

SAGLE & SCHWAB ENERGY RESOURCES

BM
Bob Sagle
President/Engineering

Tripp Schwab
Vice-President/Operations

February 17, 2004

State of New Mexico
Oil Conservation Division
1000 Rio Brazos Road
Aztec, NM 87410



RE: SG Interests
Pot Mesa #2 SWD
API No. 30-031-20888
McKinley County, NM
NM-24964

Effective April, 2003 (closing of sale July, 2003) Merrion Oil & Gas, Farmington, NM, sold the captioned injection well to SG Interests (c/o Sagle & Schwab Energy Resources), PO Box 2677, Durango, CO 81301. SG did not take over operations of the subject well until July, 2003. The well has been shut in since then, with no injection activity.

I was not aware until late last week that I needed to file a Form C-120A. At that time I spoke with Andrea Wheeler at the State Office in Santa Fe. She stated that Santa Fe has no way of receiving this form electronically as they do the C-115's, and that I should send the hard copy of this report to your office. I have included the reporting of the well ("0" injected barrels and "0" injection pressure) monthly on the C-115's, starting in July, 2003. From this date forward, I will file the Form C-120A on a monthly basis.

If you have any questions, please give me a call. Thanks for your help.

Sincerely,

SAGLE & SCHWAB ENERGY RESOURCES
AGENT FOR SG INTERESTS

Marcia Stewart

Marcia Stewart
Engineering Assistant