

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB NO. 1004-0135
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.
NMNM56265

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse

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

1. Type of Well
 Oil Well Gas Well Other: INJECTION

8. Well Name and No.
FEDERAL L 1

2. Name of Operator
NEARBURG PRODUCING COMPANY
Contact: VICKI JOHNSTON
E-Mail: vjohnston1@gmail.com

9. API Well No.
30-025-20811

3a. Address
3300 NORTH A STREET, BUILDING 2
MIDLAND, TX 79705

3b. Phone No. (include area code)
Ph: 830-537-4599

10. Field and Pool, or Exploratory
SEVEN RIVERS

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 25 T20S R34E Mer NMP SENW 1650FNL 1980FWL

11. County or Parish, and State
LEA COUNTY, 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 Drilling Operations
	<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 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.)

POH with rods & pump.
ND wellhead, NU BOP.
POH with tubing.
RU wireline and RIH w/5-7/8" gauge ring (35#-7" N80 csg) to 8300' to make sure casing is clear.
RIH w/CIBP on wireline & set CIBP @ 8290' Dump bail 35' cmt on top of CIBP.
RIH w/CIBP on wireline & set CIBP @ 5450' Dump bail 35' cmt on top of CIBP.
RIH w/CIBP on wireline & set CIBP @ 4016' Dump bail 35' cmt on top of CIBP. The maximum depth this plug can be set is 4032'.
RIH with tubing to +/- 3908'. Displace hole with 2% KCl water with corrosion inhibitor.
POH with tubing.
RIH with csg gun & perf 4 spf, 60 deg phsg all depths inclusive as follows: 3705'-3726' (88 shots), 3744'-3748' (20 shots), 3764'-3768' (20 shots), 3772'-3776' (20 shots), 3778'-3782' (20)

SUBJECT TO LIKE
APPROVAL BY STATE

WITNESS
PLUG BACK

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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

Electronic Submission #278582 verified by the BLM Well Information System
For NEARBURG PRODUCING COMPANY, sent to the Hobbs
Committed to AFMSS for processing by LINDA JIMENEZ on 11/20/2014

Name (Printed/Typed) TIM GREEN

Title PRODUCTION MANAGER

Signature (Electronic Submission)

Date 11/12/2014

APPROVED

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By

Title

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

DEC 10 2014
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD 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 the Bureau of Land Management or any other United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED ** OPERATOR-SUBMITTED **

DEC 10 2014

Additional data for EC transaction #278582 that would not fit on the form

32. Additional remarks, continued

shots), 3808'-3813' (24 shots), and 3826'-3832' (28 shots), 220 shots total. Correlate all wireline work to Schlumberger "Sonic Log-Gamma Ray" log dated 5-18-1964 (3rd run date). RIH with injection packer & on/off tool on work string & set packer @ 3625'. Acidize perfs w/10,800 gals 15% NeFeHCL acid. POOH w/work string & RIH w/PK99 injection string. Perform injectivity test & put well on line.

Conditions of Approval

**Nearburg Producing Company
Federal L - 01, API 3002520811
T20S-R34E, Sec 25, 1650FNL & 1980FWL
December 02, 2014**

1. Prior to abandoning the Delaware and recompletion to disposal, submit for this well a Lease Operating Statement (L.O.S.) for the last 12 consecutive months showing all production, revenue, taxes, and royalties paid, include all types of operating and maintenance expense.
2. This should initially at be a gross level, then boiled down with net numbers showing monthly (PROFIT/LOSS).
3. You are required to perform a reservoir study to determine the remaining reserves to the economic limit for the Delaware formations. The report from this study will include economics based on a Lease Operating/Expense statement, which shall be included with the report. The report shall also include a decline curve based on the recent production. Also be aware the proposed disposal formation will need to be proven to be noncommercial as a hydrocarbon producer.
4. A NMOCD Form C-102 "Well Location and Acreage Dedication Plat" with updated information is necessary with the notice of intent package when recompletion changes a well's Pool designation.
5. Before casing or a liner is added, replaced, or repaired prior BLM approval of the design is required. Use notice of intent Form 3160-5.
6. Subject to like approval by the New Mexico Oil Conservation Division.
7. Notify BLM 575-200-7902 Eddy Co. or 575-393-3612 Lea Co as work begins. Some procedures are to be witnessed. If there is no response, call 575-361-2822, leave a voice mail with the API#, workover purpose, and a call back phone number
8. Surface disturbance beyond the existing pad must have prior approval.
9. A closed loop system is required. The operator shall properly dispose of drilling/circulating contents at an authorized disposal site. Tanks are required for all operations, no excavated pits.
10. Functional H₂S monitoring equipment shall be on location.
11. 5000 (5M) Blow Out Prevention Equipment to be used. All BOPE and workover procedures shall establish fail safe well control. Ram(s) for the work string(s) used is required equipment. Manual BOP closure system including a blind ram and pipe ram(s) designed to close on all (hand wheels) equipment shall be installed regardless of BOP design. Function test the installed BOPE to 500psig when well conditions allow. Related equipment, (choke manifolds, kill trucks, gas vent or flare lines, etc.) shall be employed when needed for reasonable well control requirements.
12. All waste (i.e. trash, salts, chemicals, sewage, gray water, etc.) created as a result of work over 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.

13. The BLM PET witness is to run tbg tally and agree to cement volumes and placement. Sample each plug for cement curing time and tag and/or pressure test as requested by BLM PET witness.
- 14. This procedure is subject to the next three numbered paragraphs.**
15. Mix cement plugs to cover a minimum of 100ft plus 10ft for every 1,000ft from the bottom of the plug, rounding the number of necessary sacks up to the nearest 5 sacks. Never use less than 25sx. Examples: A cement plug set at 8000 in 7" casing would require a min of 35sx. A 25sx plug in 5 1/2" casing should cover 250ft, which may exceed 100ft plus 10ft per 1000ft.
16. Class H > 7500ft & C < 7500ft) cement plugs(s) will be necessary. For any plug that requires a tag or pressure test a minimum WOC time of 4 hours(C) & 8 hours(H) is recommended. Formation isolation plugs of Class "C" to be mixed 14.8#/gal, 1.32 ft³/sx, 6.3gal/sx water and "H" to be mixed 16.4#/gal, 1.06ft³/sx, 4.3gal/sx water.
17. Minimum requirement for mud placed between plugs is 25 sacks of salt water gel per 100 barrels in 9 lb/gal brine.
- 18. Provide BLM with an electronic copy (Adobe Acrobat Document) cement bond log record from 8300 or below to top of cement taken with 0psig casing pressure. The CBL may be attached to a pswartz@blm.gov email. The CFO BLM on call engineer may be reached at 575-706-2779.**
- 19. Drill out all plugs and tag 14700'TD.**
20. Set a balanced "H" cement plug to cover from TD to 50' above the 7" shoe at 14556. Tag the plug at 14440 or above.
21. Set a CIBP within 50 to 100ft of the top Morrow perforation of 13336 and set a balance 25sx "H" cement plug on that CIBP.
22. Set a balance "H" cement plug from 12710 or below to cover the Morrow formation top. Tag the plug at 12470 or above.
23. Set a balance "H" cement plug from 10370 or below to cover the DV Tool at 10318. Tag the plug at 10270 or above.
24. Set a CIBP within 50 to 100ft of the top Bone Spring perforation of 9608 and set a balance 25sx "H" cement plug on that CIBP.
25. Set a balance "H" cement plug from 8525 or below to cover the Bone Spring formation top. Tag the plug at 88 or above.
26. Set a CIBP within 50 to 100ft of the top Brushy Canyon perforation of 8325 and set a balance 25sx "H" cement plug on that CIBP.
27. Set a balance "C" cement plug from 5540 or below to cover the 9 5/8" shoe. Tag the plug at 5380 or above.
28. Set a balance "C" cement plug from 4725 or below to cover the Queen formation top. Tag the plug at 4543 or above.
29. Set a CIBP at 3832 and set a balance 25sx "C" cement plug on that CIBP.

30. **Verify all annular casing vents are plumbed to the surface and open during this pressure test**
31. The **operator shall test for oil and gas production** from the Yates and Seven Rivers injection zones. A swab test is acceptable. Demonstrate that paying quantities of hydrocarbons are not produced when the well has a pumped off fluid level. Open hole logs may support the evaluation. BLM agreement is to be obtained prior completion as a disposal well.
32. Approval is granted for disposal of water produced from the lease, communitization, or unit agreement of this well only. Disposal fluid from another operator, lease, communitization, or unit agreement require BLM surface right-of-way agreement **approvals** and if applicable, authorization from the surface owner.
33. Disposal of water from another operator requires that the well be designated as a commercial well and BLM surface right-of-way agreement **approvals**.
34. If the well is to receive off-lease water or commercial disposal, the operator shall provide proof of surface right-of-way approval prior to injection.
35. **The operator shall not fracture the water disposal interval.**
36. **A notice in intent BLM Form 3160-5 for a step rate test is required for injection pressure increase above 0.2 x depth of the top perforation.**
37. File intermediate **subsequent sundry** Form 3160-5 within 30 days of any interrupted workover procedures and a complete workover subsequent sundry
38. Submit the BLM Form 3160-4 **Recompletion Report** within 30 days of the date all BLM approved procedures are complete.
39. Workover approval is good for 90 days (completion to be within 90 days of approval). A legitimate request is necessary for extension of that date.

An inactive/shut-in well bore is a non-producing completion that is capable of “beneficial use” i.e. production in **paying quantities** or of service use.

40. Should “beneficial use” not be achieved submit for BLM approval a plan for plug and abandonment.

PRS 120314

Operations for a Well with an Inj Packer

- 1) Conduct a Mechanical Integrity Test of the tubing/casing annulus after a tubing, packer or casing seal is established.
- 2) The minimum test pressure should be 500 psig for 30 minutes or 300 psig for 60 minutes, with a minimum 200 psig differential between tubing and casing pressure (at test time) but no more than 70% of casing burst pressure as described by Onshore Order 2.III.B.1.h. (The tubing or reservoir pressure may need to be reduced). Verify all annular casing vent valves

are open to the surface during this pressure test. An alternate method for a BLM approved MIT is to have the fluid filled system open to atmospheric pressure and have a loss of less than five barrels in 30 days witnessed by a BLM authorized officer.

- 3) Document the pressure test on a one hour full rotation calibrated (within 6 months) recorder chart registering within 25 to 85 per cent of its full range. Greater than 10% pressure leakoff will be viewed as a failed MIT. Less than 10% pressure leakoff will be evaluated site specifically and may restrict injection approval.
- 4) Make arrangements 24 hours before the test for BLM to witness. In Eddy County email Paul R. Swartz pswartz@blm.gov or phone 575-200-7902, if there is no response, 575-361-2822. In Lea County phone 575-393-3612. If no answer, leave a voice mail or email with the API#, workover purpose, and a call back phone number.
- 5) Submit a subsequent Sundry Form 3160-5 relating the MIT activity. Include a copy of the recorded MIT pressure chart. List the name of the BLM witness, or the notified person and date of notification. NMOCD is to retain the original recorded MIT chart.
- 6) Use of tubing internal protection, tubing on/off equipment just above the packer, a profile nipple, and an in line tubing check valve below the packer or between the on/off tool and packer is a "Best Management Practice". The setting depths and descriptions of each are to be included in the subsequent sundry.
- 7) **Submit the original subsequent sundry with three copies to BLM Carlsbad.**
- 8) Compliance with a NMOCD Administrative Order is required, submit documentation of that authorization.
- 9) When injection pressure is within 50 psig of the maximum pressure, install automation equipment that will prevent exceeding that maximum. Submit a subsequent report (Sundry Form 3160-5) describing the installed automation equipment within 30 days.
- 10) Unexplained significant variations of rate or pressure to be reported within 5 days of notice.
- 11) The casing/tubing annulus is required to be monitored for communication with injection fluid or loss of casing integrity. A BLM inspector may request verification of a full annular fluid level at any time.
- 12) A "Best Management Practice" is to maintain the annulus full of packer fluid at atmospheric pressure. Equipment that will display on site, continuous open to the air fluid level is necessary to achieve this goal.
- 13) Loss of packer fluid above five barrels per month indicates a developing problem. Notify BLM Carlsbad Field Office, Petroleum Engineering within 5 days.
- 14) A suggested format for monthly records documenting that the casing annulus is fluid filled is available from the BLM Carlsbad Field Office.
- 15) Gain of annular fluid pressure requires notification within 24 hours. Cease injection and maintain a production casing pressure of 0psia. Notify the BLM's authorized officer ("Paul R. Swartz" <pswartz@blm.gov>, cell phone 575-200-7902). If there is no response phone 575-361-2822.

16) Submit a (Sundry Form 3160-5) subsequent report (daily reports) describing all wellbore activity and Mechanical Integrity Test as per item 1) above. Include the date(s) of the well work, and the setting depths of installed equipment: internally corrosive protected tubing, tubing on/off equipment just above the packer, and an in line tubing check valve below the packer or between the on/off tool and packer. The setting depths and descriptions of each are to be included in the subsequent sundry.

Access information for **use of Form 3160-5** "Sundry Notices and Reports on Wells"

NM Fed Regs & Forms - http://www.blm.gov/nm/st/en/prog/energy/oil_and_gas.html

§ 43 CFR 3162.3-2 Subsequent Well Operations.

§ 43 CFR 3160.0-9 (c)(1) Information collection.

§ 3162.4-1 (c) Well records and reports.