

APR 12 2012

OCD-HORRIS

Form 3160-5  
(August 2007)

**RECEIVED**  
UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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. NMNM 072477

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

JAY MANAGEMENT CO., LLC

3a. Address

2425 WEST LOOP SOUTH - STE 810; HOUSTON, TX 77027

3b. Phone No. (include area code)

713 / 456 - 7892 Ext 309

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

8. Well Name and No. ANDOVER FEDERAL #1

9. API Well No. 30-025-21904

10. Field and Pool or Exploratory Area  
BAGLEY PERMO PENN NORTH

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

SEC 17, T-11S, R-33E

11. Country or Parish, State

LEA

**12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA**

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input checked="" type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" 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 checked="" type="checkbox"/> Other <u>Workover</u>
	<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 reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

1. Original intent was to locate what was thought to be a casing leak - squeeze leak and restore production in the well.
  2. During conduct of operations, although a suspected hole in the casing was thought to have been identified at 7215 - 7345' it could not be pumped into after acidizing with 500 gals of acid. It was concluded that if the casing did have a hole in it - it was probably a casing collar leak and a cement squeeze could not be done. It would pressure up and leak off slowly. Decision was made to put the well on production in order that a negative test could be conducted
  3. Tubing and rods were run with the pump set @ 10,060', TAC was set @ 8316'. Perfs 8546 - 10046'.
- PLEASE NOTE THAT 11/15/2010 FORM 3160-5 WAS INCORRECT IN INDICATING THAT A CASING LEAK WAS SQZ'D DURING OPS. DAILY REPORT OF OPERATIONS IS ATTACHED.

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

Name (Printed/Typed)

RON GILBREATH

Title

SENIOR STAFF ENGINEER

Signature

*Ron Gilbreath*

Date

14 March 2012

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by

Title

Office

APR 10 2012

Date

WESLEY W. INGRAM  
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.

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)

APR 17 2012

JAY MANAGEMENT CO. LLC  
ANDOVER FEDERAL No. 1  
P - SEC 17, T-11S, R-33E  
LEA COUNTY, NEW MEXICO  
FEDERAL LSE # 29-072477  
API # 30-025-21904  
BAGLEY PERMO PENN FIELD

**DAILY REPORT OF OPERATIONS**

10/01/10

MIRU pulling unit. Pump 1500 gal of acid flush w/ 20 bbls. ND well head & NU BOP. Release tubing anchor. Pull 1 jt and shut down.

10/04/10

Arrive on location & held safety meeting. Open BOP. TOOH laying down 268 jts of 2-3/8" tubing, tubing anchor, 57 jts of tubing, seat nipple, perf sub, and mud jt open ended. Load tubing on truck to haul off to Double R for inspection. SIFN.

10/05/2010

Arrive on location & held safety meeting. Tally tubing. TIH w/ bit & scraper plus 314 jts of 2-3/8" tubing. Tag @ 10179'. TOOH w/ tubing and tools. SIFN.

10/06/2010

Arrive on location & held safety meeting. Open well. TIH w/ notch collar / bailer to 10,191'. Bailed on bottom. TOOH 7 stands that were filled w/ nasty water. Close BOPs. SIFN.

10/07/2010

Arrive on location and held safety meeting. TIH w/ plug & packer to 8535'. Set plug & test - ok. Move packer to hunt hole in casing. Bottom hole found @ 7345' with top hole @ 7215'. Could pressure up casing with slow leak off. Pull up to 6867'. Close BOPs. SIFN.

10/08/2010

Arrive on location & held safety meeting. RIH to 7345'. Spot 500 gals of acid. Pull up to 6989'. Reverse out acid into tubing. Set packer and out acid away @ 1/2 bpm @ 3800 psi. Over flush 6 bbls. Leave pressure on tubing. SIFN.

10/09/2010

Arrive on location and held safety meeting. Still had positive pressure on casing. Still cannot pump into a hole. Will POP and check as negative test. Bled well down and TOOH w/ packer. TIH w/ retrieving tool. Circ sand off plug. Release plug. TOOH ready for logging on Monday. SIFN.

10/11/2010

Arrive on location. RU WL Unit. Run GR-CNL log. SIFN.

JAY MANAGEMENT CO. LLC  
ANDOVER FEDERAL No. 1  
P - SEC 17, T-11S, R-33E  
LEA COUNTY, NEW MEXICO

10/12/2010

On standby - WOOs

10/13/2010

On standby - WOOs

10/14/2010

Arrive on location & held safety meeting. LD 34 jts of tubing. TIH w/ 113 stands. ND BOPs & NU well head. RD and clean location. Move off location.

10/25/2010

MIRU pulling unit. Held safety meeting. ND wellhead & NU BOPs. Pull tubing out of the hole. SIFN.

10/26/2010

Roustabout & electrical crews on location to hook up pumping unit. Used existing panel from Lulu. Tore down outdated service and built & hung new service. Dug ditch to unit. Dug hole for post. Set post and hung panel. Ran conduit and ground wire in ditch. Ran flex and wire to motor and tied in. Tied panel into generator for temporary power until LCEC hangs transformers and new service to power pole.

10/27/2010

TIH w/ bull plug, mud jt, 4' perf sub, seat nipple, 56 jts of tbg, tubing anchor and 264 jts of tubing. TAC @ 8316' +/- EOT @ 10,096'. SN @ 10,060'. PU 29 of 7/8" rods and 267 of 3/4" rods. SIFN.

10/28/2010

Finish picking up the rods. (135 x 7/8" + 267 x 3/4") Hang well on. Leave pumping over weekend. Electric crew dug ditch & ran conduit to front of unit for vibration switch. Pulled wire, set and tied in vibration switch. Got unit running on generator.

10/29 - 31/2010

On Stand-by. No activity.

11/01/2010

Arrive on location. RD equipment and rig. Clean location. Move off location.

11/03/2010

Arrive on location. MIRU. Pull horses head. Unseat pump. POOH w/ 127 of 7/8" rods, 267 of 3/4" rods and pump. ND well head & NU BOPs. POOH w/ 220 jts of tubing. Secure well & SIFN.

JAY MANAGEMENT CO. LLC  
ANDOVER FEDERAL No. 1  
M - SEC 28, T-11S, R-33E  
LEA COUNTY, NEW MEXICO

11/04/2010

Arrive on location. GIH w/ tubing. ND BOPs. Set tubing anchor. NU flange. Run rods & pump back in the hole. Load & test tubing - good. RD. Clean up location. Move off location. Electric crew back on location. LCEC hooked up power to location. Pulled wire from disconnect to panel and tied in. Disconnected generator to be sent in. Checked operations and left unit running.

11/05/2010

Roustabout crew moved load line on oil tanks to the west. Move stairway on oil tanks to the north. Hung gate, turned well into H/T. Put wheels back on generator. Covered ditches, built firewall. Crew set cross over for firewall and rebuilt fence. Pressured up H/T. Left well pumping and turned operations over to pumper. FINAL REPORT



COPY

JAY MANAGEMENT CO., LLC  
2425 WEST LOOP SOUTH - STE 810

713 / 456 - 7892 (Phone)

713 / 768 - 3986 (Fax)

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March 14, 2012

BUREAU OF LAND MANAGEMENT  
Carlsbad Field Office  
620 E. Greene Street  
Carlsbad, New Mexico 88220-6292

Attn: Mr. Wesley W. Ingram

RE: Your Violation Notice Dated February 14, 2012  
Jay Management  
Andover Federal Well No. 1  
(P) Sec 17, T-11S, R-33E  
Bagley Permo Penn Field North  
Lea County, New Mexico

Gentlemen;

Please find enclosed:

1. Form 3160-5 (Sundry Notice - Subsequent Report - Corrected)
2. Form 3160-5 (Sundry Notice - Notice of Intent)
3. Form 3160-18 (Notice of Written Order) - Signed

After receiving your notice letter as referenced above, I reviewed our files to include the files of a former employee of Jay Management, and I found reference to the Form 3160-5 (Sundry Notice-Subsequent Report) filed by Mr. Kirk Broussard on behalf of Jay Management in regard to work done on the referenced well in October - November of 2010. Mr. Broussard filed this Notice on or around the first part of December. I came to work for Jay Management in early February of 2011 and remembered a phone call that I had fielded in regard to this 3160-5 submission and which I had passed onto Mr. Broussard since he had filed the original report.

Upon receipt of your recent notice, I reviewed the information in the NM OCD image files and found that Mr. Broussard's submission of the Form 3160-5 (Sundry Notice -Subsequent Report) had been rejected for the reason annotated and that phone calls from your office to ours had not been returned. After reviewing the pulling reports on the well - I now believe that incorrect information in regard to the suspected casing leak was inadvertently submitted on the "Subsequent Report".

After reviewing the daily reports I believe that although it was suspected the casing had a hole prior to beginning the work - subsequent testing concluded that it was probably a casing collar leak.

Even after an attempt to pump acid through the hole (thus potentially increasing the pump in rate) the leak would still only pressure up to 3800 psi and leak off at a slow rate at a ½ bpm. It was concluded that since a pump in rate could not be obtained the well would be placed on production and a pump test made to determine if any problems with excessive water production would result. This was done in late October of 2010. After being put back on production, the initial results looked favorable with production being reported from November 2010 thru February of 2011. However, in early March the well went off production again. No large volumes of water were reported to have been produced during this time.

I now believe that mechanical reasons of some sort caused the well to go off production and neither our field personnel nor office staff adequately addressed the problem. Both myself and our geologist have recommended future plans of;

1. Pull the rods and tubing from the well and check their condition.
2. Run a good quality Cased Hole Interpretive Log such as the Baker Performance Monitor Log across various selected depth.
3. Perf and test any intervals that look productive.
4. Return the well to productive status.

I am currently preparing cost estimates for an AFE to submit to our Management and expect that we could be working on the well, by early to mid April.

If you need any additional information, please contact me. Thank you for your consideration of our explanation of past actions and future intent.

Sincerely,



Ron Gilbreath  
Senior Staff Engineer  
713 / 456-7892 (Ext 309) (Off)  
713 / 855 - 7788 (Cell)  
[rgilbreath@isramco-jay.com](mailto:rgilbreath@isramco-jay.com)