

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

**CONFIDENTIAL**  
FORM APPROVED  
OMB NO. 1004-0137  
Expires July 31, 2010

DEC 23 2015

**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.*

Farmington Field Office  
Bureau of Land Management

**SUBMIT IN TRIPLICATE - Other instructions on page 2**

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. <b>NNM18463</b>
2. Name of Operator <b>ENERGEN RESOURCES CORPORATION</b>		6. If Indian, Allottee or Tribe Name <b>Farmington Field Office</b>
3a. Address <b>2010 Afton Place, Farmington, NM 87401</b>	3b. Phone No. (include area code) <b>505-325-6800</b>	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>2057' ENL 187' FEL, Sec 3 T23N R08W (H) SE/NE</b> <b>2260' ENL 230' FWL, Sec 3 T23N R08W (E) SW/NW</b>		8. Well Name and No. <b>Chaco 23-08 3 #2H</b>
		9. API Well No. <b>30-045-35646</b>
		10. Field and Pool, or Exploratory Area <b>Basin Mancos</b>
		11. County or Parish, State <b>San Juan NM</b>

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 type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	<u>Measurement</u>
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	<u>Installation</u>

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 recomplate 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 recomplate 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 final site is ready for final inspection.)

Please see the attached request.

**BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS**

OIL CONS. DIV DIST. 3

JAN 26 2016

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) <b>Anna Stotts</b>	Title <b>Regulatory Analyst</b>
Signature <i>Anna Stotts</i>	Date <b>12/22/15</b>

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by <i>William Tambekou</i>	Title <i>Petroleum Engineer</i>	Date <i>01/20/2016</i>
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 <i>FFO</i>	

NMOCD

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**Chaco 23-08 3 #2H (3004535646)**  
**UL H, Section 3- 23N-8W**

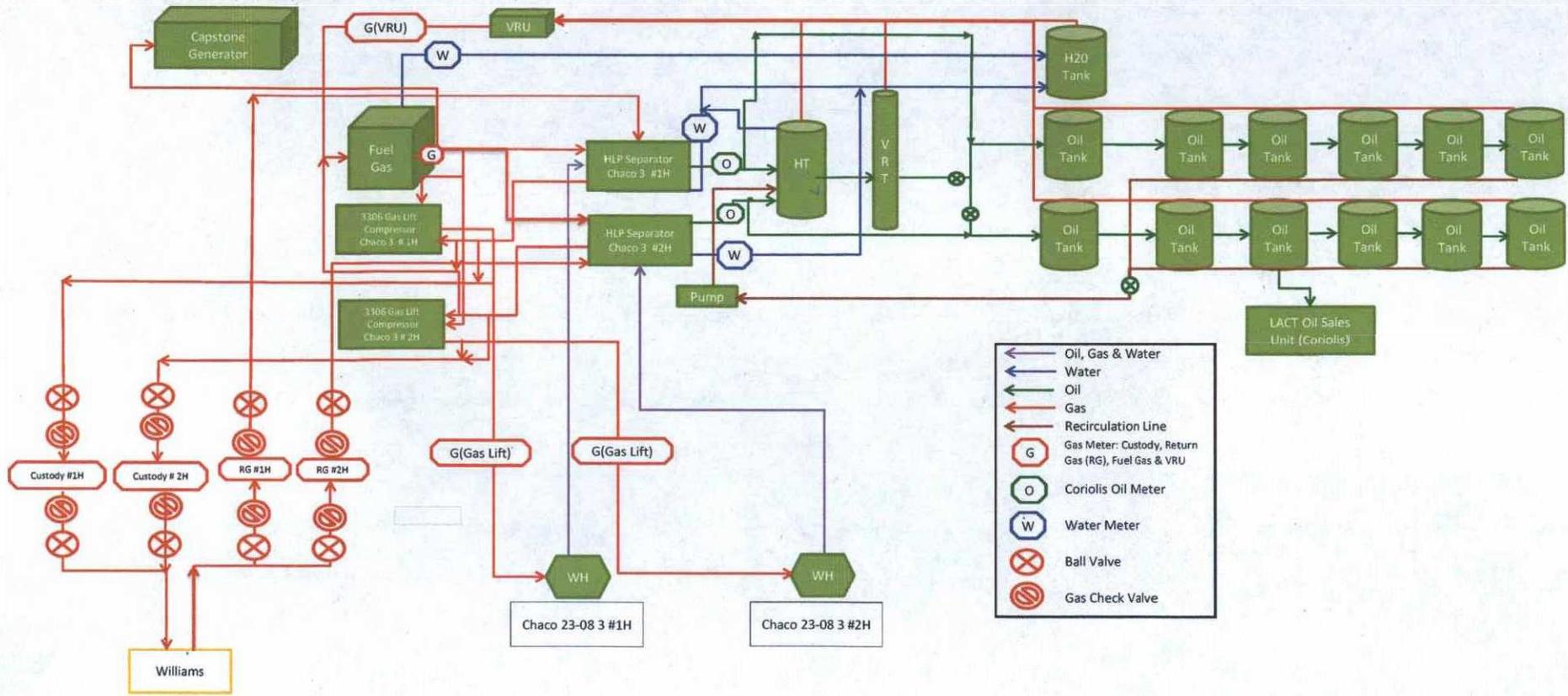
Energen Resources respectfully requests authorization to install a gas lift measurement system on the above wells as part of our artificial lift operations. In addition to the gas lift installation, we also propose to use a Lease Automatic Custody Transfer (LACT) measurement system using a Coriolis meter. Liquid levels, both oil and water will be measured using the BLM approved Advanced Telemetry Liquid Measurement System. This equipment uses a dual float level measurement system that measures oil and water levels and temperature. One unit will be installed on each storage tank. This liquid level measurement system allows Energen to use a vapor recovery system for tank vapor capture and sales and eliminates the need for manual tank gauging. All meters will be calibrated upon installation and quarterly thereafter per BLM Onshore Order and OCD requirements. Oil production from this well will be measured and reported using a Coriolis meter installed on the separator outlet before being combined in storage tanks with production from the Chaco 23-08 3 #1H well (3004535647). Both of these wells are on a common Federal Oil and gas lease (NMNM18463). Before oil is sold, production will be sampled for BS&W and then measured using a LACT Coriolis meter. Any oil that does not meet contract sales specification will be rejected and circulated back to the facility's heater treater for re-processing.

The gas measurement skid will utilize both a sales and buy back metering system. Each skid will measure gas from each individual well and when necessary, buy back gas from the pipeline for workovers and well start-up operations. Per BLM requirements, each skid (one per well - two total) will be equipped with four check valves, one upstream and the other downstream of each meter to provide one directional flow and prevent gas bypass.

Attached for your review is a detailed process flow and measurement diagram and production reporting methodology for the above well. Because this well is located on the same well pad as the Chaco 23-08 3 #1H, both process flows were provided for your reference. Utilizing this method of measurement will allow Energen to optimize well performance and maximize oil and gas recovery while maintaining the measurement accuracy and reporting requirements outlined BLM and OCD regulations.

# PROCESS FLOW DIAGRAM

Chaco 23-08 3 #1H & 2H wells : 2 Well Pad Configuration  
Energen Resources



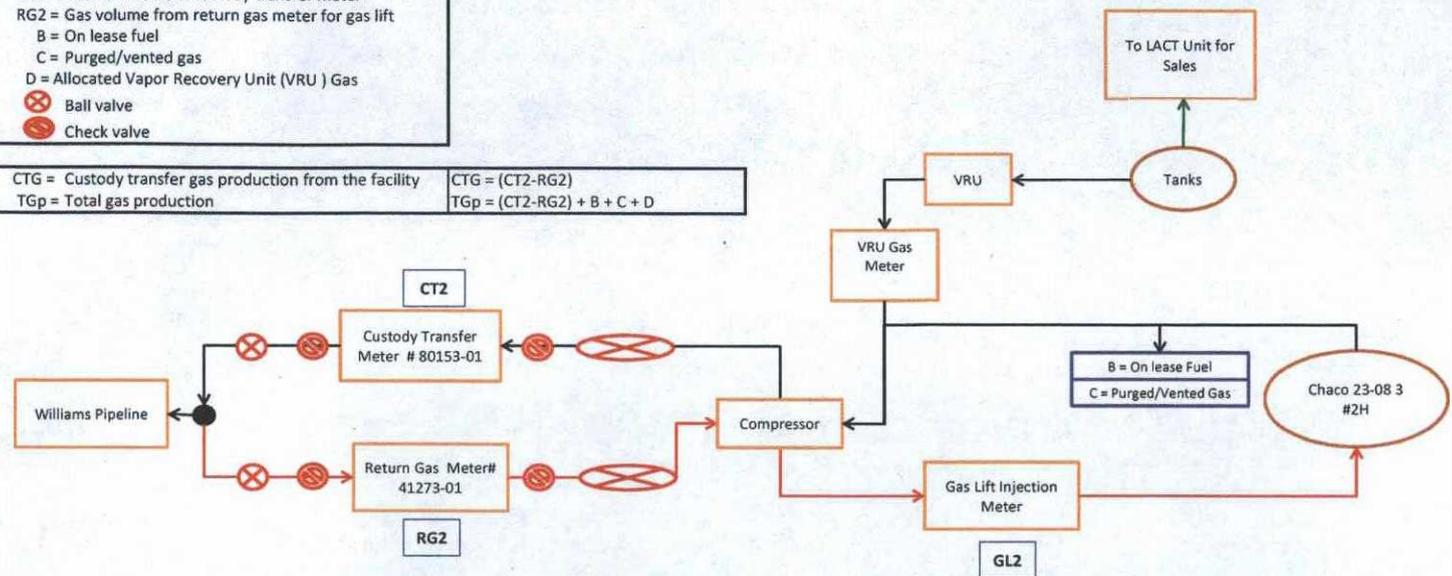
Chaco 23 08 3 #2H

API #: 3004535646

Production Reporting Methodology (Single well)

GL2 = Gas volume for gas lift injection  
 CT2 = Gas volume from custody transfer meter  
 RG2 = Gas volume from return gas meter for gas lift  
 B = On lease fuel  
 C = Purged/vented gas  
 D = Allocated Vapor Recovery Unit (VRU) Gas  
 ⊗ Ball valve  
 ⊙ Check valve

CTG = Custody transfer gas production from the facility       $CTG = (CT2 - RG2)$   
 TGp = Total gas production     $TGp = (CT2 - RG2) + B + C + D$



\*\*\* Note:  
 The Vapor Recovery Unit (VRU) Gas Meter measures gas from both the Chaco 23-08 3 #1H and 2H wells.  
 Allocated VRU gas production for each well will be reported based on the oil production ratios for each well during the report period multiplied by the VRU metered volume. All Production is from a Common Lease (NMMN18463)