

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<br><input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other |   | 5. Lease Serial No<br>NMNM90807                    |
| 2. Name of Operator<br>SM ENERGY   |   | 6. If Indian, Allottee or Tribe Name               |
| Contact: VICKIE MARTINEZ<br>E-Mail: VMARTINEZ@SM-ENERGY.COM  |   | 7. If Unit or CA/Agreement, Name and/or No         |
| 3a. Address<br>3300 N A ST BLDG 7 STE 200<br>MIDLAND, TX 79705   | 3b. Phone No. (include area code)<br>Ph: 432-688-1709<br>Fx: 432-688-1701 | 8. Well Name and No<br>OSAGE 34 FEDERAL COM 3H     |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description)<br>Sec 34 T19S R29E NWSW Lot L 1880FSL 330FWL             |   | 9. API Well No.<br>30-015-39785-00-X1              |
|  |   | 10. Field and Pool, or Exploratory<br>PARKWAY      |
|  |   | 11. County or Parish, and State<br>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<br>Change to Original APD |

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 shall 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 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.)

Should lost circulation be encountered on the Osage 34 Federal 3H and circulation is not reestablished SM Energy Company respectfully requests the ability to use a packer stage cementing collar. The primary job will be pumped as per original APD. Stage 1 Scavenger Slurry: 250 sacks Class H Cement yield 1.50 (cf/sack) density 14.60 (ppg), Lead Slurry: 700 sacks Class C Cement yield 2.61 (cf/sack) density 11.60 (ppg), Tail Slurry: 200 Class C Cement 1.34 (cf/sack) density 14.80 (ppg). Position of the packer stage cementing collar will be placed in the deepest competent formation but not with in 100 ft 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 ft. Second stage volume of slurry will be 250 sacks (50:50) Poz (Fly Ash): Class C Cement + 5% bwow Sodium Chloride + 0.25 lbs/sack Cello Flake + 10% bwoc Bentonite II + 151.7% Fresh Water yield 2.61 (cf/sack) density 11.60 (ppg). Should packer placement chance cement volume will be adjusted proportionally determined by annulus

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL  
**RECEIVED**  
JUL 16 2012  
NMOC D ARTES  
Accepted for record  
7/17/12 NMOC D

|  |                          |
|--|--------------------------|
| 14. I hereby certify that the foregoing is true and correct.<br>Electronic Submission #142822 verified by the BLM Well Information System<br>For SM ENERGY, sent to the Carlsbad<br>Committed to AFMSS for processing by WESLEY INGRAM on 07/12/2012 (12WWI0092SE) |                          |
| Name (Printed/Typed) VICKIE MARTINEZ   | Title ENGINEER TECH II   |
| Signature (Electronic Submission)  | Date 07/12/2012          |
| <b>THIS SPACE FOR FEDERAL OR STATE OFFICE USE</b>  |                          |
| Approved By EDWARD FERNANDEZ   | Title PETROLEUM ENGINEER |
| 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          |

**APPROVED**  
JUL 13 2012  
Edward Fernandez  
BUREAU OF LAND MANAGEMENT  
CARLSBAD FIELD OFFICE  
07/13/2012

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 #142822 that would not fit on the form**

**32. Additional remarks, continued**

volume above the packer with 35% excess and will meet the 500 psi requirement before casing test and drill out.

## CONDITIONS OF APPROVAL

Sundry dated 07/12/2012

|                       |                                    |
|-----------------------|------------------------------------|
| OPERATOR'S NAME:      | SM ENERGY COMPANY                  |
| LEASE NO.:            | NM90807                            |
| WELL NAME & NO.:      | OSAGE 34 FEDERAL - 3H 3001539785   |
| SURFACE HOLE FOOTAGE: | 1880' FSL & 330' FWL               |
| BOTTOM HOLE FOOTAGE:  | 1980' FSL & 330' FEL               |
| LOCATION:             | Section 34, T.19 S., R.29 E., NMPM |
| COUNTY:               | Eddy County, New Mexico            |

### Original COA still applies with the following changes:

#### **High Cave/Karst Capitan Reef**

1. The minimum required fill of cement behind the 9-5/8 inch 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.**

### USE of a PACKER STAGE CEMENTING COLLAR

Operator has proposed DV tool at depth of approx. 1500', but will adjust cement proportionately if moved. DV tool shall be set a minimum of 50' below previous shoe and a minimum of 200' above current shoe. Operator shall submit sundry if DV tool depth cannot be set in this range. If an ECP is used, it is to be set a minimum of 50' below the shoe to provide cement across the shoe. If it cannot be set below the shoe, a CBL shall be run to verify cement coverage.

- a. First stage to DV tool:

- ☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

- b. Second stage above DV tool:

- ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office before proceeding. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to cave/karst.**

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