Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010

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 reverse side.

5. Lease Serial No.
NMNM0557371

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No:
NMNM85315

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
CHALK BLUFF FED 3

2. Name of Operator
MEWBOURNE OIL COMPANY
Contact: JACKIE LATHAN
E-Mail: jlathan@mewbourne.com

9. API Well No.
30-015-27163-00-S1

3a. Address
P O BOX 5270
HOBBS, NM 88241

3b. Phone No. (include area code)
Ph: 575.393.5905

10. Field and Pool, or Exploratory
N ILLINOIS CAMP

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 1 T18S R27E NESE 1980FSL 990FEL

11. County or Parish, and State
EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☒ 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 shall 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 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

MOC would like to convert the well to a SWD. Please see attached well bore schematic, procedure, before & after schematic & C108. Please call Robin Terrell with any questions.

Accepted for record
NMOCD RE 4/28/14

Bond on file: NM1693 nationwide & NMB000919

BLM DOES NOT HAVE AUTHORITY FOR "OPERATIONS FOR A WELL WITH AN INJ PACKER" RE-NMOCD

SEE ATTACHED FOR CONDITIONS OF APPROVAL

RECEIVED
APR 28 2014
NMOCD ARTESIA

APPROVED
APR 24 2014
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #243187 verified by the BLM Well Information System
For MEWBOURNE OIL COMPANY, sent to the Carlsbad
Committed to AFMSS for processing by JERRY BLAKLEY on 04/23/2014 (14JDB0338SE)

Name *(Printed/Typed)* JACKIE LATHAN — Title AUTHORIZED REPRESENTATIVE

Signature (Electronic Submission) — Date 04/23/2014

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By EDWARD FERNANDEZ — Title PETROLEUM ENGINEER — Date 04/24/2014

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 Carlsbad

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.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ****

Mewbourne Oil Company

COMPLETION PROCEDURE

Submitted By: A. Martinez

Wellname: Chalk Bluff Fed #3

Location: 1980' FSL & 990' FEL
Sec 1, T18S, R27E
Eddy Co, NM

Date: 10-25-13

Csg Set:	Set @ 8968'	**Packer Type:**	2 7/8" x 7" AS1 Pkr
Csg Size:	7" 26#-29# N-80	**Packer Depth:**	6458'
Liner Size:	4 ½"	**Tbg:**	2 3/8" 4.7# N80 tbg
Liner Top:	8599'-10150'	**Tbg Set:**	6491.09'
Ports:	None	**Total Rods:**	None

Procedure:

1. MIRU WS Rig & pump truck. Blow well down.
2. ND WH & NU BOP. Release O/O tool. Circulate hole w/10# brine. Latch onto & release pkr. Pump 14.5# CaCO3 kill fluid as needed for well control.
3. POOH w/tbg & pkr.
4. RIH w/overshot to 9422' inside 4 ½" csg. Latch onto fish.
5. Release O/O tool & POOH. LD fish.
6. RIH w/O/O tool & tbg. Latch on to pkr. Release pkr & POOH (Note: AFE includes an additional $100,000 under contingencies for washing over Pkr if we can't get it released).
7. RIH & set 4 ½" CIBP @ 9900'. Spot 140 sx Class "H" (1.28 cuft/sx @ 15.1 PPG) from CIBP to 8400'.
8. RIH w/7" RBP & pkr and set at various depths to locate HIC (Determine if cmt squeeze is necessary or if HIC is part of zone of injection). Preform step rate injection test into HIC. (Note: AFE includes cost associated with squeezing).
9. If additional perfs are required MIRU WL. RIH w/3 1/8" slick guns & perforate Wolfcamp & Cisco as follows: 8100'-7690', 7270'-7260', 7250'-7240', 7140'-7120', 7030'-6840'. (Selective shots due to large intervals).
10. RIH w/ 3 1/2" WLEG (plug in place pinned to shear with 2000#), 1 jt 3 ½" N-80 IPC tbg, 3 ½" x 7" 1X Nickel plated Pkr, 3 ½" O/O tool w/2.81" X nipple, & 3 ½" 9.3# N-80 IPC tbg. Set Pkr w/20 pts compression 40' above top perf or HIC. Release from O/O Tool. Circ annulus w/FW & pkr fluid. Re-engage O/O tool. Test backside to 500#. ND BOP & NU 5K B1 flange (IPC) & 5K aluminum bronze or stainless valve.
11. RDMO WS Rig. MIRU acid pump. Pressure tbg to +/-2000# and pump out plug.
12. If stimulation is required MIRU Acid pump truck. Acidize Wolfcamp & Cisco w/10% HCL NeFe & ball sealers.
13. Perform MIT, pressure backside to 500#.
14. Start building battery and electrical installations. Start water injection.

see COA

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Ch

State of New Mexico
Energy, Minerals and Natural Resources Department

Administrative Order SWD-1466
March 5, 2014

ADMINISTRATIVE ORDER
OF THE OIL CONSERVATION DIVISION

Pursuant to the provisions of Division Rule 19.15.26.8B. NMAC, Mewbourne Oil Company (the "operator") seeks an administrative order to re-enter and recomplete its Chalk Bluff Federal Com. Well No. 3 with a location of 1980 feet from the South line and 990 feet from the East line, Unit letter I of Section 1, Township 18 South, Range 27 East, NMPM, Eddy County, New Mexico, for produced water disposal purposes. The operator is proposing a well name change to the Chalk Bluff Federal SWD No. 1

THE DIVISION DIRECTOR FINDS THAT:

The application has been duly filed under the provisions of 19.15.26.8B. NMAC and satisfactory information has been provided that affected parties as defined in said rule have been notified and no objections have been received within the prescribed waiting period. The applicant has presented satisfactory evidence that all requirements prescribed in 19.15.26.8 NMAC have been met and the operator is in compliance with 19.15.5.9 NMAC.

IT IS THEREFORE ORDERED THAT:

The applicant, Mewbourne Oil Company (OGRID 14744), is hereby authorized to utilize its Chalk Bluff Federal Com. Well No. 3 (API 30-015-27163) with a location of 1980 feet from the South line and 990 feet from the East line, Unit letter I of Section 1, Township 18 South, Range 27 East, NMPM, Eddy County, for disposal of oil field produced water (UIC Class II only) into the Wolfcamp and Cisco formations through perforations from approximately 6600 feet to approximately 8200 feet. Injection will occur through internally-coated, 3 ½-inch and smaller tubing and a packer set within 100 feet of the permitted interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the disposed water enters only the approved disposal interval and is not permitted to escape to other formations or onto the surface. This includes the well construction proposed and described in the application.

Operator will confirm the calculated top of cement for the 7-inch casing by cement bond log, temperature survey, or equivalent method. This information will be submitted to the Division's district II office prior to commencing injection.

After installing tubing, the casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer. The casing shall be pressure tested from the surface to the packer setting depth to assure casing integrity.

The well shall pass an initial mechanical integrity test ("MIT") prior to initially commencing disposal and prior to resuming disposal each time the disposal packer is unseated. All MIT procedures and schedules shall follow the requirements in Division Rule 19.15.26.11A. NMAC. The Division Director retains the right to require at any time wireline verification of completion and packer setting depths in this well.

The wellhead injection pressure on the well shall be limited to **no more than 1320 psig**. In addition, the disposal well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface tubing pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in tubing pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the disposed fluid from the target formation. Such proper showing shall be demonstrated by sufficient evidence including but not limited to an acceptable Step-Rate Test.

The operator shall notify the supervisor of the Division's district II office of the date and time of the installation of disposal equipment and of any MIT so that the same may be inspected and witnessed. The operator shall provide written notice of the date of commencement of disposal to the Division's district office. The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Division Rules 19.15.26.13 and 19.15.7.24 NMAC.

Without limitation on the duties of the operator as provided in Division Rules 19.15.29 and 19.15.30 NMAC, or otherwise, the operator shall immediately notify the Division's district II office of any failure of the tubing, casing or packer in the well, or of any leakage or release of water, oil or gas from around any produced or plugged and abandoned well in the area, and shall take such measures as may be timely and necessary to correct such failure or leakage.

The injection authority granted under this order is not transferable except upon division approval. The Division may require the operator to demonstrate mechanical integrity of any injection well that will be transferred prior to approving transfer of authority to inject.

The Division may revoke this injection permit after notice and hearing if the operator is in violation of 19.15.5.9 NMAC.

The disposal authority granted herein shall terminate two (2) years after the effective date of this order if the operator has not commenced injection operations into the subject well. One year after the last date of reported disposal into this well, the Division shall consider the well abandoned, and the authority to dispose will terminate *ipso facto*. The Division, upon written request mailed by the operator prior to the termination date, may grant an extension thereof for good cause.

Compliance with this order does not relieve the operator of the obligation to comply with other applicable federal, state or local laws or rules, or to exercise due care for the protection of fresh water, public health and safety and the environment.

Jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh or protectable waters or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the disposal authority granted herein.

JAMI BAILEY
Director

JB/prg

cc: Oil Conservation Division – Artesia District Office
United States Bureau of Land Management – Carlsbad Office

Conditions of Approval

Sundry dated 4/23/2014

Mewbourne Oil Company
Chalk Bluff Fed Com - 03
API 3001527163, T18S-R27E, Sec 01
April 24, 2014

1. Operator has provided evidence to the BLM Carlsbad Field Office that the well is below economic limits and the BLM concurs.
2. A new "Well Location and Acreage Dedication Plat" (NMOCD Form C-102) is required with the notice of intent package when opening another pay zone.
3. Surface disturbance beyond the existing pad must have prior approval.
4. A closed loop system is required. The operator shall properly dispose of drilling/circulating contents at an authorized disposal site. Tanks are required for all operations, no excavated pits.
5. Functional H_2S monitoring equipment shall be on location.
6. 3000 (3M) Blow Out Prevention Equipment to be used. All BOPE and workover procedures shall establish fail safe well control. Ram(s) for the work string(s) used is required equipment. Manual BOP closure system including a blind ram and pipe ram(s) designed to close on all (hand wheels) equipment shall be installed regardless of BOP design. Function test the installed BOPE to 500psig when well conditions allow. Related equipment, (choke manifolds, kill trucks, gas vent or flare lines, etc.) shall be employed when needed for reasonable well control requirements.
7. Notify BLM 575-200-7902 Eddy Co as work begins. Some procedures are to be witnessed. If there is no response, call 575-361-2822, leave a voice mail with the API#, workover purpose, and a call back phone number
8. The BLM PET witness is to run tbg tally and agree to cement placement. Sample each plug for cement curing time and tag and/or pressure test (WOC time of 4 hours recommended) as requested by BLM PET witness.
9. Set cement plugs to cover a minimum of 100ft plus 10ft for every 1,000ft from the bottom of the plug, rounding the number of necessary sacks up to the nearest 5 sacks. Never use less than 25sx. Examples: A cement plug set at 8000 in 7" casing would require a min of 35sx. A 25sx plug in 5 ½" casing should cover 250ft, which may exceed 100ft plus 10ft per 1000ft.
10. Class H > 7500ft will be necessary. For a cement plug tag or pressure test a minimum WOC time 8 hours(H) is recommended. Class "H" cement to be mixed 16.4#/gal, 1.06ft³/sx, 4.3gal/sx water.
11. **Step 7 of operator procedure: Tag the cement plug at least 50ft above the Canyon formation top of 8440 and record a charted pressure test of the plug to 1320psig for 30 minutes.**
12. **Pressure test (500psig) the 9 5/8" x 7" casing annulus to confirm that the 7" cement has sealed above the 9 5/8" shoe**. Document a BLM witnessed pressure test on a one hour full

rotation calibrated recorder chart registering within 25 to 85 per cent of its full range. Greater than 10% pressure leakoff will be viewed as a failed MIT. Less than 10% pressure leakoff will be evaluated site specifically and may restrict injection approval.

13. The operator shall test for oil and gas production from the injection zone. Demonstrate that paying quantities of hydrocarbons are not produced when the well has a pumped off fluid level. Open hole logs may support the evaluation. **At a minimum the operator shall swab test the well for 48hours and report results to the BLM.** BLM agreement is to be obtained prior completion as a disposal well.

14. All waste (i.e. trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area. Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations.

15. Approval is granted for disposal of water produced from the lease, communitization, or unit agreement of this well only. Disposal fluid from another operator, lease, communitization, or unit agreement require BLM surface right-of-way agreement approvals and if applicable, authorization from the surface owner.
16. Disposal of water from another operator requires that the well be designated as a commercial well and BLM surface right-of-way agreement approvals.
17. If the well is to receive off-lease water or commercial disposal, the operator shall provide proof of surface right-of-way approval prior to injection.
18. File intermediate **subsequent sundry** Form 3160-**5** within 30 days of any interrupted workover procedures and a complete workover subsequent sundry.
19. Submit the BLM Form 3160-**4 Recompletion Report** within 30 days of the date all BLM approved procedures are complete.
20. Workover approval is good for 120 days (completion to be within 120 days of approval). A legitimate request is necessary for extension of that date.

21. Subject to like approval by the New Mexico Oil Conservation Division.
22. Submit evidence to support your determination that the well has been returned to active "beneficial use" for BLM approval on the Sundry Notice Form 3160-5 (the original and 3 copies) before 10/25/2014. If work is completed as requested by the operator then item 19 above will satisfy this requirement.

23. Should "beneficial use" not be achieved submit for BLM approval a plan for plug and abandonment.

Operations for a Well with an Inj Packer

1) Conduct a Mechanical Integrity Test of the tubing/casing annulus after a tubing, packer or casing seal is established.
2) The minimum test pressure should be 500 psig for 30 minutes or 300 psig for 60 minutes, with a minimum 200 psig differential between tubing and casing pressure (at test time) but no more than 70% of casing burst pressure as described by Onshore Order 2.III.B.1.h. (The tubing or reservoir pressure may need to be reduced). Verify all annular casing vent valves are open to the surface during this pressure test. An alternate method for a BLM approved MIT is to have the fluid filled system open to atmospheric pressure and have a loss of less than five barrels in 30 days witnessed by a BLM authorized officer.
3) Document the pressure test on a one hour full rotation calibrated recorder chart registering within 25 to 85 per cent of its full range. Greater than 10% pressure leakoff will be viewed as a failed MIT. Less than 10% pressure leakoff will be evaluated site specifically and may restrict injection approval.
4) Make arrangements 24 hours before the test for BLM to witness. In Eddy County email Paul R. Swartz pswartz@blm.gov or phone 575-200-7902, if there is no response, 575-361-2822. If no answer, leave a voice mail or email with the API#, workover purpose, and a call back phone number.
5) Submit a subsequent Sundry Form 3160-5 relating the MIT activity. Include a copy of the recorded MIT pressure chart. List the name of the BLM witness, or the notified person and date of notification. NMOCD is to retain the original recorded MIT chart.
6) Use of tubing internal protection, tubing on/off equipment just above the packer, a profile nipple, and an in line tubing check valve below the packer or between the on/off tool and packer is a "Best Management Practice". The setting depths and descriptions of each are to be included in the subsequent sundry.
7) **Submit the original subsequent sundry with three copies to BLM Carlsbad.**
8) Compliance with a NMOCD Administrative Order is required, submit documentation of that authorization.
9) When injection pressure is within 50 psig of the maximum pressure, install automation equipment that will prevent exceeding that maximum. Submit a subsequent report (Sundry Form 3160-5) describing the installed automation equipment within 30 days.
10) Unexplained significant variations of rate or pressure to be reported within 5 days of notice.
11) The casing/tubing annulus is required to be monitored for communication with injection fluid or loss of casing integrity. A BLM inspector may request verification of a full annular fluid level at any time.
12) A "Best Management Practice" is to maintain the annulus full of packer fluid at atmospheric pressure. Equipment that will display on site, continuous open to the air fluid level is necessary to achieve this goal.
13) Loss of packer fluid above five barrels per month indicates a developing problem. Notify BLM Carlsbad Field Office, Petroleum Engineering within 5 days.

14) A suggested format for monthly records documenting that the casing annulus is fluid filled is available from the BLM Carlsbad Field Office.
15) Gain of annular fluid pressure requires notification within 24 hours. Cease injection and maintain a production casing pressure of 0psia. Notify the BLM's authorized officer ("Paul R. Swartz" <pswartz@blm.gov>, cell phone 575-200-7902). If there is no response phone 575-361-2822.
16) Submit a (Sundry Form 3160-5) subsequent report (daily reports) describing all wellbore activity and Mechanical Integrity Test as per item 1) above. Include the date(s) of the well work, and the setting depths of installed equipment: internally corrosive protected tubing, tubing on/off equipment just above the packer, and an in line tubing check valve below the packer or between the on/off tool and packer. The setting depths and descriptions of each are to be included in the subsequent sundry.

Access information for **use of Form 3160-5** "Sundry Notices and Reports on Wells"

NM Fed Regs & Forms - http://www.blm.gov/nm/st/en/prog/energy/oil_and_gas.html

§ 43 CFR 3162.3-2 Subsequent Well Operations.

§ 43 CFR 3160.0-9 (c)(1) Information collection.

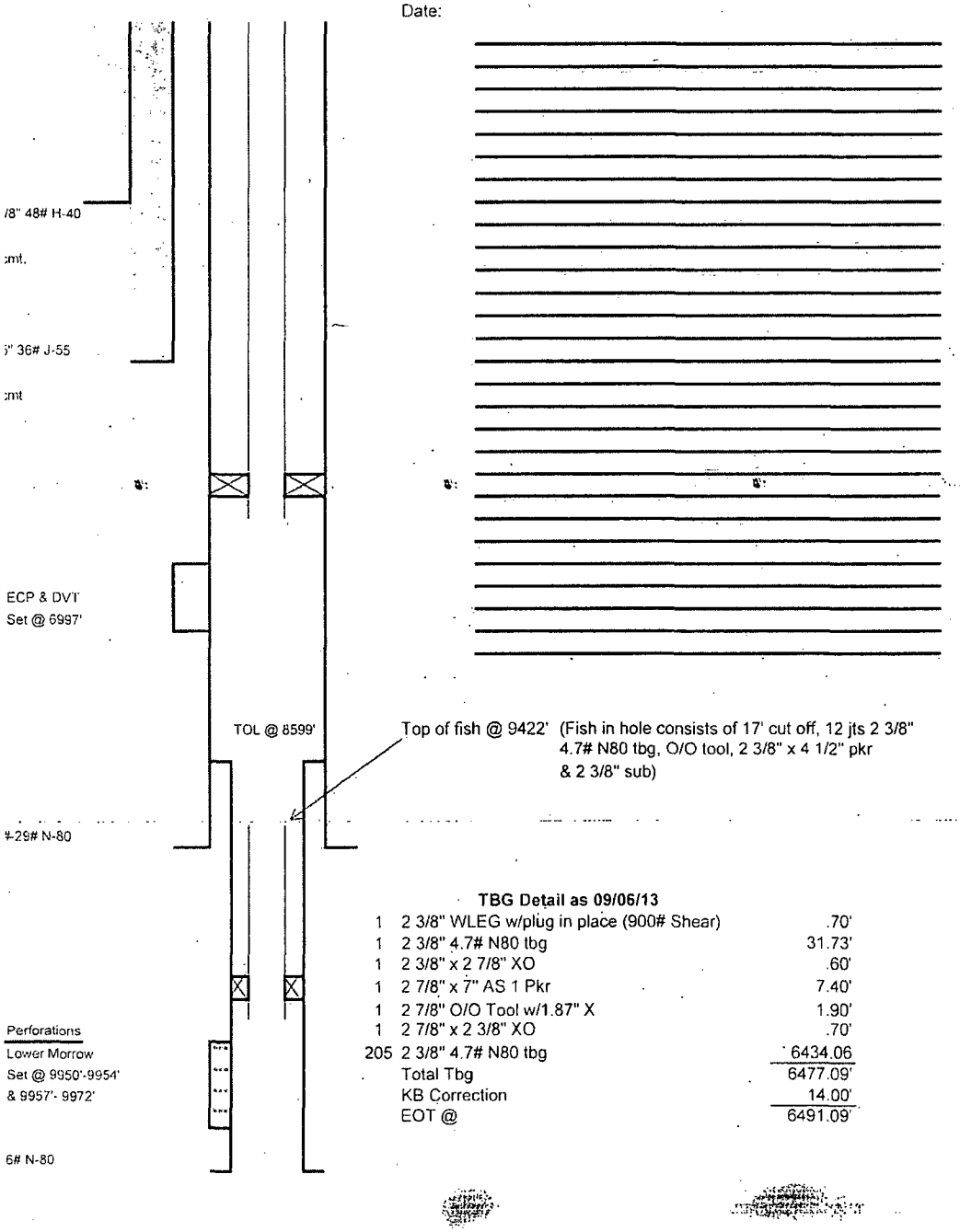
§ 3162.4-1 (c) Well records and reports.

Chalk Bluff Fed #3

Last Updated: 10/10/13
By: A. Martinez

Spud Date: 11/25/92

Date:



TBG Detail as 09/06/13

1	2 3/8" WLEG w/plug in place (900# Shear)	.70'
1	2 3/8" 4.7# N80 tbg	31.73'
1	2 3/8" x 2 7/8" XO	.60'
1	2 7/8" x 7" AS 1 Pkr	7.40'
1	2 7/8" O/O Tool w/1.87" X	1.90'
1	2 7/8" x 2 3/8" XO	.70'
205	2 3/8" 4.7# N80 tbg	6434.06
	Total Tbg	6477.09'
	KB Correction	14.00'
	EOT @	6491.09'

Chalk Bluff SWD #1

Last Updated: 9/27/13
By: Travis Cude

Spud Date: 12/27/07

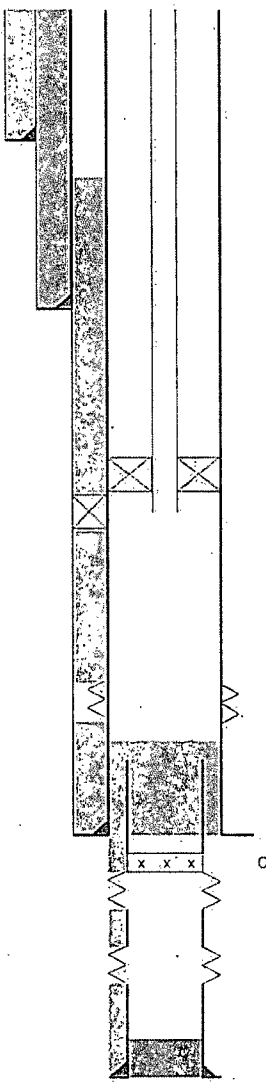
Surface
13 3/8" 48# H-40
Set @ 400'
Circ 465 sx cmt to surface

Intermediate
9 5/8" 36# LS STC
Set @ 2594'
Circ 790 sx cmt to surface

Intermediate
7" 26# N80
Set @ 8969'
DV Tool @ 6997'
ECP @ 7026'
Circ 350 sx below DVT
Circ 850 sx above DVT
Est. TOC 930' (w/ 15% L-O)

Injection String
3 1/2" 9.3#
Arrowset 1X Nickel Plated Packer
Pkr @ 6800'
Tbg @ 6835'

Liner
4 ½" 11.6# N80
Set @ 8599' - 10,150'
Circ 300 sx
PBTD 10,102'



Wolfcamp-Cisco Perfs
6840'-7030'
7120'-7140'
7240'-7250'
7260'-7270'

7690'-8100'

CIBP over morrow

Morrow Perfs
9861' - 9869'

9950' - 9954'
9957' - 9972'