(March 2012)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED OMB No. 1004-0137 Expires: October 31, 2014

5. Lease Serial No. NMLC050158

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. 7. If Unit of CA/Agreement, Name and/or No. SUBMIT IN TRIPLICATE - Other instructions on page 2. 1. Type of Well 8. Well Name and No. Oil Well Other #3.14/17 Gas Well Harbold Federal 2. Name of Operator Freedom Energy, LLC 9. API Well No. 10. Field and Pool or Exploratory Area 3a, Address 3b. Phone No. (include area code) Empire: Yates-Seven Rivers R649 N 13th. St. Lake Arthur, NM 88253 575-365-2097 4. Location of Well (Footage, Sec., T.,R.,M., or Survey Description) 11. County or Parish, State Eddy, NM Sec SWSE35, T17S, R27E, NMPM 12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA TYPE OF ACTION TYPE OF SUBMISSION Deepen Acidize Production (Start/Resume) Water Shut-Off ✓ Notice of Intent Well Integrity Alter Casing Fracture Treat Reclamation Casing Repair New Construction Recomplete Other Subsequent Report Change Plans Temporarily Abandon Plug and Abandon Final Abandonment Notice 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.) This Lease makes Approximately a barrel a day of water. It is stored in a mesh covered 200 barrel fiberglass tank. L and E transports the produced water to the Loco Hills Water Disposal located at Sec 16, T17, R30E. NM COD Permit # R68113 ACCEPTED FOR RECORD RECEIVED Accepted for record NOV **07** 2012 NMOCD ARTSEBATTACHED FOR NOV 6 2012 CONDITIONS OF APPROVAL /s/ JD Whitlock Ji BUREAU OF LAND MANAGEMENT CARLSBAD FIELD OFFICE

Eugene Rogers Title Operator Date 10/04/2012 Signature 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 Office entitle the applicant to conduct operations thereon. 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,

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

fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

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

Disposal of Produced Water From Federal Wells Conditions of Approval

Approval of the produced water disposal methodology is subject to the following conditions of approval:

- 1. This agency shall be notified of any change in your method or location of disposal.
- 2. Compliance with all provisions of Onshore Order No. 7.
- 3. This agency shall be notified of any spill or discharge as required by NTL-3A.
- 4. This agency reserves the right to modify or rescind approval whenever it determines continued use of the approved method may adversely affect the surface or subsurface environments.
- 5. All above ground structures on the lease shall be painted Shale Green (5Y 4/2), or as per approved APD stipulations. This is to be done within 90 days, if you have not already done so.
- 6. Any on-lease open top storage tanks shall be covered with a protective cover to prevent entry by birds and other wildlife.
- 7. This approval should not constitute the granting of any right-of-way or construction rights not granted by the lease instrument.
- 8. If water is transported via a pipeline that extends beyond the lease boundary, then you need to submit within 30 days an application for right-of-way approval to the Realty Section in this office if you have not already done so.
- 9. Disposal at any other site will require prior approval.
- 10. Subject to like approval by NMOCD.

4/28/2012