Form 3160-5 (June 2015)

UNITED STATES AND FIELD OFFICE BUREAU OF LAND MANAGEMEN

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

Lease Serial No. NMNM12277

SUNDRY NOTICES AND REPORTS ON Do not use this form for proposals to drill or to re-enter an 6. If Indian, Allottee or Tribe Name abandoned well. Use form 3160-3 (APD) for such proposals. If Unit or CA/Agreement, Name and/or No. SUBMIT IN TRIPLICATE - Other instructions on page 2 NMNM88498 Well Name and No. 1. Type of Well PENNZOIL FED CO 01 ☐ Oil Well 🖸 Gas Well 🔲 Other Name of Operator Contact: TONY G COOPER API Well No. MCELVAIN ENERGY INC E-Mail: tony.cooper@mcelvain.com 30-025-27013-00-S1 3b. Phone No. (include area code) 10. Field and Pool or Exploratory Area Address 1050 17TH STREET SUITE 2500 Ph: 303-893-0933 Ext: 331 DENVER, CO 80265 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 11. County or Parish, State Sec 29 T18S R34E NWSE 1980FSL 1780FEL LEA COUNTY, NM 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA TYPE OF SUBMISSION TYPE OF ACTION □ Acidize Deepen ☐ Production (Start/Re Notice of Intent INT TO PA ☐ Hydraulic Fracturing ☐ Alter Casing □ Reclamation ■ Subsequent Report P&A NR Casing Repair ■ New Construction ☐ Recomplete ☐ Final Abandonment Notice □ Change Plans ☑ Plug and Abandon ■ Temporarily Abando ☐ Convert to Injection ☐ Plug Back ■ 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 recomplete 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 recompletion 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. McElvain Energy Inc. is requesting permission to permanently plug and abandon this well. Please see attached P%A procedure for your review. SEE ATTACHED FOR CONDITIONS OF APPROVAL Tony Cooper Regulatory Compliance Manager McElvain Energy Inc. 1050 17th Street Suite 2500 Denver CO 80265 303-962-6489 direct 303-501-0004 cell 14. I hereby certify that the foregoing is true and correct Electronic Submission #383803 verified by the BLM Well Information System
For MCELVAIN ENERGY INC, sent to the Hobbs
Committed to AFMSS for processing by ZOTA STEVENS on 08/21/2017 (17ZS0009SE) AJ GIBSON Title **ENGINEER** Name (Printed/Typed) Signature (Electronic Submission) Date 08/04/2017 THIS SPACE FOR FEDERAL OR STATE OFFICE USE **ZOTA STEVENS** Title PETROLEUM ENGINEER Date 08/21/2017 Approved By 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 Hobbs 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) ** BLM REVISED ** BLM REVISED ** BLM M REVISED ** MW/OCD 08/29/2017

Additional data for EC transaction #383803 that would not fit on the form

32. Additional remarks, continued

tony.cooper@mcelvain.com

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

Permanent Abandonment of Federal Wells Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within <u>ninety (90)</u> days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

The rig used for the plugging procedure cannot be released and moved off without the prior approval of the authorized officer. Failure to do so may result in enforcement action.

- 2. <u>Notification:</u> Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.
- 3. <u>Blowout Preventers</u>: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The BOP must be installed and maintained as per API and manufacturer recommendations. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.
- 4. <u>Mud Requirement:</u> Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of **brine** water. Minimum nine (9) pounds per gallon.
- 5. <u>Cement Requirement</u>: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. Any plug that requires a tag will have a minimum WOC time of 4 hours.

In lieu of a cement plug across perforations in a cased hole (not for any other plugs), a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient. Before pumping or bailing cement on top of CIBP, tag will be required to verify depth. Based on depth, a tag of the cement may be deemed necessary.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. <u>Dry Hole Marker</u>: All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). The BLM is to be notified a minimum of 4 hours prior to the wellhead being cut off to verify that cement is to surface in the casing and all annuluses. Wellhead cut off shall commence within ten (10) calendar days of the well being plugged. If the cut off cannot be done by the 10th day, the BLM is to be contacted with justification to receive an extension for completing the cut off.

The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement, unless otherwise noted in COA (requirements will be attached). The following information shall be permanently inscribed on the dry hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

- 7. <u>Subsequent Plugging Reporting:</u> Within 30 days after plugging work is completed, file one original and three copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**
- 8. <u>Trash:</u> All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration will be required. See attached reclamation objectives.

Current Wellbore Diagram

13 680

McElvain Energy, Inc. Pennzoil Federal Comm # 1 Unit J. Section 29, T18S-R34E API #30-025-27013 KB 3,988' Well History GL 3.970' 12/1980 Completed in Morrow. Acdz w/ 1350 gal 7.5% "Morroflo HCl w/ 700 SCF N2 Surface Casing 1993 Frac'd Morrow w/ x-linked borate, CO2 353 13 3/8" 48# H-40, ST&C 8rnd 1995 Put on plunger lift Cmt'd w/ 300 sks Class C 2/ 2% 1996 Unsuccessful stinging out of pkr. Then jarred 4 hrs without success. CaCl, did not circulate, ran 1" tbg Cut tbg @ 13044', leaving pkr & seal assembly in hole. down annulus to 60', cmt'd w/ 100 1/2005 Unsuccessful recompletion to Bone Spring Dolomite. Perf 9902-17' w/ 4 SPF sks Class C, circ 50 sks to surf. Acdz w/ 1000 gals 20% HCL, re-perf 6 SPF w/ tbg conveyed guns. No fluid entry. 3/2005 Bone Spring (9902-17) Gelled acid frac, 12M gal Cudd 15% Ultragel HCl Unsure of cmt top from 2/2016 squeeze Swab 2 runs, Rec 5 BLW, tr oil. IFL 9400', FFL 9800'. -255 BLW 5/2005 Return to Morrow. DO scat cmt & CIBP 12,894-987' w/air/foam unit. Put on plunger lift 9/2011 Broach tbg using slickline - no tight spots **Intermediate Casing** 6/2014 Swabbed well 8 5/8" 32# K-55, LT&C, cmt'd w/ 1/11/16 Swabbed well 2 days. Rec 55 bbls heavy fluid (looks like drlg mud). 1,500 sks Halliburton Lite w/ add IEL 1600', FEL 10,000' Unable to get below 11,000'. No gas flow vield 1.92 cuft/sk, tailed in w/ 1/28/16 Swabbed well. IFL 9800'. Rec 13 bbls drlg mud. FFL 10,900'. Unable to get below 10,900' 300 sks Class C w/ 2% CaCl Circ. 25 sks cmt to surface 2/12/16 Pressure tested casing with RBP and Pkr, found holes from 6,051' - 6,082'. Establish injection rate @2-1/2 BPM at 500 psi. Pumped 24 bbls, broke circulation out the 8-5/8" 6,051' - 6,082' Csg holes, sqz'd 2/15/2016 annulus, circulated 207 bbls to pit. tested to 1,000 psi for 15 min. 2/15/16 Set 5-1/2" cmt retainer at 5,950' on tbg, load csg w/ 34 bbls & put 400 psi on annulus. Sgz'd holes at 6.051' w/ 100 sks Class C 65/35 cmt at 12.8 ppg w/ 1.9 yield, tail w/ 200 sks Class C at 14.8 ppg w/ 1.33 yield, circulate out 8-5/8" annulus during job, did NOT get cmt to surface. 2/16/16 Tag cmt at 5,942', drill out cmt, retainer at 5,950', and 12' cmt. Fell out at 6,073', cont. 8450 TOC RIH to 6.112', circ hole clean, test csg to 1000 psi for 15 min w/ no leak off. 3/04/16 After several days of milling, fishing, cutting, etc. - recovered tbg, 14' Baker DB seal-bore pkr, 2-3/8" x 4' tbg sub, 2-3/8" profile nipple, and 2-3/8" x 4' tbg sub., RIH tag fill at 3/7-3/14/16 RIH w/ 3-1/2" frac string and pkr. set at 13.180', load csg. attempt to pump, pressure up to 8975 psi, attempt to surge well, press. Incr to 9,500 psi at 1 BPM. RIH w/ 1-11/16" strip guns, perforate Morrow from 13,388' - 13,400' w/ 4 SPF, 48 holes. RU Baker, break down perfs at 6,800 psi & 0.5 bpm, increased rate to 1 BPM, pressure up to 8,750 psi. Baker analysis on scale, spearhead 1250 gals 15% NEFE-HCL acid at 2 BPM & 8646 psi, press. broke to 6500 psi. Frac Morrow w/ 24,372 gals 30# Gel / CO2 @ 50-60 quality foam w/ 18,338 lbs 20/40 sand staging from 0.5-3.5 ppg at 11.4 BPM & 8750 psi. Well screened out w/ 10,000 lbs sand in formation, SD, left 8,338 lbs sand in tbg. 687 bbls load to recover, pumped 85 tons CO2. 3/22/16 RIH w/ 2-7/8" notched collar, SN and 431 jts 2-7/8" prod. Tbg, tag fill at 13,308', clean out 267' of fill to 13,375'. Tag solid. Circ. Hole clean 3 hours, PU 1 jt tbg, land tbg at 13,340' 9902-17 Bone Spring Carbonate perfs 3/23-4/26/16 Swab, attempt to flow, attempt to drop plunger, swab, etc. Recover additional low, some Tested and treated in 2005, no intermitent gas. 341 bbls of load still to recover. Turn over to production. fluid entry, no sign of squeeze may still be open. Tubing: 2.875" EUE, 6.5#, N-80 and L-80 (unsure of grade?) EOT - 432 jts 2-7/8", 2-7/8" SN with 2-7/8" notched collar Morrow perfs, original & re-perf 3/10/2016 w/ 1-11/16" thru tbg strip gun w/ 4 spf 13388-400' PBTD (3/22/2016 - hard tag after cleanout following frac) 13,644 5 1/2", 17# (20# bottom 3000'), cmt'd w/ 925 sks class H cmt w/ .640 Halad 22, 0.4% CFR-2, 5# KCL, yield of 1.3 cuft/sk

Proposed P&A Wellbore Diagram

