

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No. 1004-0137
Expires: July 31, 2010

OCD Hobbs
HOBBS OCD

JAN 29 2013

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.

SUBMIT IN TRIPLICATE - Other instructions on page 2.

| | | |
|--|---|--|
| 1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 5. Lease Serial No. NM 050480 |
| 2. Name of Operator Jay Management Co., LLC | | 6. If Indian, Allottee or Tribe Name |
| 3a. Address 2425 West Loop South, Suite 810 Houston, TX 77027 | 3b. Phone No. (include area code) 713-621-6785 | 7. If Unit of CA/Agreement, Name and/or No. |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 17 11S 33E 1970 S 810 W | | 8. Well Name and No. Chaney Federal No. 1 |
| | | 9. API Well No. 30-025-22554 |
| | | 10. Field and Pool or Exploratory Area N. Bagley |
| | | 11. Country or Parish, State Lea County, New Mexico |

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 checked="" 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 checked="" 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 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 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 must 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 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.)

We plan to perforate and stimulate several new intervals during the week of November 5th and expect the work to be completed within 3 days of the start. After successful perforation, stimulation, and testing, we plan to return the well to production with rod and pump.

New Intervals to Perforate:
- 8502', 8837', 8838', 8841', 8858-63'

Planned Stimulation:
- 5,000 gals of 15% Hydrochloric acid

*Rejected
incomplete - work done
without approval.*

*M. Henderson
1/27/2013*

| | | |
|--|--|--------------------------|
| 14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Matt Henderson | | Title Project Manager |
| Signature <i>Matt Henderson</i> | | Date 11/05/2012 |

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.

FEB 27 2013

**Chaney Federal 1
30-025-22554
Jay Management Co., LLC
January 27, 2013
Conditions of Rejection**

- 1. Operator did not wait for approval before commencing work.**
- 2. Operator did not specify how they would plug off the existing perforations in the Strawn formation.**
- 3. Operator will be required to drill out the plugs set and set them according to BLM requirements. Operator to submit a well bore schematic of what is currently in the hole.**
- 4. It is the operator's responsibility to verify that they have approval for an operation prior to commencing it.**

WWI 012713