

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No 1004-0135
Expires: January 31, 2004

MAY 8 1 2012

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.

Lease Serial No.
NM-174466 If Indian, Allottee or Tribe Name
N/A7. If Unit or CA/Agreement, Name and/or No.
NM 720018. Well Name and No.
Government "L" Com #19. API Well No.
300252560410. Field and Pool, or Exploratory Area
Bell Lake, South Morrow11. County or Parish, State
Lea, NM

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

1. Type of Well
☐ Oil Well ☐ ☒ Gas Well ☐ Other2. Name of Operator
Agave Energy Company3a Address
105 S. Fourth Street, Artesia, NM 882103b Phone No. (include area code)
575-748-4528

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

Unit Letter G, 1980 FNL, 1980 FEL Sec. 18, T 24 S, R 34 E, NMPM, Lea Co. 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"/> 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 checked="" type="checkbox"/> Other re plug to cement off
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	cherry canyon per
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	NMOCC R-13507

- 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.)

The Cherry Canyon lies between 6,150 and 6,450' in this well. BLM and NMOCD files show that the 10.25" casing was set in a 13,000' 12.25" borehole, and cemented with 500 sacks of cement. Calculated volumes indicate that the top of cement (TOC) would only reach to depths of 10,900' (1.0 cubic ft per sack) to 9,900' (1.5 cubic ft per sack). In any case, the Cherry Canyon interval may be un-cemented in the 12.25" bore. During plugging operations, the 10.25" casing was cut and removed at 5,540', leaving the 13.375" surface casing in place from surface to 5,400'. The 10.25" casing still remains adjacent to the Cherry Canyon (see attached well diagram). Proposed replugging includes:

1. Find the location, construct access and excavate the well head, and construct a temporary cellar
2. Move in and rig up a workover rig, open the 13.375" casing and nipple up an appropriate BOP
3. Drill out existing cement plugs at surface, 450', 1,200', and 5,356' and hole savings to 5540' (top of remaining 10.25" casing)
4. Reenter 10.25" casing at 5540' and clean the hole to approximately 6,900'
5. Find best squeeze location below base of Cherry Canyon based on existing logs
6. Set a CIBP at 6,550' (100 feet below Cherry Canyon)
7. At the squeeze location perforate two feet using 4spf foot, 90 degrees apart
8. Set a cement retainer at approximately 6,050' and squeeze the Cherry Canyon using approximately 250 sacks of cement
9. Wait on cement for 6 hours, and pressure test at 500 psi for 30 minutes
10. Replace former cement plugs to plug well based on current BLM guidelines or requirements
11. Remove BOP, weld top plate, and reclaim site to original status

RECLAMATION PROCEDURE
ATTACHEDSEE ATTACHED FOR
CONDITIONS OF APPROVAL

See Pg. 3 & changes

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

Alberto A. Gutierrez, RG

Title Consultant to Agave Energy Company

Signature

Date 04/05/2012

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

SEAS

Date

5-29-12

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 USC Section 1001 and Title 43 USC 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)

MAY 31 2012

Proposed Re-Plugging Program

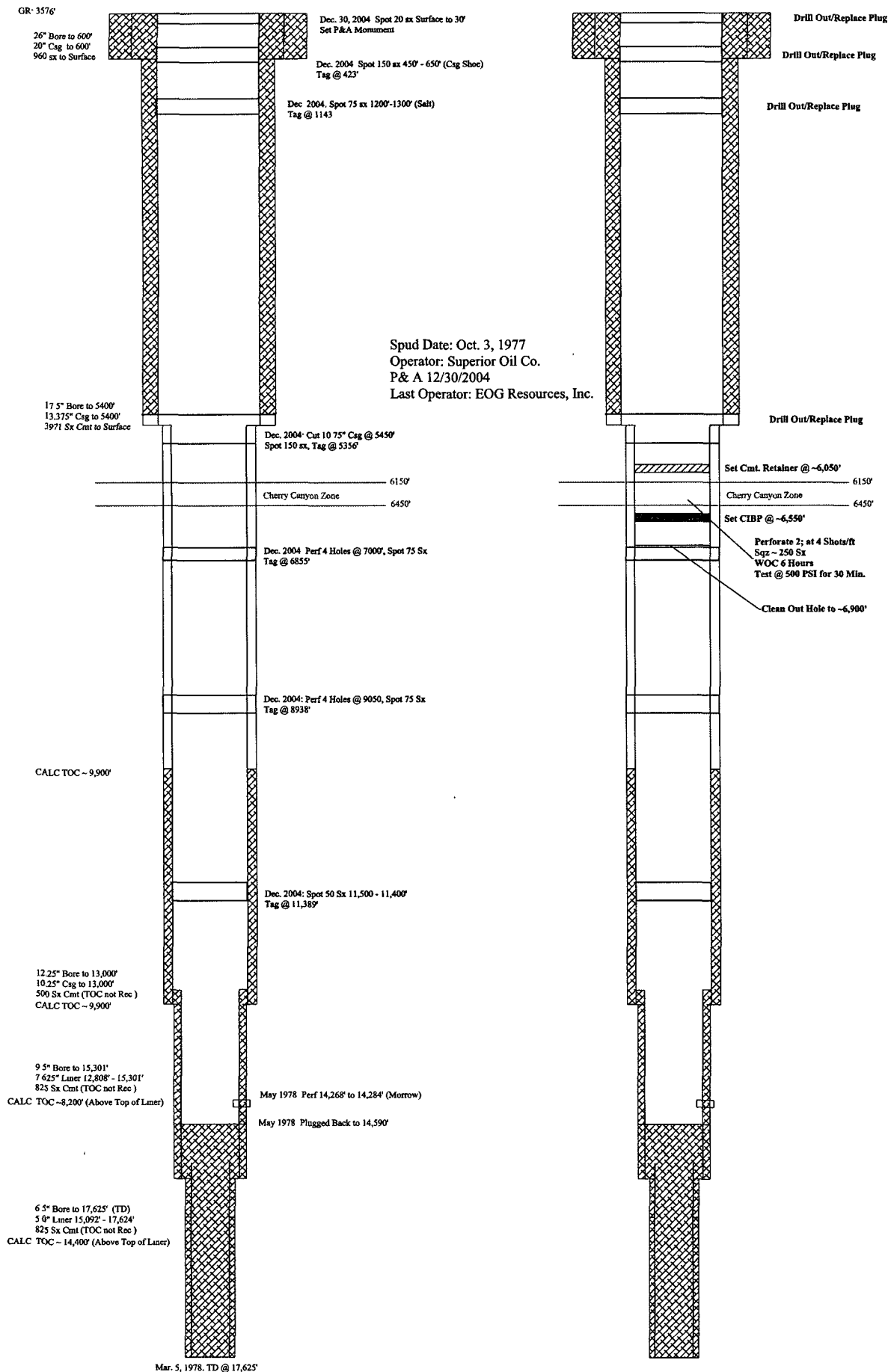


Figure 4: Proposed Plugging Program for Government "L" Com #1

Agave Energy Company
105 S. Fourth Street
Artesia, NM 88210

RE: Government "L" Com #1
1980' FNL, 1980' FEL, Sec. 18, T24S-R34E
Lea County, New Mexico

Approval subject to the following:

Contact the private landowner (Bert Madera) to obtain right-of-way for access to the location. Provide certification of such agreement. *Submitted 5/29/12 J. Amos*

5. CIBP @ 6550' is optional. Perforate the 10.25" casing @ 6550 +/- squeeze adequate cement to cover 450'. WOC and tag no lower than 6100'. If tag is below 6100', re-perforate above tag and repeat. Cement retainer is not to be used for this process.

10. In addition to the placement of the plug across the Cherry Canyon, replace former cement plugs and the following additions:

Spot plug from 5500'- 5350' (10-3/4 stub and 13-3/8" shoe). WOC and tag no lower than 5350'.

Add plug across the Base of Salt, from 4840'-4690' (150'). WOC and tag no lower than 4690'.

Re-spot Top of Salt plug from 1300'-1200' (100'). WOC and tag no lower than 1200'.

Re-spot Shoe plug (20" from 979'-550'). WOC and tag no lower than 550'. Note: Question as to the actual setting depth of the 20" casing. The initial Sundry Notice dated 10/31/77 shows 94#, H-40 set @ 929.51'. The Completion Report shows 600'.

Re-spot Surface plug from 60' to surface.

11. Install bottom plate and dry-hole-marker. Reclaim site to original status.

See attached Reclamation Objectives. The well location is currently in a monitoring phase, with EOG Resources Incorporated being responsible for the restoration of the location. The location was last looked at in June of 2009. At that time we were dealing with African Rue (noxious weed), and the eradication of the plant. This may still be an issue. The location is also having issues with re-establishment of the native vegetation (potential for salt impact to the pad and pit area). Contact Jim Amos @ 575-234-5909 prior to reclamation of the location and access.

If any questions, contact Jim Amos @ 575-234-5909.

J. Amos
5/19/12

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. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient. **Before pumping or bailing 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.

Reclamation Objective

At final abandonment, well location, production facilities, and access roads must undergo “final” reclamation so that the character and productivity of the land and water are restored.

The long-term objective of final reclamation is to set the course for eventual ecosystem restoration, including the restoration of the natural vegetation community, hydrology, and wildlife habitats. In most cases, this means returning the land to a condition approximating or equal to that which existed prior to the disturbance. The operator is generally not responsible for achieving full ecological restoration of the site. Instead, the operator must achieve the short-term stability, visual, hydrological, and productivity objectives of the surface management agency and take steps necessary to ensure that long-term objectives will be reached through natural processes.

The reclamation process involves restoring the original landform or creating a landform that approximates and blends in with the surrounding landform. It also involves salvaging and reusing all available topsoil in a timely manner, revegetating disturbed areas to native species, controlling erosion, controlling invasive non-native plants and noxious weeds, and monitoring results. With proper reclamation measures, over time, local native species will become re-established on the site and the area will regain its original productive and scenic potential.

Reclamation generally can be judged successful when a self-sustaining, vigorous, diverse native (or otherwise approved) plant community is established on the site, with a density sufficient to control erosion and non-native plant invasion and to re-establish wildlife habitat or forage production. Erosion control is generally sufficient when adequate groundcover is reestablished, water naturally infiltrates into the soil, and gullying, headcutting, slumping, and deep or excessive rilling is not observed. The site must be free of State- or county listed noxious weeds, oilfield debris, contaminated soil, and equipment. The operator should inform the surface management agency that reclamation has been completed and that the site is ready for final inspection when these requirements have been met. Use Form 3160-5 (Sundry Notices and Reports on Wells), Final Abandonment Notice (one original and 3 copies).

If any questions, Contact Jim Amos @ 575-234-5909 (office) or 575-361-2648 (cell).