OCD-HOBBS

Form 3160-5
(April 2004)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OM B No 1004-0137
Expires March 31, 2007

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
NMLC054667

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
Crosby Deep#3

2 Name of Operator **DC Energy LLC**

9 API Well No
30-025-1185 11870

3a Address
105 Oscar Lane Dallas Georgia 30132

3b Phone No *(include area code)*
770-757-3715

10. Field and Pool, or Exploratory Area

4 Location of Well *(Footage, Sec , T., R., M., or Survey Description)*
Sec 33 T25S R37E 1980' FSL 1980FEL

11 County or Parish, State
Lea

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 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)

1. MIRU workover rig and NU 7 1/16" 5M BOP. TIH w 4 ½" cement retainer on 2 7/8" tbg and set cmt retainer at 8600'. Establish injection rate into the Fusselman perforations (8657'-8695', 26 holes) w 10 bbls fresh water. Cement Fusselman perfs w 100 sks Class C cement. Displace cement w fresh water. (tbg capacity of 35 bbls) Pull out of cmt retainer and spot 25 sks of cmt on top of cmt retainer. WOC and then tag top of cmt. With end of tubing at ~ 8500' pump 10 bbls of 9# mud. POH w tbg.
2. TIH w 2 7/8" tbg and 7" CIBP and set CIBP at 7900'. Spot 25 sks of cmt on top of CIBP. WOC and tag top of plug. With end of tubing at ~ 7800' pump 170 bbls of 9# mud. POH w tbg.
3. TIH w 2 7/8" tbg and 7" CIBP and set CIBP at 3900'. Spot 25 sks of cmt on top of CIBP. WOC and tag top of plug. With end of tubing at ~ 3800' pump 150 bbls of 9# mud. POH w tbg.
4. TIH w 2 7/8" tbg and 7" CIBP and set CIBP at 500'. Spot 25 sks of cmt on top of CIBP. WOC and tag top of plug. With end of tubing at ~ 400' pump 21 bbls of 9# mud. POH w tbg.
5. TIH w 2 7/8" tbg and 7" CIBP and set CIBP at 50'. Spot 25 sks cmt on top of CIBP.
6. Dig out and cut off well head 3' below ground level. Weld on ½" steel plate to casing and install dry hole marker.

Will Start this work the 1st week of April, that is the time when Rig will be available .

SEE ATTACHED FOR CONDITIONS OF APPROVAL

RECEIVED
MAR 29 2012
NMOCD ARTESIA

14. I hereby certify that the foregoing is true and correct
Name *(Printed/Typed)*
Dan Johnson Title **Managing Member**

Signature Dan Johnson Date 03/13/2012

APPROVED
MAR 21 2012
WESLEY W. INGRAM
PETROLEUM ENGINEER

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by Title 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

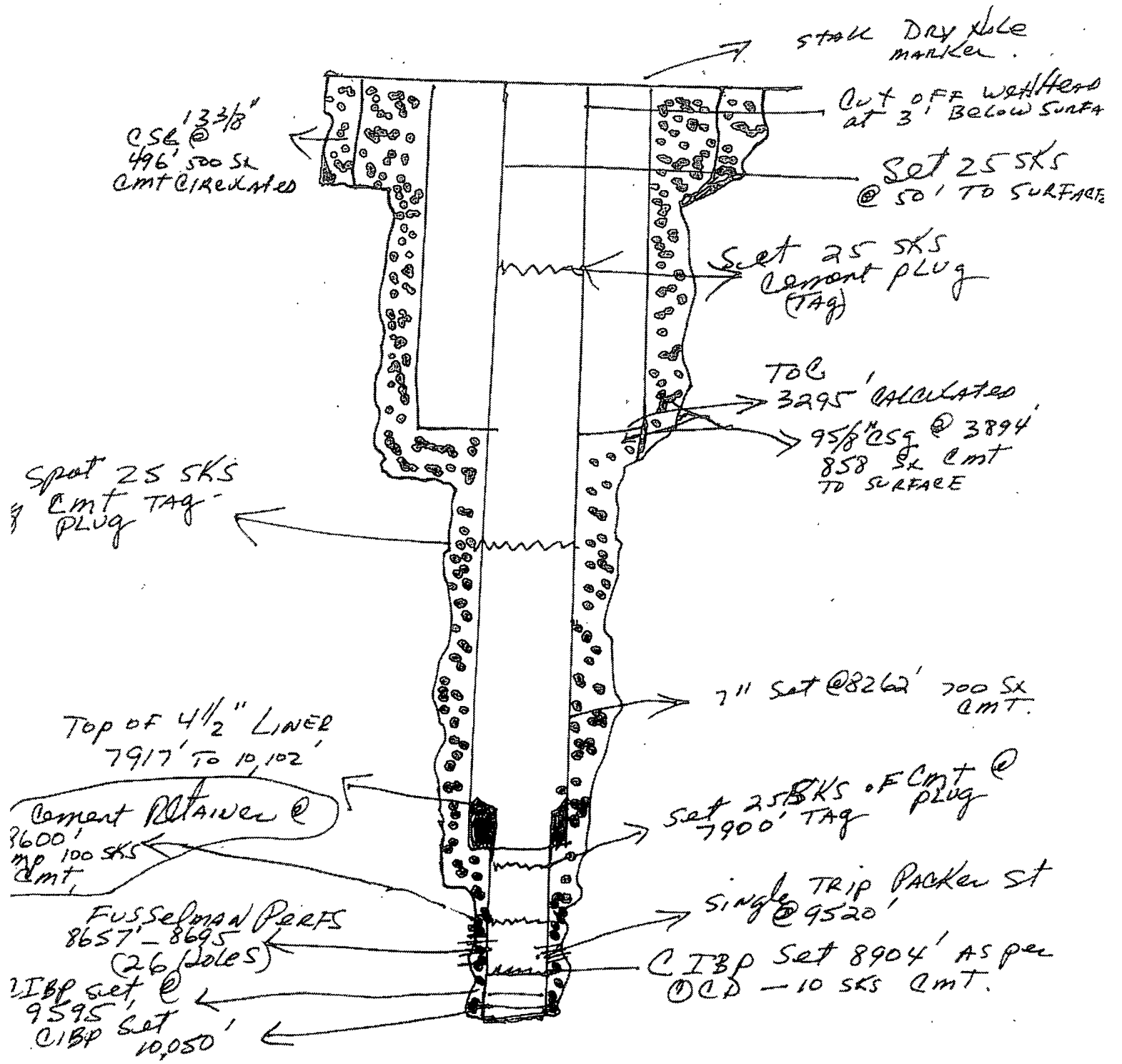
Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

(Instructions on page 2)

MAR 29 2012

WELL BORE SCHEMATIC OF CROSBY DEEP #3

USTR J, SEC 33, T25S, R37E
1980' FSL & FEL
API 30-025-11870
DC ENERGY LLC
AFTER PLUGGING



Crosby Deep 3
30-025-11870
DC Energy LLC
March 21, 2012
Conditions of Approval

See attached standard Conditions of Approval for plug and abandonment.

1. **Operator has not submitted a copy of the CBL run in the well as required by the December 30, 2011 approved sundry. The CBL might modify some of the requirements in this procedure.**
2. **After installing BOP, operator shall clean out hole with a bit and scraper to the CIBP at 9595' and place a 25 sack Class H cement plug on CIBP. This will properly isolate the McKee formation and was required in the COA for the sundry approved on November 22, 2011.**
3. **Operator shall run a gauge ring to top of liner to verify that 7" CIBPs can be set.**
4. **For the Fusselman perforations, operator shall set a minimum of 25 sack Class H (not Class C) cement plug from 8750'-8580'. WOC and tag cement at 8580' or shallower. Due to past problems getting down in this well, the cement retainer is not approved.**
5. **Plug required across 7" shoe. A minimum of a 25 sack, Class H plug shall be set from 8320' to 8080'. WOC and tag at 8140' or shallower. This will provide a plug across the 7" shoe and cover the top of the Devonian.**
6. **Operator has the option of pumping sufficient cement in step 5 to obtain a cement top of 7800' or shallower. WOC and tag plug at plug at 7800' or shallower. This plug will cover the Fusselman perforations, the 7" shoe, the Devonian perforations and the 4 ½" liner top.**
7. **Operator can set a separate plug for the 4 ½' liner top by placing a minimum of 25 sacks of Class H cement from 7970'-7800'. WOC and tag at 7800' or shallower.**
8. **A 150' plug is required at the top of the Glorietta (top 5096'). Operator shall perforate at 5150'. Attempt to establish circulation, if circulation is established, pump a minimum of 25 sacks of Class C cement. Tag plug at 5000' or shallower. If circulation cannot be established, set plug from 5200'-5000' and tag at 5000' or shallower.**
9. **BLM inspector to be on location when operator performs free point on the 7" casing. If free point is above 3950' (near intermediate shoe) operator is to contact BLM prior to cutting casing.**
    a. **If the free point is above 3800', the intermediate shoe plug shall be set in the following manner. CIBP shall be eliminated. Operator shall perforate at 3950' and attempt to establish circulation. If circulation can be established, operator shall pump sufficient cement to achieve a plug length inside and outside of 140'. Plug shall be a minimum of 25 sacks of Class C cement. Plug shall be tagged at 3810' or shallower.**

b. If circulation cannot be established, operator shall set a minimum of 25 sacks of Class C cement from 4000' to 3810'. Tag plug at 3810' or shallower.

10. Cut casing at free point and place a 135' stub plug from 50' inside. Plug shall be tagged a minimum of 50' above the cut.
11. Top of Yates/Base of Salt plug required. Operator shall set a minimum 25 sack Class C plug from 2565'-2440'. Plug to be tagged at 2440' or shallower.
12. Top of Salt plug required. Plug to be a minimum of 25 sacks Class C and set from 1200' to 1090'. Plug to be tagged at 1090' or shallower.
13. Operator's step 4 – CIBP to be moved to a depth of 550'. Place sufficient cement on top of CIBP to bring cement to surface. This will provide additional protection for the surface water.
14. Operator will check all annuli when well head is cut off to verify cement to surface in all annuli.
15. Ground level marker required – see attached COA.
16. Clean location.

WWI 032112

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Permanent Abandonment of Federal Wells
Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Plugging operations shall commence within **ninety (90)** days from the approval date of this Notice of Intent to Abandon.

If you are unable to plug the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be plugged. Failure to do so will result in enforcement action.

The rig used for the plugging procedure cannot be released and moved off without the prior approval of the authorized officer. Failure to do so may result in enforcement action.

2. Notification: **Contact the appropriate BLM office at least 24 hours prior to the commencing of any plugging operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.**

3. Blowout Preventers: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The BOP must be installed and maintained as per API and manufacturer recommendations. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of **brine** water. Minimum nine (9) pounds per gallon.

5. Cement Requirement: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. Any plug that requires a tag will have a minimum WOC time of 4 hours.

In lieu of a cement plug across perforations in a cased hole (not for any other plugs), a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. **Before pumping cement on top of CIBP, tag will be required to verify depth. Based on depth, a tag of the cement may be deemed necessary.**

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

6. Dry Hole Marker: All casing shall be cut-off at the base of the cellar or 3 feet below final restored ground level (whichever is deeper). **The BLM is to be notified a minimum of 4 hours prior to the wellhead being cut off to verify that cement is to surface in the casing and all annuluses. Wellhead cut off shall commence within ten (10) calendar days of the well being plugged. If the cut off cannot be done by the 10th day, the BLM is to be contacted with justification to receive an extension for completing the cut off.**
The well bore shall then be capped with a 4-inch pipe, 10-feet in length, 4 feet above ground and embedded in cement, unless otherwise noted in COA (requirements will be attached). The following information shall be permanently inscribed on the dry hole marker: well name and number, name of the operator, lease serial number, surveyed location (quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer such as metes and bounds).

7. Subsequent Plugging Reporting: Within 30 days after plugging work is completed, file one original and three copies of the Subsequent Report of Abandonment, Form 3160-5 to BLM. The report should give in detail the manner in which the plugging work was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well. **Show date well was plugged.**

8. Trash: All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

Following the submission and approval of the Subsequent Report of Abandonment, surface restoration will be required. See attached reclamation procedure.

Requirements for ground level dry hole markers
Well Identification Markers
Conditions of Approval (COA)

The BLM Carlsbad Field Office (CFO) Conditions of Approval (COA) Requires that ground level dry hole markers be placed on well within the Lesser Prairie Chicken habitat area. The dry hole markers will be to the following specifications. The operator will construct the markers as follows:

1. An 8 inch X 8 inch steel plate 1/8 to 3/16 of an inch thick is to be placed on the old dry hole marker stand pipe 2 inches from ground level, in the Lesser Prairie Chicken habitat area.

2. Steel plate may be welded or bolted approximately 2 inches from ground level on the stand pipes. If plates are bolted to the stand pipe, the person installing the plate will be required to weld a pipe collar on the plate and place a minimum of two set screws/bolt on each collar. Aluminum data plates may be bolted with minimum ¼ inch bolt and locking nuts or self tapping fine threaded screws. A minimum of one in each corner is to be installed on each plate.

3. An 8 inch x 8 inch aluminum plate, which is 12 gauge or .080 sign material (1/8 inch aluminum plate may be used in place of the .080 plate) with the required information for that well stamped or engraved in a minimum 3/8 inch tall letter or number.

4. The following information will be stamped or engraved on the 8 inch X 8 inch aluminum plate in the following order.

    a. First row: Operators name
    b. Second row: Well name and number
    c. Third row: Legal location to include ¼ ¼, Section, Township, and range. If the legal location cannot be placed on one row it can be split into two rows with the ¼ ¼ (example: 1980 FNL 1980 FWL) being on the top row.
    d. Fourth row: Lease Number and API number.
        i. Example marker plate: (attached)

NMOCD Order No. R-12965 also required the operator to notify NMOCD when this type of dry hole marker is used. This can be done on the subsequent report of abandonment which is submitted to the BLM after the well is plugged. State that a ground level dry hole marker was installed as required in the COA's from the BLM.