

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NMOC
Hobbs

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.

SUBMIT IN TRIPLICATE - Other instructions on page 2

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Cano Petro of New Mexico

3a. Address PO Box 4470
Tulsa, Ok 74159

3b. Phone No. (include area code)
(918) 582-0088

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
SENE 8S-30E

5. Lease Serial No. NMNM88748

6. If Indian, Allottee or Tribe Name

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

8. Well Name and No. Amoco Federal #1

9. API Well No. 3000520588

10. Field and Pool or Exploratory Area
Cato San Andres

11. Country or Parish, State
Chaves, NM

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 type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input checked="" 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 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 must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recomple 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.)

Cano Petro of New Mexico received written order #18KSBI01 on October 24, 2017. We are requesting approval to put this well into temporarily abandoned status, this request is based on long term value of the wellbore.

DENIED

DENIED! This Sundry Is Not In Compliance With Instructional Memorandum NM-2016-017 (See Attached). Please Submit Sundry With Required Information Per IM NM-2016-017, With Dates For Operations To Be Commenced By January 31, 2018. If Work Has Not Commenced By January 31, 2018 Enforcement Actions Will Be Forthcoming.

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)

Richard Harris

Title Director E&P

Signature

Date 11/15/2017

THE SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

DAVID R. GLASS

Title PETROLEUM ENGINEER

Date DEC 13 2017

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

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)

Accepted for Record Only

MJB/ocd 12/26/2017



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

New Mexico State Office
301 Dinosaur Trail
P.O. Box 27115
Santa Fe, New Mexico 87502-0115
www.blm.gov/nm



In Reply Refer To:

3160 (9200) P

September 7, 2016

EMS Transmission: 09/07/2016

Instruction Memorandum No. NM-2016-017

Expires: 09/30/2017

To: DMs and FMs

From: State Director

Subject: New Mexico Bureau of Land Management (BLM) Policy for Temporarily Abandoned (TA) and Shut-In (SI) Wells

Program Area: Fluid Minerals Operations and Leasing

Purpose: This Instruction Memorandum (IM) provides guidance to the BLM Field Offices and operators concerning the New Mexico State Office (NMSO) BLM policy requirements for documenting and placing inactive wells on Federal and Indian leases into TA or SI status.

Policy: All inactive wells on Federal and Indian leases will require approval for TA or SI status from the authorized officer (AO) in the appropriate BLM Field Office. Wells may be temporarily abandoned for no more than 30 days and wells may be shut-in for no more than 90 days without approval from the AO. To be considered for TA or SI well status, operators must first submit Form 3160-5 Sundry Notice (SN) - Notice of Intent (NOI) via mail hardcopy or via the appropriate BLM electronic submission system to the proper field office with all of the required justification and documentation. The specific timeframes and requirements for gaining TA and SI status approval are provided in attachments 1 and 2, respectively.

For wells on Indian leases, the BLM will notify the Bureau of Indian Affairs (BIA) of any SI or TA status changes within five working days of final approval. If the AO determines that a well on an Indian lease is no longer capable of producing in paying quantities, the AO must notify the BIA in writing and coordinate with the BIA before issuing a 60-day Written Order. The BIA will make the final determination.

The BLM Field Office Staff must update the specific codes indicating shut-in or temporarily abandoned for Sundry Notice Type and Well Status in the Automated Fluid Minerals Support System (AFMSS) database within 10 working days of a status change. The list of the specific AFMSS codes is provided in attachment 3.

Temporarily Abandoned (TA) Wells

A temporarily abandoned well is defined as an idle well which is physically or mechanically incapable of producing oil and/or gas of sufficient value to exceed direct operating costs (i.e. in paying quantities), but may have value as a recompletion candidate, service completion for enhanced recovery, or water disposal. The well may also be currently incapable of water or gas injection but had been actively injecting immediately prior to the status change. Federal regulation 43 CFR § 3162.3-4(c) states that, "No well may be temporarily abandoned for more than 30 days without the prior approval of the AO. The AO may authorize a delay in the permanent abandonment of a well for a period of 12 months. When justified by the operator, the AO may authorize additional delays, no one of which may exceed an additional 12 months. . . ."

The operator must seek TA status approval from the AO if wells are to be temporarily abandoned for more than 30 days. The AO will require the operator to perform a Mechanical Integrity Test (MIT) and isolate the perforations from the surface in an acceptable manner. TA status approval is at the discretion of the AO and will be effective for a period up to 1 year from the date of NOI approval and can be renewed annually thereafter not to exceed 5 consecutive years, provided the operator annually submits Form 3160-5 SN-NOI with all required justification and documentation. If the well was in SI status immediately prior to the application for TA status, the time period spent in SI status will count toward the 5-year limit. Wells that have been in TA status prior to the issuance date of this policy must re-apply to remain in TA status and are subject to all requirements of this policy. At the end of the 5-year limit, the operator must permanently plug and abandon the well or re-apply for TA status consideration and demonstrate mechanical integrity. TA status approval in these cases is at the discretion of the AO on a case-by-case basis. The operator shall promptly plug and abandon those inactive wells not granted TA status by the AO (43 CFR § 3162.3-4(a)). Attachment 1 outlines the detailed procedures for TA status approval.

Shut-in (SI) Wells

A shut-in well is defined as an inactive well which is physically and mechanically capable of producing oil and/or gas in paying quantities or capable of service (injection or monitoring) use, but is temporarily not producing or injecting/monitoring. To clarify the distinction between an SI well and a TA well, all equipment to produce an SI well must remain onsite. This includes all production equipment as well as flowlines and associated fluid storage facilities. However, the AO may authorize at their discretion the removal of specific equipment on a case-by-case basis upon receipt of sufficient documentation and justification from the operator when approving the SN-NOI. Operators must submit this information with the SN-NOI.

The operator must seek SI status approval from the AO if wells are to be shut-in for more than 90 days. The AO will require the operator to submit recent production/injection history, or if the well has been inactive for more than 12 consecutive months, perform a Production/Injection Verification Test. SI status approval is at the discretion of the AO and will be effective for a

period up to 1 year from the date of NOI approval and can be renewed annually thereafter not to exceed 2 years, provided the operator annually submits Form 3160-5 SN-NOI with all required justification and documentation. After 2 consecutive years of SI status, the operator can then apply for TA status annually for a period up to 3 years with sufficient justification. Only under extraordinary circumstances will the AO authorize a well to be maintained in SI status for a period longer than 2 years. These specific instances must be evaluated closely and documented by the AO, and operators must submit all substantiating documentation in their SN-NOI submission. Wells in SI status longer than 2 consecutive years must continue to demonstrate production capability annually. Long-term SI status wells must also demonstrate mechanical integrity after 5 consecutive years of SI status and every 5 years thereafter. Wells that have been in SI status prior to the issuance date of this policy must re-apply to remain in SI status and are subject to all requirements of this policy. SI status approval in all cases is at the discretion of the AO on a case-by-case basis. Failure to request SI status for a well inactive more than 90 days will result in the well being considered by the BLM to be temporarily abandoned and subject to all requirements for TA status wells. Attachment 2 outlines the detailed procedures for SI status approval.

Testing

Pursuant to Federal regulation 43 CFR § 3162.4-2, when required by the AO, the operator shall conduct periodic and reasonable tests to determine the presence, quantity, and quality of oil and/or gas and when needed, to demonstrate mechanical integrity of the downhole equipment. For all test procedures, the operator must schedule a date with the appropriate BLM Field Office and contact that office at least 48 hours prior to commencing testing operations so that the procedure can be witnessed by a BLM representative. All remedial work and test data must be provided to the BLM on Form 3160-5 Sundry Notice (SN) - Subsequent Report (SR). Wells seeking TA status approval will require a MIT initially and every 5 years thereafter. The BLM will not accept MITs conducted more than 12 months prior to SN-NOI submission. Wells seeking SI status approval will require a Production/Injection Verification Test if they have been non-producing or non-injecting for more than 12 months. Wells in SI status for 5 consecutive years or more that are seeking continued SI status will require an MIT and every 5 years thereafter.

TA and SI Status Wells on Extended Term Federal and Indian Leases

The AO must closely evaluate TA and SI status wells on leases in their extended term. Per Washington Office (WO) IM 2012-181, a TA status well cannot hold a Federal lease that is in its extended term; the AO shall send the operator a 60-day Written Order letter. In the case of Indian leases, the AO must notify the BIA in writing and coordinate with the BIA before issuing a 60-day Written Order. The BIA will make the final determination for extensions and terminations of Indian leases.

A shut-in well shall not extend a lease beyond its primary or fixed term unless the AO is satisfied that the well remains capable of production in paying quantities based on a recent test of the well. Operators of leases in their extended term that are continued solely by reason of a shut-in well (or wells) shall be required to test at least one well on the lease annually to confirm the lease

remains capable of production in paying quantities (BLM Handbook H-3107-1). Further, the lease is considered held by production only if the AO determines that the well(s) have been shut-in for a valid reason (temporary lack of market, temporary low commodity prices, or temporary equipment malfunction). If the operator fails to submit annual production/injection verification or if the AO determines that there is not a valid reason for a well to be shut-in, the AO will issue a Written Order to the operator to place at least one well on the Federal lease in a producing status within 60 days of receipt of such written order in accordance with the regulations at 43 CFR § 3107.2-3. For cases involving Indian leases, the AO must coordinate with the BIA prior to issuing the 60-day Written Order, and the BIA will make the final determination.

Timeframe: This policy is effective upon issuance.

Budget Impact: None. Field Offices are presently conducting TA and SI well status approvals. This IM standardizes the policy across all BLM New Mexico and Oklahoma Field Offices.

Background: Historically, BLM NM/OK/TX/KS has lacked a statewide policy regarding the management of inactive wells. In response to requests from the Field Offices and operators alike, the NMSO developed this IM from individual Field Office policies and in conformity with Federal regulations to ensure that inactive wells on Federal and Indian leases are regulated in an acceptable, consistent manner and documented properly in AFMSS. This IM seeks to clarify the responsibilities of the BLM Field Offices and to provide clear guidance for operators who wish to maintain potentially productive and beneficial wells. Federal regulations allow an operator to retain inactive (TA or SI) wells on Federal and Indian leases as long as a legitimate future purpose or beneficial use for the well can be demonstrated to the satisfaction of the AO. Federal regulation 43 CFR § 3162.3-4(c) establishes that no well can be in TA status for more than 30 days without AO approval. Regulations at 43 CFR § 3161.2 delegate responsibility to the AO for approving, inspecting, and regulating all well operations on Federal and Indian leases. Additionally, 43 CFR § 3162.3-4.2 authorizes the AO to require periodic testing to demonstrate production capability and mechanical integrity. WO IM 2012-181 clarifies the BLM policy regarding idle wells (which includes SI and TA wells). The BLM Handbook H-3107-1 addresses the requirements for shut-in wells on leases in their extended term.

Coordination: This guidance has been coordinated with the Field Offices and the NMSO. If unique situations arise, please contact the NMSO, and new guidance may be necessary.

Contact: Questions regarding this IM should be directed to the NMSO Geologist at (505)954-2139. Each AO, can contact the Assistant Field Manager (AFM), Lands and Minerals in the appropriate Field Office: Carlsbad Field Office at (575) 234-5972; Farmington Field Office at (505) 564-7731; Oklahoma Field Office at (918) 421-4116; Roswell Field Office at (575) 627-0250.

Authenticated by:
Veronica Maldonado
Program Management Analyst

Signed by:
Amy Lueders
State Director

3 Attachments:

- 1 - Procedure for Requesting Temporarily Abandoned (TA) Status for Wells on Federal and Indian Lands (2 pp)
- 2 - Procedure for Requesting Shut-In (SI) Status for Wells on Federal and Indian Lands (1p)
- 3 - Shut-In and Temporarily Abandoned Sundry Notice Type and Well Status Codes for AFMSS (1)

Distribution

NM 9210, J. Glover

NM9210:JGlover:vcn:08/23/16:x2169:IM No. NM-2016-017, New Mexico Bureau of Land Management (BLM) Policy for Temporarily Abandoned (TA) and Shut-In (SI) Wells

NM/OK/TX/KS Bureau of Land Management

Procedure for Requesting Temporarily Abandoned (TA) Status for Wells on Federal and Indian Lands

Wells cannot remain temporarily abandoned for more than 30 days without AO approval. To request approval beyond 30 days, the operator must:

- 1.** Submit Form 3160-5 SN-NOI requesting TA status consideration with the following information:
 - a.** Written justification of why the well should be temporarily abandoned rather than permanently plugged and abandoned;
 - b.** Description of the temporary abandonment procedure;
 - c.** Current and proposed wellbore diagrams showing any portion of the wellbore not cased, all casing strings and setting depths, top of cement behind casing strings, depths of bridge plugs (BP) and tops of cement on BPs, all perforations, depths of formations, tops and bottoms of any salt or potash section and any water zone, and any tubing or other equipment still in the wellbore;
 - d.** Procedures for isolating the perforations - before setting a plug (cement or mechanical) to isolate the perforations, the operator must set appropriate plugs (casing stubs, casing shoes, differential valve tools, formation top plugs, etc. per Onshore Oil and Gas Order #2) to properly plug back the wellbore to the proposed TA plug. Acceptable procedures for isolating the perforations may be approved by the AO on a case-by-case basis. The following are acceptable isolation plugs:
 - i.** a BP installed 50-100 feet above any open perforations or open hole. The BP must be capped with a minimum 25 sacks cement (or a sufficient amount of cement as specified by the AO) and placed with tubing; or
 - ii.** a cement plug placed opposite all open perforations and extended to a minimum of 50 feet below (except as limited by total depth or plug back total depth) to 50 feet above the perforated interval. The top of cement must be verified by tagging; and
 - e.** All downhole production/injection equipment (tubing, rods, etc) must be removed from the casing if they are not isolated by the bridge plugs.
- 2.** Commence abandonment activities within 90 days of NOI approval:
 - a.** The operator must schedule a date with the appropriate BLM Field Office and contact that office 48 hours prior to performing the Mechanical Integrity Test (MIT) so that the procedure can be witnessed by a BLM representative;

- Failure to submit Form 3160-5 SN-NOI to request TA status may result in an issuance of an Incident of Non-compliance (INC) and associated assessments and/or penalties.

1-2

all requirements of this policy. At the end of the 5-year limit, the operator must permanently plug and abandon the well or re-apply for TA status consideration and demonstrate mechanical integrity. TA status approval in these cases is at the discretion of the AO on a case-by-case basis. The operator shall promptly plug and abandon those inactive wells not granted TA status by the AO (43 CFR § 3162.3-4(a)).

NM/OK/TX/KS Bureau of Land Management

Procedure for Requesting Shut-In (SI) Status for Wells on Federal and Indian Lands

Wells on Federal leases may not be shut-in for more than 90 days without AO approval. To request SI status beyond 90 days, the operator must,

1. Submit Form 3160-5 SN-NOI requesting SI status approval with the following information:
 - a. Written justification why the well should continue to be shut-in rather than re-activated as a producing or service well;
 - b. Written documentation and justification of any changes to or removal of surface or subsurface equipment that could affect the capability of the well to produce. Removal of specific equipment is subject to AO approval on a case-by-case basis; and
 - c. Demonstration of production/injection capability.
 - i. Production/Injection Verification Test (see item 2 below)
 - ii. In lieu of a verification test, production/injection history from within the last 12 months can be submitted that demonstrates to the satisfaction of the AO that the well is capable of production or performing service operations.
2. Perform a Production/Injection Verification Test if the well has been inactive for more than 12 months. A production/injection test will be conducted for a minimum period of 24 hours. The AO may shorten or lengthen the test period to demonstrate the well's ability to produce hydrocarbons from or inject fluid into the wellbore in paying quantities. The operator must submit the results of this test on Form 3160-5 Sundry Notice (SN) - Subsequent Report (SR).
3. Provide the estimated date that the well will be either returned to beneficial use or permanently plugged and abandoned on Form SN-NOI or if necessary, the SN-SR.

Failure to request SI status for a well inactive more than 90 days will result in the well being considered by the BLM to be temporarily abandoned and subject to all requirements for TA status wells.

SI status is at the discretion of the AO and will be effective for a period up to 1 year from the date of NOI approval and can be renewed annually thereafter not to exceed 2 years provided the operator annually submits Form 3160-5 SN-NOI with all required justification and documentation. SI status is subject to all Conditions of Approval (COAs) required by the AO for each case. After 2 consecutive years of SI status, the operator can then apply for TA status annually for a period up to 3 years with sufficient justification. Only under extraordinary circumstances will the AO authorize a well to be in SI status for a period longer than 2 years. In addition to any required COAs, wells in SI status longer than 2 consecutive years must continue to demonstrate production capability annually. Long-term SI status wells must also demonstrate mechanical integrity after 5 consecutive years of SI

status and every 5 years thereafter. Wells in SI status prior to the issuance date of this policy must re-apply to remain in SI status and are subject to all requirements of this policy. SI status approval in all cases is at the discretion of the AO on a case-by-case basis.

NM/OK/TX/KS Bureau of Land Management

AFMSS Sundry Notice Type and Well Status Codes for Shut-In and Temporarily Abandoned Wells

SUNDRY NOTICE TYPE	
Code	Explanation
SHUTIN	Shut In Notice
TA	Temporarily Abandoned

WELL STATUS	
Code	Explanation
DSI	Drilling Shut-In
GSI	Gas Shut-In
GIWSI	Gas Injection Well Shut-In
OSI	Oil Well Shut-In
SIWSI	Steam Injection Well Shut-In
TA	Temporarily Abandoned
WDWSI	Water Disposal Well Shut-In
WIWSI	Water Injection Well Shut-In
WSWSI	Water Source Well Shut-In

☒ Certified Mail - Return
Receipt Requested
7012101000023272621

☐ Hand Delivered Received
by

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NOTICE OF INCIDENTS OF NONCOMPLIANCE

Identification
IID
Lease NMNM88748
CA
Unit
PA

Bureau of Land Management Office ROSWELL FIELD OFFICE				Operator CANO PETRO OF NEW MEXICO INC			
Address 2909 W. SECOND ST. ROSWELL NM 88201				Address P.O. BOX 4470 TULSA OK 74159-0470			
Telephone 505-627-0229				Attention			
Inspector BUSSELL				Attn Addr			
Site Name AMOCO FEDERAL	Well/Facility/FMP 1	1/4 1/4 Section SENE 1	Township 8S	Range 30E	Meridian NMP	County CHAVES	State NM
Site Name	Well/Facility/FMP	1/4 1/4 Section	Township	Range	Meridian	County	State

THE FOLLOWING VIOLATION WAS FOUND BY BUREAU OF LAND MANAGEMENT INSPECTORS ON THE DATE AND AT THE SITE LISTED ABOVE

Date	Time (24 - hour clock)	Violation	Gravity of Violation
10/13/2017	09:00	43 CFR 3162.3-4(c)	MINOR
Corrective Action To Be Completed By	Date Corrected	Assessment for Noncompliance	Assessment Reference
11/21/2017			43 CFR 3163.1()

Remarks

An inspection is being conducted on the above referenced well by BLM (Petroleum Engineer Technician) Kevin Bussell. The following well is currently shut-in and or not capable of producing in its present state; therefore consider Temporarily Abandoned (TA) and or Shut-in (SI) without approval.
(Remarks continued on following page(s).)

When violation is corrected, sign this notice and return to above address.

Company Representative Title DIRECTOR, E&P Signature [Signature] Date 11/15/2017

Company Comments

WARNING

Incidents of Noncompliance correction and reporting timeframes begin upon receipt of this Notice or 7 business days after the date it is mailed, whichever is earlier. Each violation must be corrected within the prescribed time from receipt of this Notice and reported to the Bureau of Land Management office at the address shown above. Please note that you already may have been assessed for noncompliance (see amount under "Assessment for Noncompliance"). If you do not comply as noted above under "Corrective Action To Be Completed By" you may incur an additional assessment under (43 CFR 3163.1) and may also incur Civil Penalties (43 CFR 3163.2). All self-certified corrections must be postmarked no later than the next business day after the prescribed time for correction.

Section 109(d)(1) of the Federal Oil and Gas Royalty Management Act of 1982, as implemented by the applicable provisions of the operating regulations at Title 43 CFR 3163.2(f)(1), provides that any person who "knowingly or willfully" prepares, maintains, or submits, false, inaccurate, or misleading reports, notices, affidavits, record, data, or other written information required by this part shall be liable for a civil penalty of up to \$25,000 per violation for each day such violation continues, not to exceed a maximum of 20 days.

REVIEW AND APPEAL RIGHTS

A person contesting a violation shall request a State Director review of the Incidents of Noncompliance. This request must be filed within 20 working days of receipt of the Incidents of Noncompliance with the appropriate State Director (see 43 CFR 3165.3). The State Director review decision may be appealed to the Interior Board of Lands Appeals, 801 North Quincy Street, Suite 300, Arlington VA 22203 (see 43 CFR 3165.4). Contact the above listed Bureau of Land Management office for further information.

Signature of Bureau of Land Management Authorized Officer <u>[Signature]</u>	#773	Date 10/13/17	Time 011:26
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FOR OFFICE USE ONLY

Number 50	Date	Assessment	Penalty	Termination
Type of Inspection PI				

BLM Remarks, continued

Pursuant to 43 CFR 3162.3-4(c). No well may be temporarily abandoned for more than 30 days without the prior approval of the authorized officer. The operator shall comply with pertinent order of the authorized officer and other standards and procedures as set forth in the applicable laws, regulations, lease terms and conditions, and the approved drilling plan or subsequent Operations plan.

Well Name: Amoco #1 API 3000520588, Last shown production from this well 19.6 years ago.

Refer to IM # NM-2016-017. Attached