

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
OMB No 1004-0135
Expires: January 31, 2004

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.

1. Type of Well
☐ Oil Well ☐ Gas Well ☒ Other *W.I.W.*2. Name of Operator
AMERICO ENERGY RESOURCES, LLC3a. Address
7575 SAN FELIPE ST. STE 200 Houston, TX 770633b. Phone No. (include area code)
713-984-9700

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

B - Sec. 35 - 18S - 31E 330 FSL and 2329 FEL

5. Lease Serial No.

NM-NM-~~40190~~ 10191

6. If Indian, Allottee or Tribe Name

N/A

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

8910115720 *1270943X*

8. Well Name and No

East Shugart Unit #23

9. API Well No.

30-015-05699

10. Field and Pool, or Exploratory Area

Shugart (Y-SR-Q-G-)

11. County or Parish, State

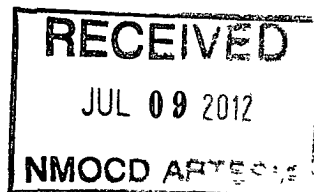
Eddy, NM

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)
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon
	☐ Convert to Injection	☐ Plug Back	☐ Water Disposal
			☐ Water Shut-Off
			☐ Well Integrity
			☐ Other _____

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 shall 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 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.)

Move in equipment on 4/22/2012. Rig up and perform a flow back of 300 to 400 bbls produced water to clean up casing, perforations and near well bore. Then treat the current set of perforations with 1500 gallons of 15% NEFE acid. Leave well shut in for 24 hours. Return well to active injection after clean up and treatment.

Accepted for record
NMOCD*TES*
*7/10/2012*SEE ATTACHED FOR
CONDITIONS OF APPROVAL*approve w/ attached COA*
*06/29/2012 RR*14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

Ehsan Bayat

Title Regulatory Analyst

Signature

Date

05/30/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

/s/ JD Whitlock Jr

Title

LD ET

Date

7/4/12

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

CFO

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)

Conditions of Approval

Americo Energy Resources, LLC

East Sugart Unit - 023

API 3001505699

July 3, 2012

1. Surface disturbance beyond the existing pad must have prior approval.
2. 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.
3. H₂S monitoring equipment to be used on location and functional.
4. A 2000 (2M) BOPE to be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 (attachment 1, 2M diagrams of choke manifold equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.
5. 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.
6. Workover approval is good for 90 days (completion to be within 90 days of approval). A legitimate request is necessary for extension of that date.

Well with a Packer - Operations

- 1) Conduct a Mechanical Integrity Test of the tubing/casing annulus after a tubing, packer or casing seal is established. Repair that seal any time more than five barrels of packer fluid is replaced within 30 days.
- 2) The minimum test pressure should be 500 psig for 30 minutes or 300 psig for 60 minutes, with 200 psig differentials 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). 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 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) At least 24 hours before the test: In Eddy County 575-361-2822, if there is no response email Paul R. Swartz pswartz@blm.gov phone 575-200-7902. Note the contact notification method, time, & date in your subsequent report.
- 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 Practice". The setting depths and descriptions of each are to be included in the subsequent sundry. List (by date) descriptions of daily activity of any previously unreported wellbore workover.
- 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.
 - a) Approved injection pressure compliance is required.
 - b) If injection pressure exceeds the approved pressure you are required to reduce that pressure and notify the BLM within 24 hours.
 - c) 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.
- 9) Unexplained significant variations of rate or pressure to be reported within 5 days of notice.
- 10) 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 the annular fluid level at any time.
- 11) A "Best 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.
- 12) Loss of packer fluid above five barrels per month indicates a developing problem. Notify BLM Carlsbad Field Office, Petroleum Engineering within 5 days.
- 13) A suggested format for monthly records documenting that the casing annulus is fluid filled is available from the BLM Carlsbad Field Office.
- 14) Gain of annular fluid 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.

15) 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 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. List (by date) descriptions of daily activity of any previously unreported wellbore workover.

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.