

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

FORM APPROVED  
OMB No. 1004-0137  
Expires: July 31, 2010

RECEIVED  
JUN 05 2019  
Blair Field Office  
Bureau of Land Management

Lease Serial No. **NMSF078998**  
6. If Indian, Allottee or Tribe Name

**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.

<p>1. Type of Well  <input type="checkbox"/> Oil Well    <input checked="" type="checkbox"/> Gas Well    <input type="checkbox"/> Other</p> <p>2. Name of Operator  <b>Hilcorp Energy Company</b></p> <p>3a. Address  <b>382 Road 3100, Aztec, NM 87410</b></p> <p>3b. Phone No. (include area code)  <b>505-599-3400</b></p> <p>4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  <b>Surface Unit A (NE/NE) 833' FNL &amp; 857' FEL, Sec. 17, T31N, R07W</b></p>	<p>7. If Unit of CA/Agreement, Name and/or No.  <b>San Juan 32-7 Unit</b></p> <p>8. Well Name and No.  <b>San Juan 32-7 Unit 17B</b></p> <p>9. API Well No.  <b>30-045-35131</b></p> <p>10. Field and Pool or Exploratory Area  <b>Blanco Mesaverde/ Basin Mancos/Basin Dakota</b></p> <p>11. Country or Parish, State  <b>San Juan, New Mexico</b></p>
---	---

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input 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 checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<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
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<b>Water Shut Off</b>
	<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 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.)

During a recent workover operation on the subject well, Hilcorp Energy had issues with an unexpected inflow of water. A summary of the well:

- The well was down waiting for rig work for 4.5 months from mid-December 2018 until early May 2019;
- Since the rig first moved on location in early May we are seeing a steady influx of +/- 25 barrels of water/hour that doesn't seem to be slowing down;
- The casing is sound and pressure tested from the uppermost MV perforation to surface at 600 psig for 30 minutes;
- Water samples indicate fairly fresh water;
- Using an RBP and isolating the Mesa Verde from the Gallup & Dakota, we believe the water is coming from the Mesa Verde formation, primarily the Cliff House.

(continued on page 2)

NMOCD  
JUL 24 2019  
DISTRICT III

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) <b>Priscilla Shorty</b>	Title <b>Operations/Regulatory Technician - Sr.</b>
Signature <i>Priscilla Shorty</i>	Date <b>6/5/2019</b>

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by	Title	Date
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.

(Instruction on page 2)

NMOCD

ACCEPTED FOR RECORD  
JUL 23 2019  
BLAIR FIELD OFFICE

HEC Engineer contacted Jim Lovato, BLM, and Brandon Powell, NMOCD, about the path forward. It was agreed that:

1. A will be set packer at ~6330' to shut off the water coming from the Mesa Verde and allow production up the tubing from the existing Gallup and Dakota formations.
2. Test the viability of the well in this configuration (without the Mesa Verde) for up to 6 months from the packer installation date to gauge the future economic viability.
3. At the conclusion of the test period, implement a plan that will result in removal of the packer from the wellbore to mitigate concerns about the equipment becoming permanently stuck in the casing. Possible options include squeezing off part or all of the Mesa Verde, re-delivering the Mesa Verde, a scab liner, etc.