

NM OIL CONSERVATION
ARTESIA DISTRICT

JUL 13 2017 NMOCD

Artesia

FORM APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

Form 3160-5
(June 2015)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

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 12557

6. If Indian, Allottee or Tribe Name
N/A

SUBMIT IN TRIPLICATE - Other instructions on page 2

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

1. Type of Well
 Oil Well Gas Well Other

8. Well Name and No. DUNCAN FEDERAL #12

2. Name of Operator JALAPENO CORPORATION

9. API Well No. 30-005-64277

3a. Address PO BOX 1608
ALBUQUERQUE, NM 87103

3b. Phone No. (include area code)
(505) 242-2050

10. Field and Pool or Exploratory Area
SAN ANDRES, SOUTH

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
2145' FNL & 694' FWL SEC. 18, T-9S, R-28E

11. Country or Parish, State
CHAVES 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 type="checkbox"/> Hydraulic Fracturing | <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 checked="" 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 recomple 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 recomple 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 reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

THE PRESSURE TEST OF THE EXISTING 8 5/8" CASING ON THE DUNCAN #12 DID NOT HOLD, THEREFORE JALAPENO CORPORATION WOULD LIKE TO CHANGE THE CASING PLAN FOR THE DUNCAN FEDERAL #12.

WE WOULD LIKE TO DRILL TO 630 FT AND RUN 7" #47-55 CASING AND THEN CEMENT TO SURFACE.

THE PLANNED PRODUCTION CASING, IF THE WELL IS FOUND TO BE PRODUCTIVE, WOULD BE CHANGED TO 4 1/2" #9.5 J-55 CASING.

WE WOULD THEN CEMENT THE PRODUCTION CASING FROM THE TOTAL DEPTH (APPROXIMATELY 2400 FT) TO THE SURFACE.

free: 25
reduction
185 5x cement 2.12 yield
185 5x cement 1.33 yield

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Accepted for record - NMOCD
JC 7-13-17

BOND: NMB000378

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

Julie A. Pascal

Oil and Gas Associate

Title

Signature

Julie A. Pascal

Date

APPROVED 7/13/2017

THE SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

JUL 7 2017

Date

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

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

2011 JUL 16 A 1 59
BUREAU OF LAND MGMT
ROSWELL OFFICE

RECEIVED

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)

DRILLING CONDITIONS OF APPROVAL

| | |
|------------------------------|-------------------------------------|
| OPERATOR'S NAME: | Jalapeno Coporation |
| LEASE NO.: | NMNM-12557 |
| WELL NAME & NO.: | Duncan Federal 12 |
| SURFACE HOLE FOOTAGE: | 2145' FNL & 0694' FWL |
| LOCATION: | Section 18, T. 09 S., R 28 E., NMPM |
| COUNTY: | Chavez County, New Mexico |

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified in advance for a representative to witness:

- a. Spudding well (minimum of 24 hours)
- b. Setting and/or Cementing of all casing strings (minimum of 4 hours)
- c. BOPE tests (minimum of 4 hours)
- d. CIT test

Chaves and Roosevelt Counties

Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201.

During office hours call (575) 627-0272.

After office hours call (575) 627-0205.

1. **Although there are no measured amounts of Hydrogen Sulfide reported, it is always a potential hazard. If Hydrogen Sulfide is encountered, provide measured values and formations to the BLM.**
2. **The record of the drilling rate along with the GR/N well log run from TD to surface shall be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

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

The initial wellhead installed on the well will remain on the well with spools used as needed.

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

Wait on cement (WOC) for Water Basin:

After cementing but before commencing any tests, the casing string shall stand cemented under pressure until both of the following conditions have been met: 1) cement reaches a minimum compressive strength of 500 psi at the shoe, 2) until cement has been in place at least **8 hours**. WOC time will be recorded in the driller's log. See individual casing strings for details regarding lead cement slurry requirements.

Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. Have well specific cement details onsite prior to pumping the cement for each casing string.

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

Medium Cave/Karst

Possibility of lost circulation in the San Andres.

1. The 8-5/8" surface casing is set at 600 feet with cement circulated to surface.
2. The minimum required fill of cement behind the 7 inch intermediate casing, which shall be set at 630 feet, is:

- 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. Excess calculates to negative 20% - Additional cement will be required.**

A CIT is to be performed on the 7 inch casing per Onshore Oil and Gas Order 2.III.B.1.h prior to drilling the last shoe plug. Test casing to 1,500 psi.

Formation below the 7" shoe to be tested according to Onshore Order 2.III.B.1.i. Test to be done as a mud equivalency test using the mud weight necessary for the pore pressure of the formation below the shoe (not the mud weight required to prevent dissolving the salt formation) and the mud weight for the bottom of the hole. Report results to BLM office.

IF EITHER OF THE ABOVE TESTS FAIL CONTACT THE BLM.

3. The minimum required fill of cement behind the 4-1/2 inch production casing is:
 - Cement to surface.** If cement does not circulate, contact the appropriate BLM office. **Excess calculates to 11% - Additional cement may be required.**
4. 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.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API 53.
2. Jalapeno Corporation is granted a variance to use a cable tool rig.
3. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **2000 (2M)** psi.
4. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. In a water basin, for all casing strings utilizing slips, these are to be set as soon as the crew and rig are ready and any fallback cement remediation has been done. The casing cut-off and BOP installation can be initiated four hours after installing the slips, which will be approximately six hours after bumping the plug. For those casing strings not using slips, the minimum wait time before cut-off is eight hours after bumping the plug. BOP/BOPE testing can begin after cut-off or once cement reaches 500 psi compressive strength (including lead when specified), whichever is greater. However, if the float does not hold, cut-off cannot be initiated until cement reaches 500 psi compressive strength (including lead when specified).
 - b. The tests shall be done by an independent service company utilizing a test plug **not a cup or J-packer.**
 - c. The test shall be run on a 5000 psi chart for a 2-3M BOP/BOP, on a 10000 psi chart for a 5M BOP/BOPE and on a 15000 psi chart for a 10M BOP/BOPE. If a linear chart is used, it shall be a one hour chart. A circular chart shall have a maximum 2 hour clock. If a twelve hour or twenty-four hour chart is used, tester shall make a notation that it is run with a two hour clock.
 - d. The results of the test shall be reported to the appropriate BLM office.

- e. All tests are required to be recorded on a calibrated test chart. **A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.**
- f. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug. This test shall be performed prior to the test at full stack pressure.

D. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

E. WASTE MATERIAL AND FLUIDS

All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion 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.

JAM 070717



Sanchez, Jennifer <j1sanchez@blm.gov>

Duncan Federal 12

7 messages

Sanchez, Jennifer <j1sanchez@blm.gov>

Thu, Jul 6, 2017 at 1:08 PM

To: jpascal@jalapenocorp.com, Emmons Yates <eyates@jalapenocorp.com>

Cc: Ruben Sanchez <rjsanche@blm.gov>

I will need additional information to approve the sundry. I will need the coupling for the 7" casing along with the cement details for the 7 inch just like you would submit for an APD. I also need the coupling for the 4-1/2 inch casing and is it run from surface to what depth? Also will need cement details for the 4-1/2 inch casing as well.

Emmons Yates <eyates@jalapenocorp.com>

Thu, Jul 6, 2017 at 2:50 PM

To: "Sanchez, Jennifer" <j1sanchez@blm.gov>, jpascal@jalapenocorp.com

Cc: Ruben Sanchez <rjsanche@blm.gov>

Ms. Sanchez,

After talking it over with our engineers, we would like to be able to run 630' of 26# 7" flush casing. This is a true flush casing with no coupling size increase. It is 7" L80 SJ2 (FL45 thread). We would cement it to surface with class c cement. We would run the 9.5# 4.5" casing with a coupling size of 5" from the estimated TD depth of 2400' to surface. We would cement the production casing with class c cement from TD to surface. If we need to resubmit a sundry notice with the changes and additional information, just let me know and we will get on it. Thanks for your help-Emmons Yates

From: Sanchez, Jennifer [mailto:j1sanchez@blm.gov]**Sent:** Thursday, July 06, 2017 1:08 PM**To:** jpascal@jalapenocorp.com; Emmons Yates**Cc:** Ruben Sanchez**Subject:** Duncan Federal 12

I will need additional information to approve the sundry. I will need the coupling for the 7" casing along with the cement details for the 7 inch just like you would submit for an APD. I also need the coupling for the 4-1/2 inch casing and is it run from surface to what depth? Also will need cement details for the 4-1/2 inch casing as well.

Sanchez, Jennifer <j1sanchez@blm.gov>

Thu, Jul 6, 2017 at 3:00 PM

To: Emmons Yates <eyates@jalapenocorp.com>

Cc: jpascal@jalapenocorp.com, Ruben Sanchez <rjsanche@blm.gov>

Ok I will need the sacks of cement and yields for each cement job.

[Quoted text hidden]

Emmons Yates <eyates@jalapenocorp.com>

Thu, Jul 6, 2017 at 3:21 PM

To: "Sanchez, Jennifer" <j1sanchez@blm.gov>

Cc: jpascal@jalapenocorp.com, Ruben Sanchez <rjsanche@blm.gov>

Ms. Sanchez,

The yield for the surface casing cement would be 2.12 cubic'/sack with a slurry density of 12.5/gallon. We would estimate using 25 sacks. For the production string we would have a yield of 1.33 cubic'/sack with a slurry density of 14.8/gallon. We would estimate using 185 sacks in order to bring it to surface. If you need anything else, let me know.

Thanks again-Emmons Yates

From: Sanchez, Jennifer [mailto:j1sanchez@blm.gov]
Sent: Thursday, July 06, 2017 3:00 PM
To: Emmons Yates
Cc: jpascal@jalapenocorp.com; Ruben Sanchez
Subject: Re: Duncan Federal 12

[Quoted text hidden]

Sanchez, Jennifer <j1sanchez@blm.gov>
To: Emmons Yates <eyates@jalapenocorp.com>
Cc: jpascal@jalapenocorp.com, Ruben Sanchez <rjsanche@blm.gov>

Fri, Jul 7, 2017 at 7:48 AM

What would be the hole size for the 7" and the 4-1/2"?

[Quoted text hidden]

Sanchez, Jennifer <j1sanchez@blm.gov>
To: Emmons Yates <eyates@jalapenocorp.com>
Cc: jpascal@jalapenocorp.com, Ruben Sanchez <rjsanche@blm.gov>

Fri, Jul 7, 2017 at 8:06 AM

Along with the hole sizes are the mud weights remaining the same?

[Quoted text hidden]

Emmons Yates <eyates@jalapenocorp.com>
To: "Sanchez, Jennifer" <j1sanchez@blm.gov>
Cc: jpascal@jalapenocorp.com, Ruben Sanchez <rjsanche@blm.gov>

Fri, Jul 7, 2017 at 9:53 AM

The hole size for the flush 7" casing would be 7.972" and the hole size for the production casing would be 6"... everything else would remain the same as what is on our APD-Emmons

From: Sanchez, Jennifer [mailto:j1sanchez@blm.gov]
Sent: Friday, July 07, 2017 8:07 AM

[Quoted text hidden]

[Quoted text hidden]