OCD-ARTESIA

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
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 page 2.*

1 Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other	5 Lease Serial No: LC-060529
	6. If Indian, Allottee or Tribe Name
	7 If Unit of CA/Agreement, Name and/or No.
	8 Well Name and No.: Beeson "F" Federal No. 5
2 Name of Operator: Southern Bay Operating, L.L.C.	9 API Well No: 30-015-04399
3a Address: 110 Cypress Station Dr , #220, Houston, TX 77090 — 3b. Phone No. *(include area code)*: 281-537-9920	10 Field and Pool or Exploratory Area: Loco Hills QN-GB-SA
4 Location of Well *(Footage, Sec , T ,R.,M., or Survey Description)*: 2297' FNL & 1646' FEL, Unit G - S31-T17S-R30E	11 Country or Parish, State: Eddy

RECEIVED
NOV - 2 2009
NMOCD ARTESIA

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	☐ Fracture Treat	☐ 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 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.)

Plug and abandoned well - no future utility.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

1. MIRU PU. POOH w/rods & tbg. TIH open-ended to 3214'.
2. Circ hole w/9.5# mud.
3. Spot 75 sxs cmt from 2533'-3214'. (Top of Grayburg 2633').
4. PU to 2358' (Top of Queen 2308'). Spot 25 sxs cmt from 2258'-2358'.
5. Perf 669'. (8-5/8" @ 619'). Sqz 40 sx plug from 519'-669'. Sqz 50' out. Tag @ 519'.
6. Perf 500' (Top of salt @ 455'). Sqz 40 sx plug from 355'-500'. Sqz 50' out. Tag @ 355'.
7. Perf @ 60'. Circ cmt to surf of 8-5/8" x 5-1/2" annulus.
8. Cut csg 3' below GL. Weld on plate. Install dry hole marker.

RECLAMATION PROCEDURE
ATTACHED

14. I hereby certify that the foregoing is true and correct. Name *(Printed/Typed)*: Juanita Ramirez — Title: Manager, Production Administration

Signature: Juanita Ramirez — Date: 10/16/2009

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

APPROVED
OCT 27 2009
/s/ Chris Walls
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)

Beeson "F" Federal 5
30-015-04399
Southern Bay Operating, L.L.C.
October 27, 2009
Conditions of Approval

Plugging Procedure:

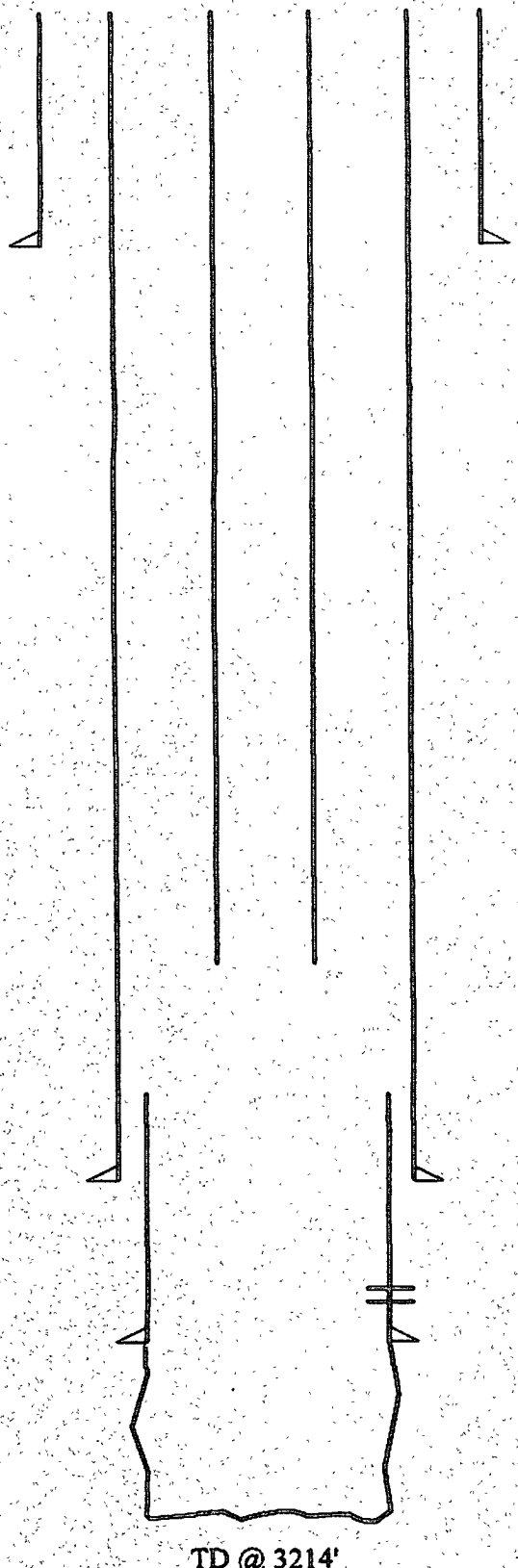
1. Step 1 – Ok.
2. Step 2 – Ok.
3. Step 3 – Spot 100 sxs Class C neat at 3,214'-2,533'. WOC tag plug at 2,533' or shallower. Liner shoe at 2,896', intermediate shoe at 2,722', liner stub at 2,656' and the top of the Grayburg is at 2,633'.
4. Step 4– **Moved plug.** Perf. at 1242'. Squeeze 40 sxs Class C neat. WOC tag plug at 1,132' or shallower. Top of Yates at 1,192', also serves as base of salt plug.
5. Step 5 – Perf. at 669'. Sqz 40 sxs Class C neat. WOC tag plug at 559' or shallower. Surface casing shoe at 619'.
6. Step 6 – Perf. at 505'. Attempt to establish an injection rate, if possible pump 40 sxs. If injection rate cannot be established set 25 sx plug from top of previous plug. WOC tag plug at 405' or shallower. Top of salt at 455'.
    a. Perf 10' above tag, attempt to establish circulation to surface in the 8-5/8" x 7" annulus and outside the 8-5/8" casing. If injection rate cannot be established, perforate at 60'and attempt to establish injection rate. If injection rate can be established, pump plug from lower perforations and up to surface in annulus and in 7" casing.
7. Step 7 – Cut csg. 3' below GL and verify cement came to surface on all annuli. If cement did not come to surface in the annuli 1 inch to surface. Install dry hole marker

CRW 102709

Existing

Southern Bay Operating, L.L.C.

Beeson "F" Federal #5
Loco Hills
Eddy County, NM
Current Condition



8 5/8", 24# @ 619' cmt'd w/50 sx.

Calculated TOC @ 1400'.

2 3/8" tubing @ 2841'.

7", 20# @ 2722' cmt'd w/100 sx.

Perfs 2829' - 49'.

5 1/2", 14# liner from 2656' - 2896' cmt's w/45 sx.

Open hole from 2896' - 3214'.

TD @ 3214'

10-08-09

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

Permanent Abandonment of Federal Wells
Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within **ninety (90)** days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

2. **Notification: Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.**

3. Blowout Preventers: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of **brine** water. Minimum nine (9) pounds per gallon.

5 Cement Requirement Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. In lieu of a cement plug in a cased hole, a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient.

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. Dry Hole Marker: All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

7. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and five copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

8. Trash: All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration conditions of approval will be developed and furnished to you.

WWI 012609

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 E. Greene St
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm

TAKE PRIDE IN AMERICA

In Reply Refer To 1310

Reclamation Objectives and Procedures

Reclamation Objective: Oil and gas development is one of many uses of the public lands and resources. While development may have a short- or long-term effect on the land, successful reclamation can ensure the effect is not permanent. During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses. At final abandonment, well locations, production facilities, and access roads must undergo "final" reclamation so that the character and productivity of the land and water are restored.

The long-term objective of final reclamation is to set the course for eventual ecosystem restoration, including the restoration of the natural vegetation community, hydrology, and wildlife habitats. In most cases this means returning the land to a condition approximating or equal to that which existed prior to the disturbance. The final goal of reclamation is to restore the character of the land and water to its pre-disturbance condition. The operator is generally not responsible for achieving full ecological restoration of the site. Instead, the operator must achieve the short-term stability, visual, hydrological, and productivity objectives of the surface management agency and take steps necessary to ensure that long-term objectives will be reached through natural processes.

To achieve these objectives, remove any and all contaminants, scrap/trash, equipment, pipelines and powerlines. Strip and remove caliche, contour the location to blend with the surrounding landscape, re-distribute the native soils, provide erosion control as needed, rip and seed as specified in the original APD COA. This will apply to well pads, facilities, and access roads. Barricade access road at the starting point. If reserve pits have not reclaimed due to salts or other contaminants, submit a plan for approval, as to how you propose to provide adequate restoration of the pit area.

1. The Application for Permit to Drill or Reenter (APD, Form 3160-3), Surface Use Plan of Operations must include adequate measures for stabilization and reclamation of disturbed lands. Oil and Gas operators must plan for reclamation, both interim and final, up front in the APD process as per Onshore Oil and Gas Order No. 1.

2. For wells and/or access roads not having an approved plan, or an inadequate plan for surface reclamation (either interim or final reclamation), the operator must submit a proposal describing the procedures for reclamation. For interim reclamation, the appropriate time for submittal would be when filing the Well Completion or Recompletion Report and Log (Form 3160-4). For final reclamation, the appropriate time for submittal would be when filing the Notice of Intent, or the Subsequent Report of Abandonment, Sundry Notices and Reports on Wells (Form 3160-5). Interim reclamation is to be completed within 6 months of well completion, and final reclamation is to be completed within 6 months of well abandonment.

3. The operator must file a Subsequent Report Plug and Abandonment (Form 3160-5) following the plugging of a well.

4. Previous instruction had you waiting for a BLM specialist to inspect the location and provide you with reclamation requirements. If you have an approved Surface Use Plan of Operation and/or an approved Sundry Notice, you are free to proceed with reclamation as per approved APD. If you have issues or concerns, contact a BLM specialist to assist you. It would be in your interest to have a BLM specialist look at the location and access road prior to the removal of reclamation

equipment to ensure that it meets BLM objectives. Upon conclusion submit a Form 3160-5, Subsequent Report of Reclamation. This will prompt a specialist to inspect the location to verify work was completed as per approved plans.

5. The approved Subsequent Report of Reclamation will be your notice that the native soils, contour and seedbed have been reestablished. If the BLM objectives have not been met the operator will be notified and corrective actions may be required.

6. It is the responsibility of the operator to monitor these locations and/or access roads until such time as the operator feels that the BLM objective has been met. If after two growing seasons the location and/or access roads are not showing the potential for successful revegetation, additional actions may be needed. When you feel the BLM objectives have been met submit a Final Abandonment Notice (FAN), Form 3160-5, stating that all reclamation requirements have been achieved and the location and/or access road is ready for a final abandonment inspection.

7. At this time the BLM specialist will inspect the location and/or access road. If the native soils and contour have been restored, and the revegetation is successful, the FAN will be approved, releasing the operator of any further liability of the location and/or access road. If the location and/or access road have not achieved the objective, you will be notified as to additional work needed or additional time being needed to achieve the objective.

If there are any questions, please feel free to contact any of the following specialists:

Jim Amos
Supervisory Environmental Protection Specialist
575-234-5909, 575-361-2648 (Cell)

Terry Gregston
Environmental Protection Specialist
575-234-5958

Bobby Ballard
Environmental Protection Specialist
575-234-2230

Randy Rust
Environmental Protection Specialist
575-234-5943

Linda Denniston
Environmental Protection Specialist
575-234-5974

Jennifer Van Curen
Environmental Protection Specialist
575-234-5905

Justin Frye
Environmental Protection Specialist
575-234-5922

Cody Layton
Natural Resource Specialist
575-234-5959

Trishia Bad Bear
Natural Resource Specialist
575-393-3612

Todd Suter
Surface Protection Specialist
575-234-5987

Doug Hoag
Civil Engineering Technician
575-234-5979