

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Artesia

FORM APPROVED
OMB NO. 1004-0137
Expires: January 31, 2018

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NMNM98120

6. If Indian, Allottee or Tribe Name

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

SUBMIT IN TRIPLICATE - Other instructions on page 2

8. Well Name and No.
SKELLY UNIT B 78

9. API Well No.
30-015-05366

10. Field and Pool or Exploratory Area
GRAYBURG JACKSON;SWRQGS

11. County or Parish, State
EDDY COUNTY, NM

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
LINN OPERATING,LLC
Contact: MINDY K KOTESKY
E-Mail: MKOTESKY@LINNENERGY.COM

3a. Address
600 TRAVIS, STE 1400
HOUSTON, TX 77002
3b. Phone No. (include area code)
Ph: 281-840-4208
Fx: 832-426-5972

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 23 T17S R31E Mer 6PM SWSW 1278FSL 660FWL

12. CHECK THE 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"/> Hydraulic Fracturing | <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 Venting and/or Flaring |
| | <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 Operation: 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 recompleat 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.

LINN RESPECTFULLY REQUESTS TO FLARE FROM 12/27/17 TO 03/23/18 AT 36 MCF/D FROM THE SKELLY UNIT B BATTERY DUE TO REQUEST FROM FRONTIER GAS PLANT TO SHUT-IN BATTERY DUE TO HIGH NITROGEN CONTENT IN GAS.

PLEASE SEE ATTACHED LIST FOR THE WELLS INCLUDED IN THIS BATTERY.

NM OIL CONSERVATION
ARTESIA DISTRICT

JAN 09 2018

RECEIVED

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

FOR RECORDS ONE

14. I hereby certify that the foregoing is true and correct.
Electronic Submission #399115 verified by the BLM Well Information System
For LINN OPERATING,LLC, sent to the Carlsbad
Committed to AFMSS for processing by JENNIFER SANCHEZ on 01/02/2018 ()

Name (Printed/Typed) MINDY K KOTESKY Title REGULATORY SPECIALIST

Signature (Electronic Submission) Date 12/28/2017

THIS SPACE FOR FEDERAL OR STATE OFFICE USE JAN 2 2018

Approved By _____ Title _____ Date _____
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

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.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make 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 page 2)

**** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ****

SKELLY UNIT B BATTERY

| API | Well Name | Well Number | Type | Lease |
|--------------|------------------|--------------------|-------------|--------------|
| 30-015-05366 | SKELLY UNIT | #078 ✓ | Oil | Federal |
| 30-015-22252 | SKELLY UNIT | #118 ✓ | Oil | Federal |
| 30-015-22256 | SKELLY UNIT | #122 ✓ | Oil | Federal |
| 30-015-22257 | SKELLY UNIT | #123 ✓ | Oil | Federal |
| 30-015-22264 | SKELLY UNIT | #130 ✓ | Oil | Federal |
| 30-015-22265 | SKELLY UNIT | #131 ✓ | Oil | Federal |
| 30-015-22266 | SKELLY UNIT | #132 ✓ | Oil | Federal |
| 30-015-22267 | SKELLY UNIT | #133 ✓ | Oil | Federal |
| 30-015-22268 | SKELLY UNIT | #134 ✓ | Oil | Federal |
| 30-015-22269 | SKELLY UNIT | #135 ✓ | Oil | Federal |
| 30-015-22481 | SKELLY UNIT | #136 ✓ | Oil | Federal |
| 30-015-22506 | SKELLY UNIT | #137 ✓ | Oil | Federal |
| 30-015-22482 | SKELLY UNIT | #138 ✓ | Oil | Federal |
| 30-015-22507 | SKELLY UNIT | #139 ✓ | Oil | Federal |
| 30-015-22509 | SKELLY UNIT | #140 ✓ | Oil | Federal |
| 30-015-22484 | SKELLY UNIT | #141 ✓ | Oil | Federal |
| 30-015-22510 | SKELLY UNIT | #142 ✓ | Oil | Federal |
| 30-015-22513 | SKELLY UNIT | #143 ✓ | Oil | Federal |
| 30-015-25040 | SKELLY UNIT | #158 ✓ | Oil | Federal |
| 30-015-25041 | SKELLY UNIT | #159 ✓ | Oil | Federal |
| 30-015-25042 | SKELLY UNIT | #160 ✓ | Oil | Federal |
| 30-015-29235 | SKELLY UNIT | #229 ✓ | Oil | Federal |
| 30-015-29236 | SKELLY UNIT | #230 ✓ | Oil | Federal |
| 30-015-29032 | SKELLY UNIT | #240 ✓ | Oil | Federal |
| 30-015-29033 | SKELLY UNIT | #241 ✓ | Oil | Federal |
| 30-015-29237 | SKELLY UNIT | #242 ✓ | Oil | Federal |
| 30-015-29183 | SKELLY UNIT | #243 ✓ | Oil | Federal |
| 30-015-28950 | SKELLY UNIT | #253 ✓ | Oil | Federal |
| 30-015-29034 | SKELLY UNIT | #254 ✓ | Oil | Federal |
| 30-015-29238 | SKELLY UNIT | #255 ✓ | Oil | Federal |
| 30-015-28974 | SKELLY UNIT | #256 ✓ | Oil | Federal |
| 30-015-28975 | SKELLY UNIT | #259 ✓ | Oil | Federal |
| 30-015-28811 | SKELLY UNIT | #260 ✓ | Oil | Federal |
| 30-015-28812 | SKELLY UNIT | #261 ✓ | Oil | Federal |
| 30-015-28789 | SKELLY UNIT | #262 ✓ | Oil | Federal |
| 30-015-29209 | SKELLY UNIT | #265 ✓ | Oil | Federal |
| 30-015-28951 | SKELLY UNIT | #266 ✓ | Oil | Federal |
| 30-015-29224 | SKELLY UNIT | #267 ✓ | Oil | Federal |
| 30-015-29064 | SKELLY UNIT | #272 ✓ | Oil | Federal |
| 30-015-29239 | SKELLY UNIT | #273 ✓ | Oil | Federal |
| 30-015-29210 | SKELLY UNIT | #274 ✓ | Oil | Federal |
| 30-015-28881 | SKELLY UNIT | #275 ✓ | Oil | Federal |
| 30-015-29225 | SKELLY UNIT | #276 ✓ | Oil | Federal |

SKELLY UNIT B BATTERY

| | | | | |
|--------------|-------------|--------|-----|---------|
| 30-015-28967 | SKELLY UNIT | #277 / | Oil | Federal |
| 30-015-29226 | SKELLY UNIT | #278 / | Oil | Federal |
| 30-015-29227 | SKELLY UNIT | #283 / | Oil | Federal |
| 30-015-29314 | SKELLY UNIT | #284 / | Oil | Federal |
| 30-015-29712 | SKELLY UNIT | #302 / | Oil | Federal |
| 30-015-29856 | SKELLY UNIT | #400 / | Oil | Federal |
| 30-015-29817 | SKELLY UNIT | #401 / | Oil | Federal |
| 30-015-29860 | SKELLY UNIT | #402 / | Oil | Federal |
| 30-015-31069 | SKELLY UNIT | #403 / | Oil | Federal |

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Pursuant to, 43 CFR 3179

Lessees or operators are hereby authorized to vent or flare gas on a short-term basis without incurring a royalty obligation in the following circumstances:

- A. 43 CFR 3179.105 **Emergencies** (a) An operator may flare or, if flaring is not feasible given the emergency, vent gas royalty-free under §3179.4 (a) (vi) of this subpart during an emergency. For purposes of this subpart, an “emergency” is a temporary, infrequent and unavoidable situation in which the loss of gas or oil is uncontrollable or necessary to avoid risk of an immediate and substantial adverse impact on safety, public health, or the environment. For purposes of royalty assessment, an “emergency” is limited to a short-term situation of 24 hours or less (unless the BLM agrees that the emergency conditions necessitating venting or flaring extend for a longer period) caused by an unanticipated event or failure that is out of the operator’s control and was not due to operator negligence.
- B. 43 CFR 3179.4 **Determining when the loss of oil or gas is avoidable or unavoidable.**
(2) *Avoidably lost oil or gas* means: Lost oil or gas that is not “unavoidably lost,” as defined in paragraph (a) of this section; waste oil that became waste oil through operator negligence; and, any “excess flared gas,” as defined in §3179.7.
- C. 43 CFR 3179.5 **When lost production is subject to royalty.**
 - (a) Royalty is due on all avoidably lost oil or gas.
 - (b) Royalty is not due on any unavoidably lost oil or gas.

Condition of Approval to Flare Gas

- 1. The first 24 hours of a temporary emergency flare is considered “unavoidably lost” and is therefore royalty free. Flared volumes that are considered unavoidably lost are not to be included in Sundry Notice (Form 3160-5). These Volumes are not royalty bearing and shall be reported on OGOR “B” as either disposition code “21” or “22”.
- 2. Flared volumes considered to be “avoidably lost”:
These flare events will require prior approval via Notice of Intent- Sundry Notice (Form 3160-5). Volumes flared beyond limits defined in 43 CFR 3179.7 are considered “avoidably lost” and will require payment of royalties, unless an exception is granted in accordance with 43 CFR 3179. Volumes for avoidably lost gas shall be reported on OGOR “B” reports as disposition code “08”.

If the operator believes that the flared volumes were “unavoidably lost” and the BLM determines them to be “avoidably lost”, the operator can submit a more detailed request via Sundry Notice (Form 3160-5) for an exception in accordance with 43 CFR 3179.4, 3179.103 - 3179.105. As an alternative to producing oil and flaring gas the operator may choose to shut the well in and avoid paying royalties on otherwise avoidably lost gas.

- 3. Approval not to exceed 90 days, if flaring is still required past 90 days submit new request for approval.

4. Submit Subsequent Report with actual volumes of gas flared for each month gas is flared on a Sundry Notice (Form 3160-5). Include method for volume determination and duration. Report unavoidably lost (first 24 hrs. of unexpected event) and avoidably lost (exceeding the first 24 hrs. or flared gas that has been approved as avoidably lost by the Authorized Officer) volumes and durations on the Subsequent Report.
5. In determining the volumes of gas to be reported, shall be in accordance with 43 CFR 3179.4, 43 CFR 3179.5, 43 CFR 3179.9 and 43 CFR 3179.10
6. The operator must estimate or measure all volumes of gas vented or flared gas by one of the following methods.
 - i. Measure the flare gas by a meter. The meter shall meet all requirements for a sales meter as per Federal Regulations, 43 CFR 3175 (due to volume of gas being flared). Include meter serial number on Sundry Notice (Form 3160-5).
 - ii. Calculate the volume of the flared gas based on the results of a regularly performed GOR test and measured values for the volumes of oil production and gas sales, so as to allow BLM to independently verify the volume, rate, and heating value of the gas flared.

Regulation Ref: Link to 43 CFR 3179 **Waste Prevention and Resources Conservation**;
<https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=dbd49eda8cdc488870172ed096d47be9&ty=HTML&h=L&mc=true&n=sp43.2.3170.3179&r=SUBPART>