

NM OIL CONSERVATION
 UNITED STATES DEPARTMENT OF THE INTERIOR
 ARTESIA DISTRICT
 BUREAU OF LAND MANAGEMENT
MAY 19 2016

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 purposes.

5. Lease Serial No.
 NMNM25953

7. If Unit or CA/Agreement, Name and/or No.
NM105352

8. Well Name and No.
 KYLE 34 FEDERAL 1

9. API Well No.
 30-015-31311-00-S1 ✓

10. Field and Pool, or Exploratory
 SALT DRAW

11. County or Parish, and State
 EDDY COUNTY, NM

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator **NADEL & GUSSMAN**
 Contact: SARAH PRESLEY
 E-Mail: SPRESLEY@NAGUSS.COM

3a. Address **3200 FIRST NATIONAL TOWER
 TULSA, OK 74103**
 3b. Phone No. (include area code)
 Ph: 432-682-4429

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 Sec 34 T24S R28E NENE 660FNL 860FEL ✓

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 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 checked="" 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 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.)

NGP RESPECTFULLY REQUESTS APPROVAL TO PLUG BACK WELL TO COMPLETE IN THE DELAWARE AS INJECTOR, PENDING NMOCD DISPOSAL APPROVAL.

1. UNSET PRODUCTION PACKER AND PULL PACKER:

2. WIRELINE SET CIBP AT 10,600' AND DUMP 35FT CEMENT. UPPERMOST PERFS (WOLFCAMP 10,636' - 52')

3. SPOT 50 SACK PLUG ACROSS DV TOOL

4. CUT AND PULL 5-1/2" CASING AT 6,500'

5. SPOT 50 SACK PLUG ACROSS CASING STUB AT 6,500'

Returned, N & G is not the Operator of Record for BLM. Effective 01/01/2016 BC operating became the Operator.

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

Electronic Submission #298480 verified by the BLM Well Information System
 For NADEL & GUSSMAN, sent to the Carlsbad
 Committed to AFMSS for processing by JENNIFER SANCHEZ on 11/13/2015 (16JAS1102SE)

Name (Printed/Typed) JASON GOSS	Title DRILLING ENGINEER
Signature (Electronic Submission)	Date 04/16/2015

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By <i>[Signature]</i>	Title PET	Date 3/29/2016
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 CFO	

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 ****

Additional data for EC transaction #298480 that would not fit on the form

32. Additional remarks, continued

6. SPOT 100FT PLUG, 50FT IN AND OUT OF INTERMEDIATE CASING SHOE AT 4,150'. TAG PLUG, VERIFY DEPTH.
 7. PERFORATE INTERMEDIATE CASING FROM 2,700' - 4,100'. RUN INJECTION TUBING AND PACKER TO 2,650'. STIMULATE WITH ACID
 8. CIRCULATE PACKER FLUID, SET PACKER AND RUN PACKER/CASING ANNULUS INTEGRITY TEST
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Conditions of Approval

BC Operating, Inc.
Kyle - 01, API 3001531311
T24S-R28E, Sec 34, 600FNL & F?L
March 29, 2016

1. Prior to beginning this workover submit a sundry for BLM approval a Lease Operating Statement (L.O.S.) for the last 12 consecutive months showing all production, revenue, taxes, and royalties paid, include all types of operating and maintenance expense. This should initially at be a gross level, then boiled down with net numbers showing monthly (PROFIT/LOSS).
2. **Operator is required to have the BLM approved NOI procedure with applicable conditions of approval on location for this workover operation.**
3. The communization agreement for this well (NM105352) does not include the Bell Canyon pay. Amendments to that agreement may be necessary. Operator shall remove "Com" from the well name via sundry, and or rename well to be operated on a lease basis.
4. A NMOCD Form C-102 "Well Location and Acreage Dedication Plat" with updated information is necessary with the Subsequent Sundry when recompletion changes a well's Pool designation.
5. Before casing or a liner is added, replaced, or repaired prior BLM approval of the design is required. Use notice of intent Form 3160-5.
6. Subject to like approval by the New Mexico Oil Conservation Division.
7. Notify BLM 575-361-2822, Eddy Co as work begins. Some procedures are to be witnessed.
-----If there is no response, call leave a voice mail with the API#, workover purpose, and a call back phone number.
8. Surface disturbance beyond the existing pad must have prior approval.
9. A closed loop system is required. The operator shall properly dispose of drilling/circulating contents at an authorized disposal site. Tanks are required for all operations, no excavated pits.
10. Functional H₂S monitoring equipment shall be on location.
11. 3000 (3M) Blow Out Prevention Equipment to be used. All BOPE and workover procedures shall establish fail safe well control. Ram(s) for the work string(s) used is required equipment. Manual BOP closure system including a blind ram and pipe ram(s) designed to close on all (hand wheels) equipment shall be installed regardless of BOP design. Function test the installed BOPE to 500psig when well conditions allow. Related equipment, (choke manifolds, kill trucks, gas vent or flare lines, etc.) shall be employed when needed for reasonable well control requirements.
12. All waste (i.e. 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.

13. The BLM PET witness is to run tbg tally and agree to cement volumes and placement. Sample each plug for cement curing time and tag and/or pressure test as requested by BLM PET witness.
14. **This procedure is subject to the next three numbered paragraphs.**
15. Set cement plugs to cover a minimum of 100ft plus 10ft for every 1,000ft from the bottom of the plug, rounding the number of necessary sacks up to the nearest 5 sacks. Never use less than 25sx. Examples: A cement plug set at 8000 in 7" casing would require a min of 35sx. A 25sx plug in 5 1/2" casing should cover 250ft, which may exceed 100ft plus 10ft per 1000ft.
16. Class H > 7500ft & C < 7500ft) cement plugs(s) will be necessary. For any plug that requires a tag or pressure test a minimum WOC time of 4 hours(C) & 8 hours(H) is recommended. Formation isolation plugs of Class "C" to be mixed 14.8#/gal, 1.32 ft³/sx, 6.3gal/sx water and "H" to be mixed 16.4#/gal, 1.06ft³/sx, 4.3gal/sx water.
17. Minimum requirement for mud placed between plugs is 25 sacks of salt water gel per 100 barrels in 9 lb/gal brine.
18. Clean out wellbore to a tag on the CIBP at ±11800 and place a 220' minimum Class H cmt plug from the PBTB. WOC and tag with tubing.
19. Set a CIBP within 50ft of the 11334-630 perms and place a 220' minimum Class H cmt plug from the CIBP. WOC and tag with tubing.
20. Set the (Step 2 NOI procedure) CIBP at 10600 above the 10636-52 perms and set a balanced 200' minimum Class H cmt plug from the CIBP. WOC and tag with tubing.
21. Set a balanced Class H cmt plug from 9760 to 9450 to cover the Wolfcamp formation top. WOC and tag with tubing.
22. Set a balanced Class H cmt plug from 8600 over the DV Tool at 8522. WOC and tag with tubing at 8400 or above.
23. Cut and pull (Step 4 NOI procedure) the 5 1/2" csg from ±6500 and set a balanced Class C cmt plug from +50ft inside the csg stub. WOC and tag the cmt plug with tubing 200ft above the stub. The plug should also cover the 6270' Bone Spring top by at least 50'.
24. Set a balanced Class C cmt plug (Step 6 NOI procedure) from 4200' or below. WOC and tag the cmt plug in the 9 5/8" csg with tubing at 4050' or above.
25. **Provide BLM with an electronic copy (Adobe Acrobat Document) cement bond log of the 9 5/8" recorded from 3900 or below to top of cement taken with Opsig casing pressure. The CBL may be attached to a pswartz@blm.gov email.**
26. After setting the top plug and before perforating, **perform a BLM witnessed charted casing integrity test** of 800psig minimum. Document the pressure test on a one hour full rotation calibrated (within 6 months) recorder chart registering within 25 to 85 per cent of its full range. **Verify all annular casing vents are plumbed to the surface and open during this pressure test. Call BLM 575-361-2822 and arrange for a BLM witness of that pressure test.** Include a copy of the chart with the subsequent sundry for this workover.

27. **The operator shall provide evidence that oil and gas production from the injection zone is not commercial. Provide statements with evidence that paying quantities of hydrocarbons are not produced when the well has a pumped off fluid level. A minimum of 1000 barrels is to be withdrawn from the proposed disposal formation after any recent stimulation load volumes have been recovered. A report on ten samples from the last 200bbls analyzed for hydrocarbons by a reputable laboratory, a copy of the well's mudlog, and an estimated insitu water salinity based on copies of open hole logs may be offered as evidence. BLM agreement is to be obtained prior to completion as a disposal well.**
28. Approval is granted for disposal of water produced from the lease, communitization, or unit agreement of this well only. Disposal fluid from another operator, lease, communitization, or unit agreement require BLM surface right-of-way agreement **approvals** and if applicable, authorization from the surface owner.
29. Disposal of water from another operator requires that the well be designated as a commercial well and BLM surface right-of-way agreement **approvals**.
30. If the well is to receive off-lease water or commercial disposal, the operator shall provide proof of surface right-of-way approval prior to injection.
31. File intermediate **subsequent sundry** Form 3160-5 within 30 days of any interrupted workover procedures and a complete workover subsequent sundry.
32. Submit the BLM Form 3160-4 **Recompletion Report** within 30 days of the date all BLM approved procedures are complete.
33. Workover approval is good for 90 days (completion to be within 90 days of approval). A legitimate request is necessary for extension of that date.

An inactive/shut-in well bore is a non-producing completion that is capable of "beneficial use" i.e. production in **paying quantities** or of service use.

34. Submit evidence to support your determination that the well has been returned to active "beneficial use" for BLM approval on the Sundry Notice Form 3160-5 (the original and 3 copies) before 10/01/2016.
35. Should "beneficial use" not be achieved submit for BLM approval a plan for plug and abandonment.

Operations for a Well with an Inj Packer

- 1) Conduct a Mechanical Integrity Test of the tubing/casing annulus after a tubing, packer or casing seal is established.

- 2) The minimum test pressure should be 500 psig for 30 minutes or 300 psig for 60 minutes, with a minimum 200 psig differential between tubing and casing pressure (at test time) but no more than 70% of casing burst pressure as described by Onshore Order 2.III.B.I.h. (The tubing or reservoir pressure may need to be reduced). **Verify all annular casing vents are plumbed to surface and those valves open to the surface during this pressure test.** An alternate method for a BLM approved MIT is to have the fluid filled system open to atmospheric pressure and have a loss of less than five barrels in 30 days witnessed by a BLM authorized officer.
- 3) Document the pressure test on a one hour full rotation calibrated (within 6 months) recorder chart registering within 35 to 75 per cent of its full range. Greater than 10% pressure leakoff will be viewed as a failed MIT. Less than 10% pressure leakoff will be evaluated site specifically and may restrict injection approval.
- 4) Make arrangements 24 hours before the test for BLM to witness. In Eddy County phone 575-361-2822. If no answer, leave a voice mail or email with the API#, workover purpose, and a call back phone number.
- 5) Use of tubing internal protection, tubing on/off equipment just above the packer, a profile nipple, and an in line tubing check valve below the packer or between the on/off tool and packer is a "Best Management Practice". The setting depths and descriptions of each are to be included in the subsequent sundry.
- 6) Compliance with a NMOCD Administrative Order is required.
 - a) Approved injection pressure compliance is required.
 - b) If injection pressure exceeds the approved pressure you are required to reduce that pressure and notify the BLM within 24 hours.
 - c) When injection pressure is within 50 psig of the maximum pressure, install automation equipment that will prevent exceeding that maximum. Submit a subsequent report (Sundry Form 3160-5) describing the installed automation equipment within 30 days.
- 7) A request for increased wellhead pressures is to be accompanied by a step rate test. PRIOR to a Step Rate Test BLM – CFO is requiring a Notice of Intent.
- 8) Class II (production water injection) wells will not be permitted stimulation injection pressures that exceed frac pressure.
- 9) Unexplained significant variations of rate or pressure to be reported within 5 days of notice.
- 10) The casing/tubing annulus is required to be monitored for communication with injection fluid or loss of casing integrity. A BLM inspector may request verification of a full annular fluid level at any time.
- 11) A "Best Management Practice" is to maintain the annulus full of packer fluid at atmospheric pressure. Equipment that will display on site, continuous open to the air fluid level is necessary to achieve this goal.
- 12) Loss of packer fluid above five barrels per month indicates a developing problem. Notify BLM Carlsbad Field Office, Petroleum Engineering within 5 days.

- 13) A suggested format for monthly records documenting that the casing annulus is fluid filled is available from the BLM Carlsbad Field Office.
- 14) Gain of annular fluid pressure requires notification within 24 hours. Cease injection and maintain a production casing pressure of 0psia.
- 15) Class II (production water disposal) wells will not be permitted Stimulation Pressures or "Injectivity Tests" that exceed the NMOCDBLM generic frac pressure which is: $.2 \times \text{ft}$ depth to the topmost injection or 50psig below the frac point as clearly indicated by a BLM accepted "Step Rate Test".
- 16) A request for increased wellhead pressures is to be accompanied by a "Step Rate Test:" that is to clearly indicate any requested wellhead pressure is +50psig below frac pressure for the wellbore's disposal formation. PRIOR to a Step Rate Test BLM – CFO is requiring a Notice of Intent.
- 17) Submit a (BLM Form 3160-5 subsequent report (dated daily) via BLM's Well Information System; <https://www.blm.gov/wispermits/wis/SP> describing all wellbore (dated daily) activity with the Mechanical Integrity Test chart document.
- 18) The subsequent report is to include all stimulation injection pressures. Report maximum/minimum injection rate (BPM) and max/min stimulation injection pressures (psig).