Form 3160-5
(August 2007)

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.

5. Lease Serial No
NMNM67102

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/or No

1 Type of Well
☒ Oil Well ☐ Gas Well ☐ Other

8 Well Name and No
PARKWAY 35 FEDERAL COM 4H

2 Name of Operator
SM ENERGY
Contact VICKIE MARTINEZ
E-Mail VMARTINEZ@SM-ENERGY COM

9 API Well No
30-015-39839-00-X1

3a Address
3300 N A ST BLDG 7 STE 200
MIDLAND, TX 79705

3b Phone No (include area code)
Ph. 432-688-1709
Fx 432-688-1701

10 Field and Pool, or Exploratory
PARKWAY

4 Location of Well *(Footage, Sec , T , R , M , or Survey Description)*
Sec 35 T19S R29E SWSW Lot M 450FSL 330FWL

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			
☒ Notice of Intent	☐ Acidize	☐ Deepen	☐ Production (Start/Resume)	☐ Water Shut-Off
☐ Subsequent Report	☐ Alter Casing	☐ Fracture Treat	☐ Reclamation	☐ Well Integrity
☐ Final Abandonment Notice	☐ Casing Repair	☐ New Construction	☐ Recomplete	☒ Other Change to Original A PD
	☐ Change Plans	☐ Plug and Abandon	☐ Temporarily Abandon	
	☐ 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 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)

The following changes are requested to be made to the Parkway 35 Federal Com 4H:

Change #1:

SM Energy requests to change the casing design to the following:

Hole Size Casing Size Wt /Ft Grade Coupling Interval
26" 20" 94 # J-55 STC 250'
17-1/2" 13-3/8" 48 # H-40 STC 0-1,200'
17-1/2" 13-3/8" 54 5 # J-55 STC 1,200' ~~1,300'~~ → See COA
12 1/4" 9 5/8" 36 # J-55 LTC 3,300'
8 3/4" 5 1/2" 17 # ~~L-80~~ P-110 LTC ~~12,375'~~ 12,521

RECEIVED
OCT 29 2012
NMOCD ARTESIA

APPROVED
OCT 25 2012
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct
Electronic Submission #155823 verified by the BLM Well Information System
For SM ENERGY, sent to the Carlsbad
Committed to AFMSS for processing by KURT SIMMONS on 10/23/2012 (13KMS3569SE)

Name *(Printed/Typed)* VICKIE MARTINEZ — Title ENGINEER TECH II

Signature (Electronic Submission) — Date 10/22/2012

Accepted for record
NMOCD 10/30/12

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By EDWARD FERNANDEZ — Title PETROLEUM ENGINEER — Date 10/25/2012

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

Additional data for EC transaction #155823 that would not fit on the form

32. Additional remarks, continued

Note: 13-3/8? Casing will be set at 1,300? due to lack of production in the Yates formation.
Please reference the Parkway Delaware Unit #521 and the Four Peak 35 Federal 2H and 1H.
Note: No pilot hole will be drilled

Change 2:

SM Energy requests the ability to use an air unit in the Capitan Reef if large losses occur.
Estimated mud weight is 6 ppg If a well control situation is encountered the emergency shut offs on the air units will be utilized and the rig pumps will be used to regain the 8 4 ppg mud weight

Interval Mud Type Weight Viscosity Fluid Loss
0-210' Fresh Water Spud Mud 8 6-9 4 32-34 No Control
210'-1,300' Brine 10 28-30 No Control
1,300'-2,000' Fresh Water 8.4-8 6 28-30 No Control
2,000'-3,300' Freah Water 6 N/A No Control
3,300'-8,356' Cut Brine 8 4-8.6 28-30 No Control
8,356'-TD MD Cur Brine / polymer 8.4-8.6 32-40 No Control

NOTE: THE 2,000? -3,300? Reflects the possible usage of an air package.

Change 3·

SM Energy requests the surface and intermediate cementing programs to be changed to the following:

20" Surface Lead: 180 sacks Class H Cement + 5% bwoc Calcium Chloride + 0.25 lbs/sack Cello Flake + 10 lbs/sack LCM-1 + 8% bwoc A-10 + 53/7 % Fresh Water, 14.60 ppg, Yield: 1.49 cf/sack, Tail: 620 sacks Class C Cement +2% bwoc Calcium Chloride + 0.125 lbs/sack Cello Flake + 56 3 Fresh Water, 14.8 ppg Yield: 1.34 cf/sk TOC @ SURFACE

13 - 3/8" Intermediate Lead· 735 sacks (35.65) Poz (Fly Ash): Class C Cement + 5% bwoc Sodium Chloride + 0.125 lbs/sack Cello Flake + 6% bwoc Bentonite + 102.9% Fresh Water, 12.5 ppg Yield. 2 03 cf/sk, Tail. 200 sacks Class C Cement + 1% bwow Sodium Chloride + 56 3% Water, 14.8 ppg Yield 1 34 cf/sk TOC @ SURFACE

9-5/8" Intermediate: Stage #1 Lead 400 sacks (35.65) Poz (Fly Ash). Class C Cement + 4% bwoc Bentonite II + 5% bwow Sodium Chloride + 0 125 lbs/sack + 5 lbs/sack LCM - 1 + 0.3 bwoc FL - 52 + 5% bwoc MPA-5, 12.50 ppg, Yield: 2 11 cf/sack, Stage #1 Tail 200 sacks Class C Cement + 1% bwoc Calcuim Chloride + 56.3% water , 14.80 ppg, Yield 1 34 cf/sack, Stage #2 Lead 400 sacks (35:65) Poz (Fly Ash). Class C Cement + 4% bwoc Bentonite II + 5% bwow Sodium Chloride + 0 125 lbs/sack + 5 lbs/sack LCM - 1 + 0.3 bwoc FL - 52 + 5% bwoc MPA-5, 12 50 ppg, Yield: 2 11 cf/sack TOC @ SURFACE

Change 4.

Should lost circulation be encountered on the Parkway 35 Federal 3H and circulation is not reestablished SM Energy Company respectfully requests the ability to use a packer stage cementing collar. Position of the packer stage cementing collar will be placed in the deepest competent formation but not with in 100? of the previous casing shoe The positioning of the packer stage cementing collar will be determined either by caliper survey or rate of penetration log. Current estimated setting depth is 1,500? Slurries and stages are shown in the table above. Should packer placement change cement volume will be adjusted proportionally determined by annulus volume above the packer with 35% excess and will meet the 500 psi requirement before casing test and drill out.

See change 5 on attached.

Change 5.

SM Energy request the permission to complete and cement the production casing in two stages with a Stage Frac Cement Diverter Tool set at approx. 8,150. The stages are as follows:

Stage 1	5-1/2"	Production	12,353' - 8,324 packer/port system No Cement in lateral after inflating the packers
Stage 2	5-1/2"	Production	Lead: 1095 sks (50:50) Poz (Fly Ash): Class H + 10% bwoc Bentonite II + 0.3% bwoc Sodium Metasilicate + 5% bwow Sodium Chloride 11.60 ppg, Yield 2.61 cf/sack Tail: 195 sks Class H + 1% bwow Sodium Chloride 15.60 ppg Yield: 1.19 cf/sack **BLM show the Capitan Reef Marker at 1,900'. TOC is designed for 1,800' with 35% excess**

CONDITIONS OF APPROVAL

Sundry dated 10/22/2012

OPERATOR'S NAME:	SM ENERGY COMPANY
WELL NAME & NO.:	PARKWAY 35 FEDERAL #4H
SURFACE HOLE FOOTAGE:	450' FSL & 330' FWL
BOTTOM HOLE FOOTAGE	660' FSL & 330' FEL
LOCATION:	Section 35, T.19 S., R.29 E., NMPM
COUNTY:	Eddy County, New Mexico

Original COA still applies with the following changes:

Changes to the approved APD casing program need prior approval if the items substituted are of lesser grade or different casing size. 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.).

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

Wait on cement (WOC) time prior to drilling out for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. DURING THIS WOC TIME, NO DRILL PIPE, ETC. SHALL BE RUN IN THE HOLE. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

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

Capitan Reef
Secretary's Potash
High Cave/Karst
Possible lost circulation in the Artesia, Delaware and Bone Spring Groups.
Possible brine and water flows in the Artesia and Salado Groups.

1. The **20** inch surface casing shall be set at approximately **250** feet (a minimum of 25 feet into the Competent Bed and above the salt) and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compressive strength, whichever is greater.

d. If cement falls back, remedial cementing will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **13-3/8** inch 1st intermediate casing **which shall be set at approximately 1500' below Yates Formation,** is:
(The Yates has been known to be capable of producible hydrocarbons)

☒ 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 and potash.

3. The minimum required fill of cement behind the **9-5/8** inch 2nd intermediate casing **which shall be set in the Base of the Capitan Reef or in the Top of the Delaware Mountain Group at approximately 3300'** is:

☒ Cement to surface. If cement does not circulate see a, c-d above under surface casing.
Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.

If 75% or greater lost circulation occurs while drilling the 2nd intermediate (9-5/8') casing hole, the cement on the production casing must come to surface.

The BLM shows the Capitan Reef marker at 1700 feet. Top of cement on 5-1/2" production casing shall reach a minimum of 50 feet above that depth.

4. The minimum required fill of cement behind the **5-1/2** inch production casing is:

Operator has proposed DV tool at depth of 1500', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 100' below previous shoe. Operator shall submit sundry if DV tool depth cannot be set in this range.

☒ From Stage DV Tool cement should tie-back a minimum of 50 feet above the Capitan Reef. Operator shall provide method of verification. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to Capitan Reef, cave/karst and potash.**

☒ Below DV Tool No cement required on this 5-1/2" segment as it utilizes a Packer/Port completion system.

5. 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.

DRILLING MUD

Approved for aerated mud, but not air drilling, in the Capitan Reef.

EGF 102512