NMOCD
Artesia
NM OIL CONSERVATION
ARTESIA DISTRICT
AUG 31 2017
RECEIVED

Form 3160-5
(June 2015)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

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*

1. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other	5. Lease Serial No. NM 12557
	6. If Indian, Allottee or Tribe Name: N/A
	7. If Unit of CA/Agreement, Name and/or No.: N/A
	8. Well Name and No.: DUNCAN FEDERAL #12
2. Name of Operator: JALAPENO CORPORATION	9. API Well No.: 30-005-64277
3a. Address: PO BOX 1608, ALBUQUERQUE, NM 87103 — 3b. Phone No. *(include area code)*: (505) 242-2050	10. Field and Pool or Exploratory Area: SAN ANDRES, SOUTH
4. Location of Well *(Footage, Sec., T.,R.,M., or Survey Description)*: 2145' FNL & 694' FWL SEC. 18, T-9S, R-28E	11. Country or Parish, State: CHAVES COUNTY, NM

12. CHECK THE 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
	☐ Alter Casing	☐ Hydraulic Fracturing	☐ Reclamation	☐ Well Integrity
☐ Subsequent Report	☐ Casing Repair	☐ New Construction	☐ Recomplete	☐ Other
	☑ Change Plans	☐ Plug and Abandon	☐ Temporarily 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 perfonned or provice 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 detennined that the site is ready for final inspection)

JALAPENO CORPORATION IS REQUESTING A CHANGE FROM THE PRIOR APPROVED BOP DESIGN

TO THE BOP DESIGN ON THE ATTACHED SCHEMATIC.

Accepted for record - NMOCD 9-1-17

BOND: NMB000378

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED
2017 AUG 24 A 8:25
BUREAU OF LAND MGMT.
ROSWELL OFFICE

14. I hereby certify that the foregoing is true and correct. Name *(Printed/Typed)*: Julie A. Pascal	Title: Oil and Gas Associate
Signature: Julie A Pascal	Date: 08/18/2017

THE SPACE FOR FEDERAL OR STATE OFICE USE

APPROVED
AUG 24 2017
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

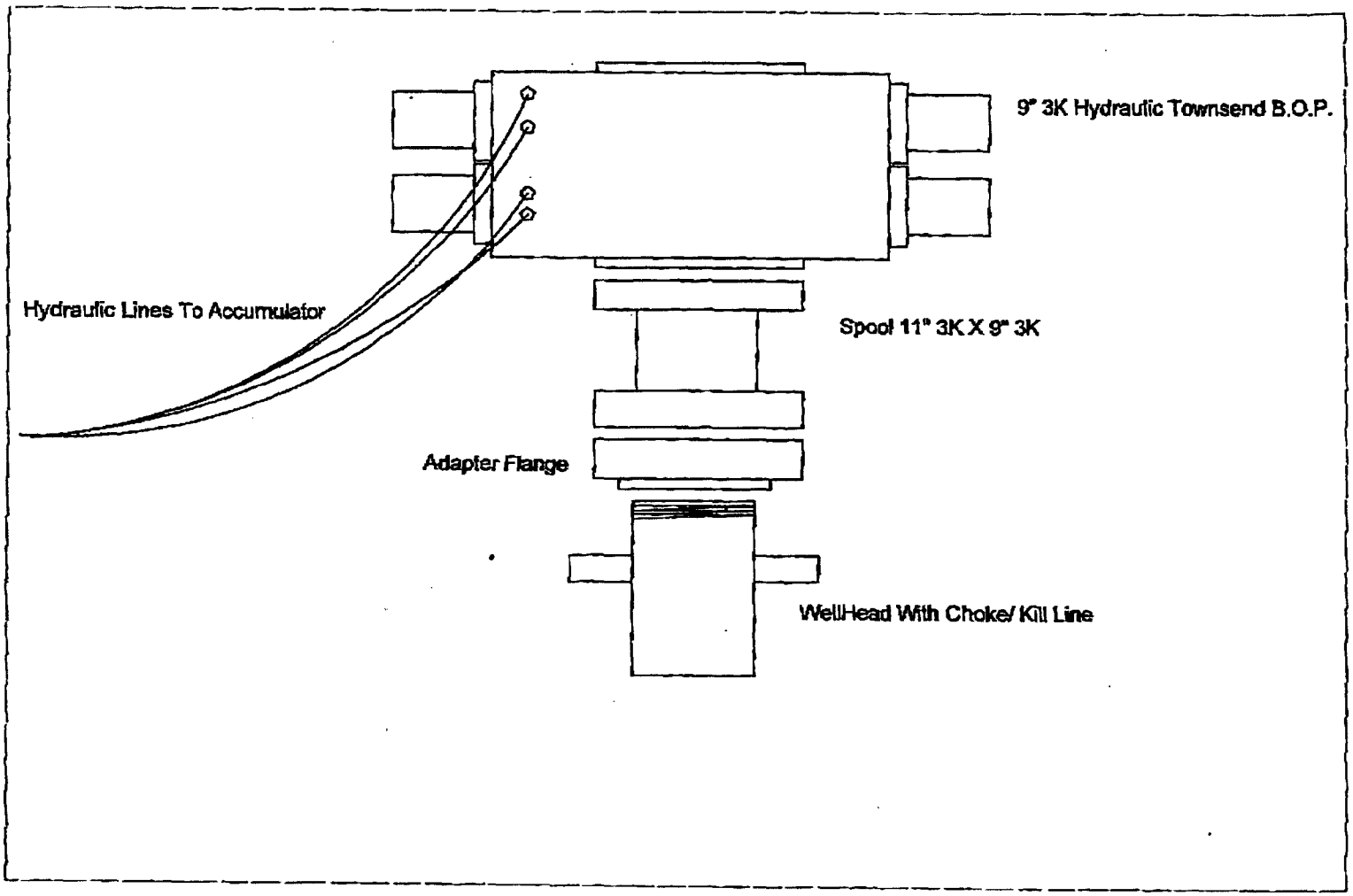
Approved by	Title / Date
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.	Office

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.

(Instructions on page 2)

Jalapeno Corporation
Duncan Federal #12

W / Spool



6. Minimum Specifications for Pressure Control

All BOP and related equipment will comply with well control requirements as described in Onshore Order#2. Minimum working pressure of the blowout preventer and related equipment (BOPE) will be 2000 PSI. The BOP will be installed and operational before drilling below the 7" surface casing and will be tested as described in Onshore Order#2. We will test the BOP and 7" casing at 2000# for 30 minutes. Because we will not be using a test plug, we are allowed up to a 10% drop in pressure over the 30 minute period. If the pressure holds above 1800 PSI during this 30 minute test, the BOP will have met the requirements for us to move forward.

The results of the test will be reported to the appropriate BLM office. Testing fluid will be water. No drilling mud will be used in testing. Testing will be done in a safe and workman like manner and hard line connections will be required. If this BOP fails to test satisfactorily, it will be repaired or replaced.

DRILLING
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	**Jalapeno Coporation**
LEASE NO.:	**NMNM-12557**
WELL NAME & NO.:	**Duncan Federal 12**
SURFACE HOLE FOOTAGE:	**2145' FNL & 0694' FWL**
LOCATION:	**Section 18, T. 09 S., R 28 E., NMPM**
COUNTY:	**Chavez County, New Mexico**

The original COAs still stand with the following drilling modifications:

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

a. Spudding well (minimum of 24 hours)
b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
c. BOPE tests (minimum of 4 hours)
d. CIT test

☒ **Chaves and Roosevelt Counties**
Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201.
During office hours call (575) 627-0272.
After office hours call (575) 627-0205.

1. **Although there are no measured amounts of Hydrogen Sulfide reported, it is always a potential hazard. If Hydrogen Sulfide is encountered, provide measured values and formations to the BLM.**

2. **The record of the drilling rate along with the GR/N well log run from TD to surface shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size or are Non-API. The Operator can exchange the components of the proposal with that of superior strength (i.e. changing from J-55 to N-80, or from 36# to 40#). Changes to the approved cement program need prior approval if the altered cement plan has less volume or strength or if the changes are substantial (i.e. Multistage tool, ECP, etc.). The initial wellhead installed on the well will remain on the well with spools used as needed.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) for Water Basin:
After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least 8 hours. WOC time will be recorded in the driller's log. See individual casing strings for details regarding lead cement slurry requirements.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Have well specific cement details onsite prior to pumping the cement for each casing string.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Medium Cave/Karst
Possibility of lost circulation in the San Andres.

1. The **8-5/8**" surface casing is set at **600** feet with cement circulated to surface.

2. The minimum required fill of cement behind the **7** inch intermediate casing, which shall be set at **630** feet, is:

   ☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst. Excess calculates to negative 20% - Additional cement will be required.**

A CIT is to be performed on the 7 inch casing per Onshore Oil and Gas Order 2.III.B.1.h prior to drilling the last shoe plug. Test casing to 1,500 psi.

Formation below the 7" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

IF EITHER OF THE ABOVE TESTS FAIL CONTACT THE BLM.

3. The minimum required fill of cement behind the **4-1/2** inch production casing is:

   ☒ **Cement to surface**. If cement does not circulate, contact the appropriate BLM office. **Excess calculates to 11% - Additional cement may be required.**

4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API 53.

2. Jalapeno Corporation is granted a variance to use a cable tool rig.

3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi (**Operator installing 3M, but testing to 2,000 psi**).

4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

   a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).

b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer**.

c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.

d. The results of the test shall be reported to the appropriate BLM office.

e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**

f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion 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.

JAM 082417