

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-141
Revised October 10, 2003

Submit 2 Copies to appropriate
District Office in accordance
with Rule 116 on back
side of form

Release Notification and Corrective Action

SG INTERESTS I, LTD		OPERATOR		<input checked="" type="checkbox"/> Initial Report	<input type="checkbox"/> Final Report
Name of Company c/o Nika Energy Operating, LLC		Contact Jeff Welch/Marcia Stewart			
Address PO Box 2677, Durango, CO 81302		Telephone No. (970) 759-1238/(970) 259-2701			
Facility Name CORRALES #1 Wellsite		Facility Type Old gas wellsite			
Surface Owner BLM		Mineral Owner BLM		Lease No. NM 53926	

LOCATION OF RELEASE

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
O	3	20N	6W	465	South	1785	East	McKinley

Latitude _____ Longitude _____

NATURE OF RELEASE

Type of Release Fresh Water	Volume of Release 30 bbls	Volume Recovered 0
Source of Release pit on wellsite	Date and Hour of Occurrence 3/6/07	Date and Hour of Discovery 3/7/07
Was Immediate Notice Given? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Not Required	If YES, To Whom? Message left for J. Lovato/BLM Phone call to Charlie Perrin/NMOCD-Aztec, NM	
By Whom? Marcia Stewart	Date and Hour 3/7/07 approx. 9:30 am	
Was a Watercourse Reached? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse. n/a	
If a Watercourse was Impacted, Describe Fully.* n/a	RCVD MAR19'07 OIL CONS. DIV. DIST. 3	

Describe Cause of Problem and Remedial Action Taken.* Well in the process of being P&A. Pit dug to store fresh water (from Smeltzer pond in the area) to be used for any possible drilling or cementing purposes. From now on, our drilling/completion/P&A written procedures will include a statement to "avoid any and all discharge of all fluids".

Describe Area Affected and Cleanup Action Taken.* Approximately 30 barrels was discharged from the rig pit and ran off well pad approximately 300'. Most of the water soaked into the ground, with some flowing out into the sage brush. A backhoe was on the wellsite and had been reclaiming the area. The affected ground was "sifted" and displaced with the backhoe.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: <i>Marcia Stewart</i>		OIL CONSERVATION DIVISION	
Printed Name: Marcia Stewart		Approved by District Supervisor: <i>Brandon Powell</i> For: Charlie Perrin	
Title: Eng. Assistant/Agent for SG Interests		Approval Date: 3-19-07	Expiration Date:
E-mail Address: marcia@nikaenergy.com		Conditions of Approval:	
Date: 3/9/07 Phone: (970) 259-2701		Attached <input type="checkbox"/>	

* Attach Additional Sheets If Necessary

nBP0711051342