

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

QCD-ARTESIA

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.

5. Lease Serial No.
NM-027994-A

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE – Other instructions on page 2.

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
VERNON E. FAULCONER, INC.

3a. Address
P.O. BOX 7995
TYLER, TEXAS 75711

3b. Phone No. (include area code)
903-581-4382

7. If Unit of CA/Agreement, Name and/or No
NM72498

8. Well Name and No.
MOBIL FEDERAL #1

9. API Well No.
30-015-21227

10. Field and Pool or Exploratory Area
CARLSBAD;MORROW SOUTH

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
1980 FNL & 1980 FWL
SEC 25, T23S; R263, NMPM

11. Country or Parish, State
EDDY COUNTY, NM

12. CHECK THE 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 checked="" 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 type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> 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 recompleat 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 recompleat 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 reclaination, have been completed and the operator has determined that the site is ready for final inspection.)

PLEASE SEE ATTACHED PROCEDURE.

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

RECEIVED

FEB 28 2012

NMOC D ARTESIA

Accepted for record
NMOC D

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed)
DEE DEE COTTRELL

Title SR PRODUCTION ANALYST

Signature

Dee Dee Cottrell

Date 12/27/2011

APPROVED

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

FEB 25 2012

Date *W*

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.

Title

Office

WESLEY W. INGRAM
PETROLEUM ENGINEER

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)

Procedure to fracture stimulate the Upper Morrow sands
WELL: Mobil Federal #1
FIELD: South Carlsbad
DATE: December 1, 2011
ENGINEER: Marc Fisher

General Notes

- A. Have all permits approved before starting operations. *Buddy Sloan to handle, engineer managing the project to verify*
- B. (This is particularly critical on this project) A meeting with rig supervisory and office supervisory personnel is to be conducted discussing all operations and a report on the meeting is to be submitted to Pat Molbert prior to the start of field operations once a preliminary start date is set. *Rig supervisor and Neal Mares to handle this.*
- C. A second meeting with all personnel and vendors involved in the frac job is to be conducted 3-4 days before the frac job is to be pumped to be sure all equipment will be in place and all parties involved will provide the services in a coordinated manner. A report on the meeting is to be submitted to Pat Molbert prior to the initiation of field operations. *Rig supervisor and Neal Mares to handle this.*
- D. Send pictures of the wellhead, location and road before the workover begin and pictures of the wellhead, location and road after the workover is complete. Take some electronic pictures of the frac equipment once everything is in place and e-mail them in. *Rig Supervisor to Handle This*
- E. VEFI rep is to inspect the field tickets for unacceptable charges before signing (eg: phone charges, fuel surcharges *Rig Supervisor to Handle This*
- F. Have BOP's operationally and pressure tested before bringing to the location. Test papers are to be kept on the rig during the workover operations. If there is a charge for this contact the engineer managing the operation. *Rig Supervisor to Handle This*
- G. Obtain two workover rig bids and have approval before the job starts. Obtain bids for CO2 and service equipment and have approval before the job starts. *Rig Supervisor to Handle This*
- H. After the workover is complete make sure all pipe, wellhead and other materials on location are removed from location and either stored offsite, auctioned off or sold for junk. *Production Engineer Managing the Job to Handle this.*

- I. When doing any wireline work note the fluid level and write it down on the daily workover report. *Rig Supervisor to Handle This*
- J. When reporting any depth on the daily reports (slickline, swabbing electric line) indicate whether it is glm or kbm. *Rig Supervisor to Handle This*
- K. Keep track of fluid pumped in and recovered from the formation. Report a daily running total. *Rig Supervisor to Handle This*
- L. Note what operations are planned for the next day on the daily report. *Rig Supervisor to handle this.*
- M. When finished contact the field foreman and discuss the status of the well. *Rig Supervisor to handle this.*
- N. Note on the daily workover report all bids that are quoted for contract services and supplies purchased. *Rig Supervisor to handle this.*
- O. Don't start the job until all equipment on the Work order is either on the location, or immediately available. *Rig Supervisor to Handle This*
- P. Purchase or salvage from another VEFI location 2-9/16" 10M x 7-1/16" 10M tubing head with Camfield bushing, wraparound, and 2-9/16" 10 M tree. *Rig Supervisor to Handle This*
- Q. Have the VEFI 7-1/16" 5M x 7-1/16" 10 M spool shipped to location for use for this project. Verify will be cost effective to use the VEFI equipment versus the rental equipment. *Rig supervisor and Neal Mares to handle this.*

Workover Procedure

1. Blow down the tubing and casing to the water tank and leave open to the tank for 48 hours prior to moving in the workover rig.

NOTE: Will need MYT elevators to pull the VAM tubing

2. MI and RU a daylight double workover rig. Remove the flow tee on top of the master valve and MU a 2-3/8" N-80 EUE 8rd pup joint into the master valve. ND the 7-1/16" 10M flange. Stripover and NU 7-1/16" 5M x 7-1/16" 10 M spool and 7-1/16" 5M BOP's with blind and 2-3/8" pipe rams. Monitor the gas flow from the tubing and casing and see if the well can be pulled safely with a light gas blow. If gas blow

is excessive call Neal Mares for authorization to pump 3% KCL water treated with ½% of Baker Petrolite CRW-132 in the tubing and casing as needed. (try to keep tubing and casing fluid levels balanced to aid in the release of the packer)

3. To release the Halliburton PLT packer lower tubing and place 1,000-2,000# weight on the packer. Turn the tubing one-third turn to the right and while holding torque pick up and packer should release. Work tubing up to a maximum pull of 78,255# (75% of pipe yield of 104,340#). Allow 10 minutes for pressures to equalize. (NOTE: Packer has an emergency straight pick up shear release in the event it is stuck that requires 72,000# of force to activate. Will require releasing from the on-off tool and GBIH with jars and DC's to release the packer). POOH. LD the perforating guns and accessories and the 2-3/8" tubing. Either trade in the recovered 2-3/8" tubing for the replacement tubing, sell in the NI auction or utilize at another VEFI project.
4. Switch pipe rams from 2-3/8" to 2-7/8" rams. Strap IH with 2-7/8" x 5-1/2" Halliburton PLS 10K packer, 2.25" SS seating nipple and 2-7/8" 6.5 ppf N-80 EUE 8rd tubing. Hydro test all tubing to 10,000 psig while GIH. Space out with 2-7/8" 6.5 ppf N-80 pup joints to be able to set the packer at 11,480-11,500' with 10,000-12,000# wt (at the surface) set on the packer. Pick up on tubing approximately one foot, rotate 1/3 turn to the right, and lower tubing and set 15,000# wt on the packer. The packer is now set. Pull 12,000# tension into the packer to verify it is set, then place 10,000-12,000# wt on the packer. Remove the top collar from the tubing string and MU the 2-7/8" tubing to a Camfield bushing + 2-7/8" N-80 EUE 8 rd pup joint (landing joint) and install a wraparound on the top joint of tubing. Lower wrap around + Camfield bushing into the tubing hanger bowl and tighten the lock screws. ND and remove the BOP's. PU landing joint far enough to be able to set the slips and do so, remove landing joint from the Camfield bushing and NU landing joint to the tree cap. MU the tubing head spool + 2-9/16" 10M tree to the Camfield bushing. Lower tubing head spool to land on wellhead and NU. Remove landing joint. Shut in Christmas tree valves, MU plug + needle valve with gauge in tree cap. RD and release the workover rig.
5. Fill the 2-7/8" x 5-1/2" annulus with 175 barrels of 3% KCL water treated with ½% of Baker Petrolite CRW-132. Pressure up to 1,000 psig and monitor for 15 minutes to verify no tubing or casing leaks are present. Leave pressure on annulus.

NOTE: Cudd Energy Services was selected as the contractor for the fracture treatment. Contact them every two weeks to advise them of the status of the well and request an update on when they will be available to fracture this well.

6. Have frac tank(s) moved to location and fill with fluid as needed. Line up all equipment needed for project to be on location. Conduct a safety meeting with all on site personnel. Test all lines to 10,000 psig. Test CO2 booster and CO2 pumps. Run cool down on the CO2 system. Pressure up the 2-7/8" annulus to 1,500 psig and monitor and maintain during the entire fracture treatment. RU and frac well per

procedure given by selected contractor. Once fracture treatment is completed, SI well. RD and release all fracture equipment. Obtain, 0, 15, 30, 45 and 1 hour SITP's. Have the frac tanks emptied, released and returned to the rental company.

7. MI and RU an open top tank to flow back into. Install a return line to the tank and stake line down with crossed tubing and wrap the crosses with heavy steel wire and secure. Make sure wind will carry gas in a safe direction. VEFI supervisory personnel are to be present on location at all times while flowing the well to the open top tank. Flow well to the tank thru an adjustable choke until it cleans up and no frac sand is noted in returns and the fluid production has dropped to a level that can safely be handled by the existing production equipment. Put well on line at a rate of 400-500 mcf/d and if pressure is sufficient bypass the compressor. Once well has cleaned up, empty the open top tank and release and return the tank to the rental company.

**Mobil Federal 1
30-015-21227
Vernon E. Faulconer, Inc.
30-015-21227
Conditions of Approval**

- 1. Surface disturbance beyond the originally approved pad must have prior approval.**
- 2. Closed loop system required.**
- 3. A minimum of a 5000 (5M) BOP to be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the size of the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 Attachment I (5M Diagrams of Choke Manifold Equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.**
- 4. All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over 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.**
- 5. Subsequent sundry required detailing work done with new well test. Operator has not submitted a subsequent sundry for the perforations made in the Upper Morrow. An NOI is not required when adding pay in the same formation, but operator shall submit a subsequent sundry with details of the work completed. Operator to include well bore schematic of current well condition when work is complete.**

WWI 022512