

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-ARTESIA

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 Multiple--See Attached
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 Multiple--See Attached
3b Phone No (include area code) Ph: 432-688-1709 Fx: 432-688-1701		8 Well Name and No Multiple--See Attached
4 Location of Well (Footage, Sec., T., R., M., or Survey Description) Multiple--See Attached		9 API Well No Multiple--See Attached
		10 Field and Pool, or Exploratory SHUGART
		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"/> Subsequent Report	<input type="checkbox"/> Deepen
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Fracture Treat
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Plug and Abandon
	<input type="checkbox"/> Plug Back
	<input type="checkbox"/> Production (Start/Resume)
	<input type="checkbox"/> Reclamation
	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Water Disposal
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Well Integrity
	<input checked="" type="checkbox"/> Other Venting and/or Flaring

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 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.)

AS OF 8/15/12 AT 9:00 AM SM ENERGY IS FLARING APPROXIMATELY 3 MCFPD DUE TO A HOLE IN DCP'S GAS LINE ON THE REFERENCED WELL AND LIST OF WELLS BELOW:

Lease Name UL:Sec:Township:Range API Number Location
ARCO FEDERAL #004 B-23-18S-31E 30-015-26926 710 FNL & 1980 FEL
ARCO FEDERAL #005 A-23-18S-31E 30-015-26998 660 FNL & 560 FEL

RDade 8/29/12
Accepted for record
NMOCD

AT THIS TIME, WE ARE UNSURE WHEN WE WILL BE BACK UP. ONCE FLARING HAS STOPPED, I WILL FOLLOW UP WITH A SUBSEQUENT SUNDRY.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

RECEIVED
AUG 28 2012
NMOCD ARTESIA

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

Electronic Submission #146044 verified by the BLM Well Information System
For SM ENERGY, sent to the Carlsbad
Committed to AFMSS for processing by KURT SIMMONS on 08/22/2012 (12KMS2830SE)

Name (Printed/Typed) VICKIE MARTINEZ	Title ENGINEER TECH II
Signature (Electronic Submission)	Date 08/16/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <u>DUNCAN WHITLOCK</u>	Title <u>LEAD PETROLEUM ENGINEERING TECH</u>	Date <u>08/23/2012</u>
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 <u>Carlsbad</u>

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.

Additional data for EC transaction #146044 that would not fit on the form

5. Lease Serial No., continued

NMNM2938
NMNM91367

Wells/Facilities, continued

Agreement	Lease	Well/Fac Name, Number	API Number	Location
NMNM91367	NMNM91367	ARCO FEDERAL 1	30-015-25218-00-S1	Sec 24 T18S R31E SWNW 1830FNL 660FWL
NMNM91367	NMNM91367	ARCO FEDERAL 4	30-015-26926-00-S1	Sec 23 T18S R31E NWNE 710FNL 1980FEL
NMNM2938	NMNM2938	ARCO FEDERAL 5	30-015-26998-00-S1	Sec 23 T18S R31E NENE 660FNL 560FEL

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

SM Energy Company
Arco Federal #1, 4 & 5
NM91367

August 23, 2012

Condition of Approval to Flare Gas

1. Report all volumes on OGOR reports.
2. Comply with NTL-4A requirements
3. Subject to like approval from NMOCD
4. Flared volumes will still require payment of royalties
5. Install gas meter on vent/flare line to measure gas prior to venting/flaring operations if it is not equipped as such at this time. Gas meter to meet all requirements for sale meter as Federal Regulations and Onshore Order #5.
6. This approval does not authorize any additional surface disturbance.
7. Submit updated facility diagram as per Onshore Order #3.