

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

RCVD MAR 4 '08

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

OIL CONS. DIV.
DIST. 3

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)
Farmingington, UT
(970) 259-2701

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

Unit C: Sec 9-T20N-T6W
990 FNL, 1650' FWL (NENW)

8. Well Name and No.

FEDERAL 20-6-9 #2

9. API Well No.

30-031-21082

10. Field and Pool, or Exploratory Area

Basin Fruitland Coal

McKinley County, NM

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 Extend

APD Approval

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.)

SG Interests is requesting an extension of APD approval pertaining to this well (due to expire 3/22/08). The well has not been drilled. SG has constructed a gathering system to produce other completed Fruitland wells. However, SG has one operating disposal well (Pot Mesa #2 SWD), and it can take only a fraction of the large amounts of produced water. Consequently we have been able to put only 3-4 wells on line at one time. SG's new disposal well (Federal 21-6-28 SWD #33) is almost completed (this week) to the Entrada Formation and we anticipate being able to put most completed SG wells in this area to sales when the new disposal well is up and running. Pending evaluation of other Fruitland wells after they have had some time to produce gas and be de-watered, SG will be able to evaluate the economic feasibility of drilling the subject well. No changes have been made in the drilling/completion plan. No changes have occurred in the land status.

This final approval expires 03/20/10.

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

Name (Printed/Typed)

Marcia Stewart

Signature

Marcia Stewart

Title

Agent for SG Interests I Ltd

Date

February 26, 2008

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

Cynthia Marquez

Title

LJE

Date

02/27/08

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

FFO

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

Current NMOCD rules and regulations must be met at time of drilling