

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0125
Expires July 31, 1996

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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1.

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

SG Interests I, Ltd., c/o Sagle & Schwab Energy Resources

3a. Address

PO Box 2677, Durango, CO 81302-2677

3b. Phone No. (include area code)

(970) 259-2761

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

2350' FSL & 1650' FWL; Unit K, Sec 17-T26N-R11W

5. Lease Serial No.

NMSF079679

6. If Indian, Allottee or Tribe Name

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

NM

8. Well Name and No.

Gallegos Fed 26-11-17 #2

9. API Well No.

30-045-28858

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

11. County or Parish, State

San Juan County, NM

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

| TYPE OF SUBMISSION | TYPE OF ACTION |
|--|--|
| <input checked="" 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 Bradenhead repair |
| | <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.)

The subject well was recently found to have excessive bradenhead pressure. The 7" surface csg is set at 133' and cmt'd to surface. The 4-1/2" production csg is set at 1558' with cmt top at 226'. SG proposes pressure testing the 4-1/2" production casing for leaks and if found cmt sq csg leaks. If no leaks are found, we will perforate at approx. 200' with 36 - 0.179" holes, 10 degree phasing and cmt sq. In either case, we will attempt to circulate cmt to surface. Bradenhead will be checked for pressure/flow, drill out cmt, pressure test csg, re-run production equipment and return well to production. Work will begin as soon as approval is received and all necessary services are available and should be completed within one week. SG's Nationwide Bond Number is PIB0003277.

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

Name (Printed/Typed)

Dynn Garner

Title

Operations Manager

Signature

Date

July 21, 2003

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

WAYNE TOWNSEND

Title

Per. Eng.

Date

7/28/03

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)

CONDITIONS OF APPROVAL
Adhere to previously issued stipulations.

NMOCD

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

United States Dept. of the Interior

United States Dept. of Agriculture



**Bureau of Land Management
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401
(505) 599-8900**

**Carson National Forest
Jicarilla Ranger District
664 E. Broadway
Bloomfield, NM 87413
(505) 632-2956**



July 8, 2003

To All Oil and Gas Companies Doing Business on the Farmington Field Office and Jicarilla Ranger District:

Dear Sir or Madame,

Please be advised that the Farmington Field Office as well as the Carson National Forest have gone into Level III Fire Restrictions effective July 8, 2003. Please refer to the attachment on rules concerning the fire restrictions in place. In brief, this prohibits campfires and smoking is restricted to inside vehicles or at well sites.

For oil and gas operations, we are requiring that companies adhere to the following:

- Smoking only inside vehicles or at well sites.
- Prior notification to the Farmington Field Office or the Jicarilla Ranger District is required for drilling and flaring activities..
- Operations such as road grading, rock crushing, road surfacing, and other operations occurring on mineral soil may continue without approval by the two federal offices.
- 80 barrels of fresh water will be available for fire suppression and a minimum of 300 feet of 1 ½ inch hose with nozzle will available at work locations, such as flaring and drilling operations.
- Fire extinguishers, hand tools and a designated lookout will be used for welding, cutting torch and dozer operations.
- Chainsaws will be inspected prior to use. For inspections please stop by the Jicarilla Ranger Station located at 664 E. Broadway, Bloomfield, NM.

We also need to remind you that the federal government pursues fire suppression costs for all human-caused fires. The operator is responsible for the cost of suppressing all fires caused by their operations, and for all damage to any property of the government or third parties. The government reserves the right to participate in extinguishing any fires caused by the operator, and the operator shall reimburse the government for the cost of all suppression activities ordered by the government.

Please distribute this message as quickly as possible throughout your company and to your sub-contractors.
Thank-you for your cooperation.

Steve Henke
Field Office Manager

Mark S. Catron
District Ranger