

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
NOV 21 2013

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.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NMNM90807
2. Name of Operator SM ENERGY		6. If Indian, Allottee or Tribe Name
3a. Address 3300 N A ST BLDG 7 STE 200 MIDLAND, TX 79705		7. If Unit or CA/Agreement, Name and/or No.
3b. Phone No. (include area code) Ph: 432-688-1709 Fx: 432-688-1701		8. Well Name and No. OSAGE FEDERAL 16
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) Sec 34 T19S R29E NWSE 2310FSL 1750FEL		9. API Well No. 30-015-26283-00-S1
		10. Field and Pool, or Exploratory PARKWAY
		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
<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"/> 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 checked="" type="checkbox"/> Recomplete <input type="checkbox"/> Other
	<input type="checkbox"/> Change Plans <input type="checkbox"/> Plug and Abandon <input 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 recompleat 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.)

SM Energy proposes to re-complete the Osage Federal 16 in the lower Avalon shale formation, as a test of the productivity of the Avalon in the area. The proposed date of operations to start is November 2013. The proposed target interval is 6474 ft to 6628 ft, will be perforated within the interval, hydraulically fractured, and placed on rod pump for production testing.

The Osage Federal 16 was spud by Siete Oil & Gas Corporation on 2/10/1990 and drilled to 8300 ft. The well was perforated in the 1st Bone Spring Sand from 7002 ft to 7072 ft, and stimulated with acid and a hydraulic fracture treatment. The well is currently producing from the same perforations an average of 2.9 BOPD, 27.3 MCFD, and 8.6 BWPD. (See current wellbore diagram attached.)

The proposed test of the lower Avalon shale will involve the following work. Obtain partner

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

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

Electronic Submission #223570 verified by the BLM Well Information System
For SM ENERGY, sent to the Carlsbad

Committed to AFMSS for processing by JOHNNY DICKERSON on 10/23/2013 (14JLD1487SE)

Name (Printed/Typed) VICKIE MARTINEZ	Title ENGINEER TECH II
Signature (Electronic Submission)	Date 10/18/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By EDWARD FERNANDEZ	Title PETROLEUM ENGINEER	Date 11/19/2013
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 ****

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Accepted for record
NMOCB
TCS
11/21/2013
APPROVED
NOV 19 2013
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

Additional data for EC transaction #223570 that would not fit on the form

32. Additional remarks, continued

approval to temporarily isolate the 1st Bone Spring perforations, and recomplete the well in the Avalon shale. Pull rods and tubing. Run a USIT log to evaluate cement bond and casing wear over the Avalon interval. If the cement bond is adequate, then a di-pole sonic log will be run to evaluate rock properties over the Avalon interval. After logging is finished, a bridge plug will be set at 6700 ft, and the zone of interest perforated between 6474 ft and 6628 ft. A single stage hydraulic fracture treatment will be performed. The well will be flowed back and placed on rod pump once the well is dead. After a period of well testing the bridge plug will be drilled out and the 1st Bone Spring perforations will be commingled with the Avalon perforations.

Please see attachments, for your information.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

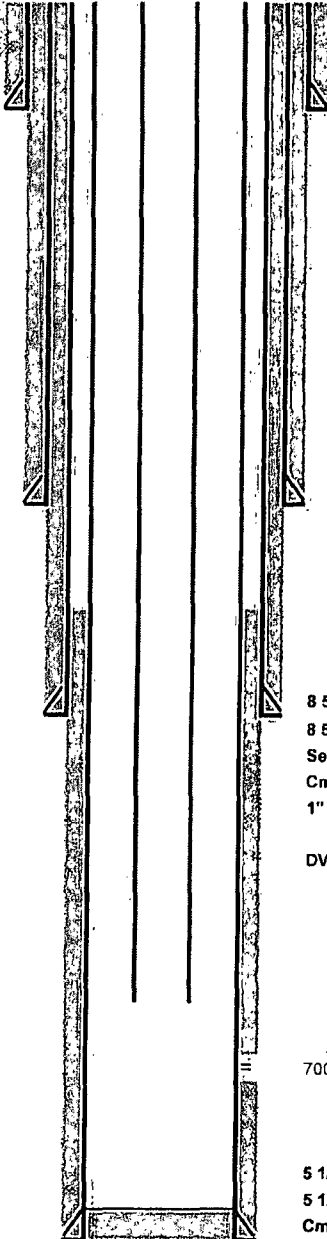
WELLBORE DIAGRAM
Osage Federal #16

LEASE: Osage
LOCATION: 2310' FSL & 1750' FEL
FIELD: Osage
CURRENT STATUS: PRODUCING

WELL NO. 16
SEC: 34 T: 19S R: 29E
GL: 3320.5' CT/ST: EDDY,NM
KB: 3335.5'

API # : 30-015-26283
SPUD: 2/10/90
COMP: 3/28/90
INITIAL FROM: BoneSprings

CURRENT
WELLBORE



20" 94# H-40 @ 358'
Cmt w/ 400SX
1" cmt to surface

13 3/8" 48# & 54.5# WC-40 @ 1150'
Cmt w/ 800SX
Circ: 70 sxs to surface

TOC @ 2750' by CBL on 3/24/90

8 5/8" 24# J-55 (2362') @ 3200'
8 5/8" 32# J-55 (846')
Set @ 3200'
Cmt w/ 750 sxs
1" to surface

DV Tool @ 6035'

1st BoneSprings

7002-7072 (15 perms)

5 1/2" 17# N-80 (63')
5 1/2" 17# J-55 (8237') set @ 8,300'
Cmt w/ 925 sxs

WELL HISTORY

3/28/1990 perf BoneSprings 7002-7072' w/15 perms.
acidized w/2000g 15% HCL. Fraced w/71000g
25# XL, 166000# 16/30 & 28000# Rsc. @ 30
BPM. IPF 120 Bw & 65 Bw

10/16/2013 SN @ 7148', TAC @ 6884'

PBTD: 1 8258
TD: 8,300'

DATE: 11/17/2013
PREPARED BY:
NDL

PROPOSED WELLBORE DIAGRAM

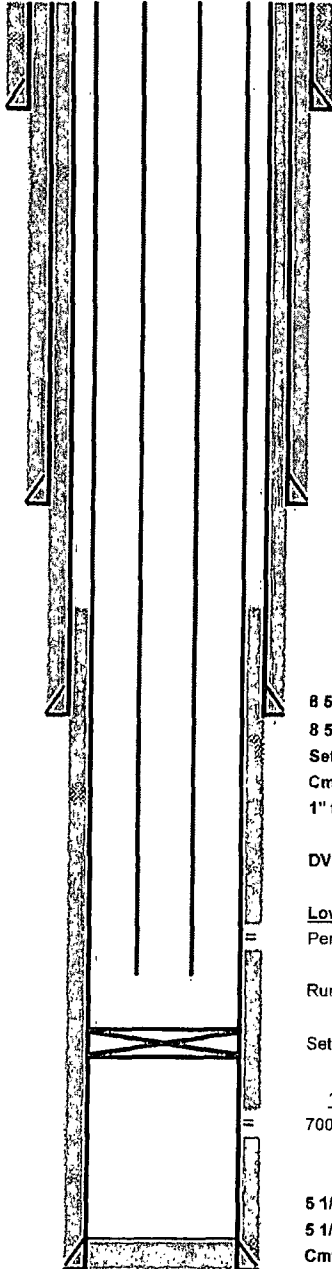
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Set @ 3200'
Cmt w/ 750 sxs
1" to surface

DV Tool @ 6035'

Lower Avalon Shale

Perf interval between 6474'-6628', hydraulically frac Avalon

Run tbg below perfs and put well on rod pump

Set Bridge Plug @ 6700'

1st BoneSprings

7002-7072 (15 perfs)

5 1/2" 17# N-80 (63')
5 1/2" 17# J-55 (8237') set @ 8,300'
Cmt w/ 925 sxs

PBTD: I 8256
TD: 8,300'

DATE: 11/17/2013
PREPARED BY:
NDL

**N MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-55

All distances must be from the outer boundaries of the Section.

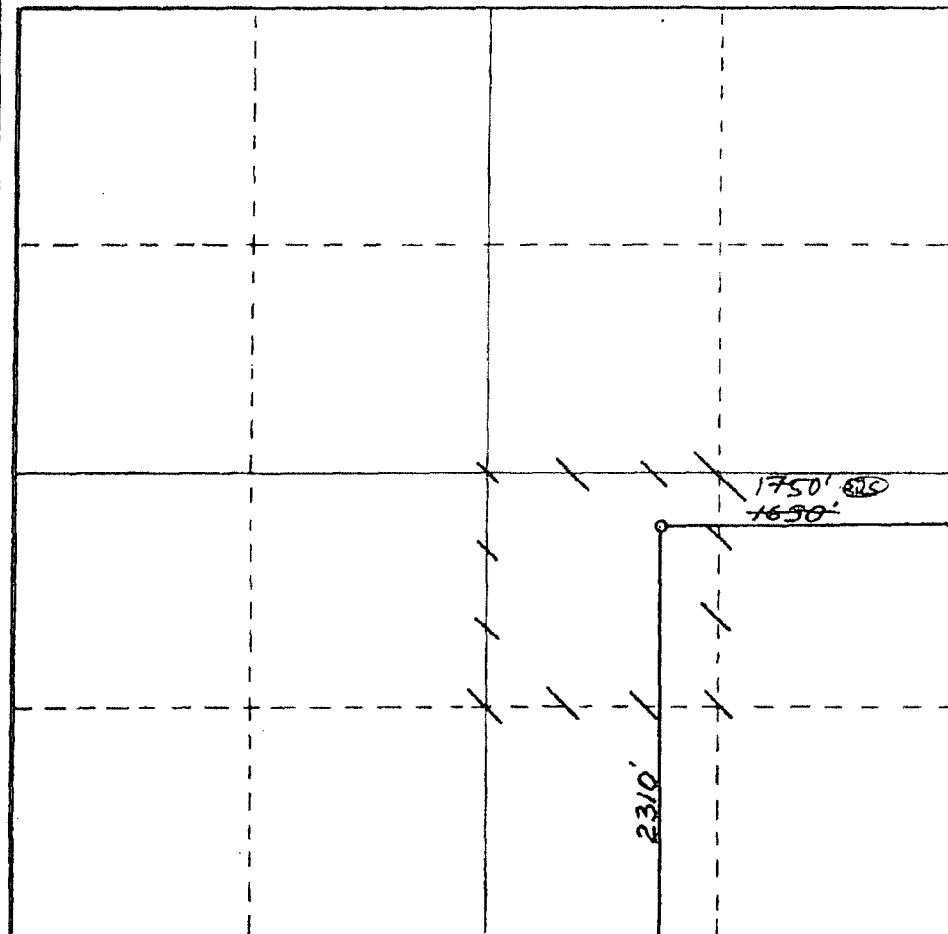
Operator SIETE OIL & GAS CORPORATION			Lease Osage Federal		Well No. 16
Unit Letter J	Section 34	Township 19 South	Range 29 East	County Eddy County, New Mexico	
Actual Footage Location of Well: 2310 feet from the South line and 1750 feet from the East line					
Ground Level Elev. 3320.	Producing Formation Parkway		Pool Bone Spring	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Harold D. Justice

Name

V.P. Drilling & Production

Position

Siete Oil & Gas Corporation

Company

February 2, 1990

Date

Harold D. Justice

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

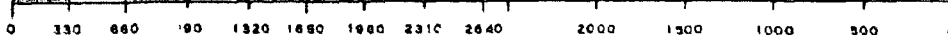
September 29, 1989

Registered Professional Engineer and/or Land Surveyor

Dan R. Reddy

Certificate No.

NM PE&LS NO. 5412



CONDITIONS OF APPROVAL

Sundry dated October 18, 2013

OPERATOR'S NAME:	SM Energy Company
LEASE NO.:	NMNM-90807
WELL NAME & NO.:	Osage Federal 16 30-015-26283
COUNTY:	Eddy County, New Mexico

- 1. Surface disturbance beyond the originally approved pad must have prior approval.**
- 2. Closed loop system required.**
- 3. Operator to have H2S monitoring equipment on location.**
- 4. A minimum of a 2000 (2M) BOP 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 size of 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 I (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. drilling fluids, 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. Operator to submit an electronic copy of the USIT log to the BLM as soon as possible for evaluation.**
- 7. Note: Operator to set a CIBP 50 to 100' above the existing at perforations, or at approximately 6902' and cap with 50' of cement. TAG and record TOC on subsequent report.**
- 8. Must conduct a chart recorded casing integrity test (CIT) for 30 minutes before any perforating or fracturing can be done. Submit results to BLM. The CIT is to be performed on the production casing to max treating pressure unless operator choses to use a Frac work string. Must notify BLM if this will be the case.**

9. If CIT does not fail, further work is approved as written.
10. After adequate testing of the Avalon Shale submit a NOI Sundry to remove CIBP to comingle with 1st Bone Spring. Also provide adequate well testing and or production information on the Avalon shale.
11. Subsequent sundry required detailing work done and completion report. Operator to include well bore schematic of current well condition when work is complete.
12. Work to be completed within the next 100 days after receiving this approval.

EGF 111913