pump to 600 psi, ok. RDMOSU (8/3/06)

WO pipeline.