HOBBS OCD
MAR 09 2015
RECEIVED

OCD-HOBBS

(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HOBBS OCD

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.

MAR 09 2015

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

RECEIVED

5. Lease Serial No.
NMNM56265

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.
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 SUITE 120
MIDLAND, TX 79705

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

10. Field and Pool, or Exploratory
SWD; YATES-SEVEN RIVERS (SWD) <96141>

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			
☒ 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.)

Reference INC: 1502PS011
Please see attachments per discussion between Michael Griffin (NPC) and Paul Swartz (BLM):
Clean-Out and Re-Plug Procedure
Current Wellbore Schematic
Proposed Wellbore Schematic

SEE ATTACHED FOR CONDITIONS OF APPROVAL

WITNESS PLUG BACK

SWD-1471

14. I hereby certify that the foregoing is true and correct.
Electronic Submission #293258 verified by the BLM Well Information System
For NEARBURG PRODUCING COMPANY, sent to the Hobbs

SUBJECT TO LIKE APPROVAL BY STATE

Name *(Printed/Typed)* TIM GREEN — Title PRODUCTION MANAGER

Signature (Electronic Submission) — Date 02/26/2015

APPROVED

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____ Title _____ Date MAR 5 2015

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 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 any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

** OPERATOR-SUBMITTED ** OPER

INTENT

E-PERMITTING <SWD -- INJECTION>
CONVERSION PM RBDMS
RETURN TO _____ TA _____
INT to PA _____ P&A NR _____ P&A R _____

MWB-OCD 3/9/2015

MAR 10 2015

CONDITION OF APPROVAL: *Operator shall give the OCD District Office 24 hour notice before running the MIT test and chart.*

PROPOSED
WELLBORE DIAGRAM

LEASE:	Federal L	WELL:	1	FIELD:	0	API:	30-025-20811
LOC:	1650 FN & 1980 FW	SEC:	25	BLK:	T20S R34E	Reservoir	
SVY:	0	GL:	3702	CTY/ST	Lea Co., NM	SPUD:	1/14/1964
CURRENT STATUS:	Shut-in	KB:	0	DF:	3724	TD DATE:	5/18/1964
						COMP. DATE:	1/0/1900

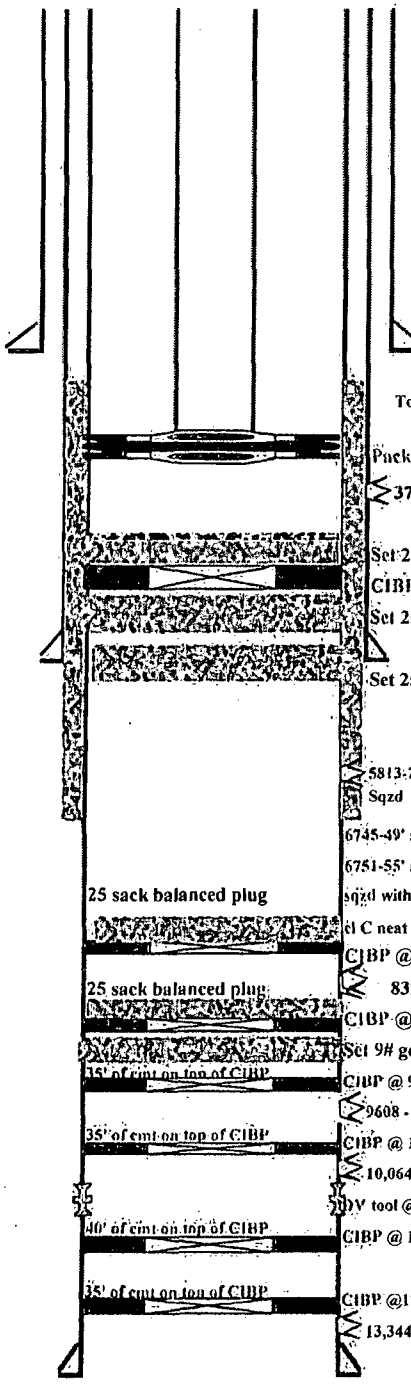
FRESH WATER DEPTH:

HOLE SIZE:	17.5"
SURF CSG & SIZE:	13-3/8" 48# H-40
SET @:	853'
SXS CMT:	800
CIRC:	yes: 60 sx
TOC AT:	Surf
TOC BY:	Circ

COMMENTS:

*******GEOLOGY*******

TOPS OF ALL ZONES PRODUCTIVE OF HYDRO-CARBONS:



TBG:	0
JTS:	0
SN:	0
TAC:	0
ROD SIZE:	
PKR:	
TYPE:	

OH ID:	
COTD:	
PBTD:	3895'
TD:	14700'

CURRENT PERFS:

HOLE SIZE:	12.25"
INT. CSG & SIZE:	9-5/8" 40# N-80 & J-55
SET @:	5490'
SXS CMT:	1st stage 312 sx C + 200 sx C circ 75 sx
CIRC:	2nd stage 675 sx C + 200 sx C circ 25 sx
TOC AT:	Surface
TOC BY:	Circ

SQUEEZE JOBS:

HOLE SIZE:	8-3/4"
PROD. CSG & SIZE:	7" 29/26/32/35# N-80
SET @:	14556'
SXS CMT:	1st stage 600 sx incor neat
CIRC:	2nd stage 400 sx incor neat +
TOC AT:	0
TOC BY:	0

OPEN HOLE:

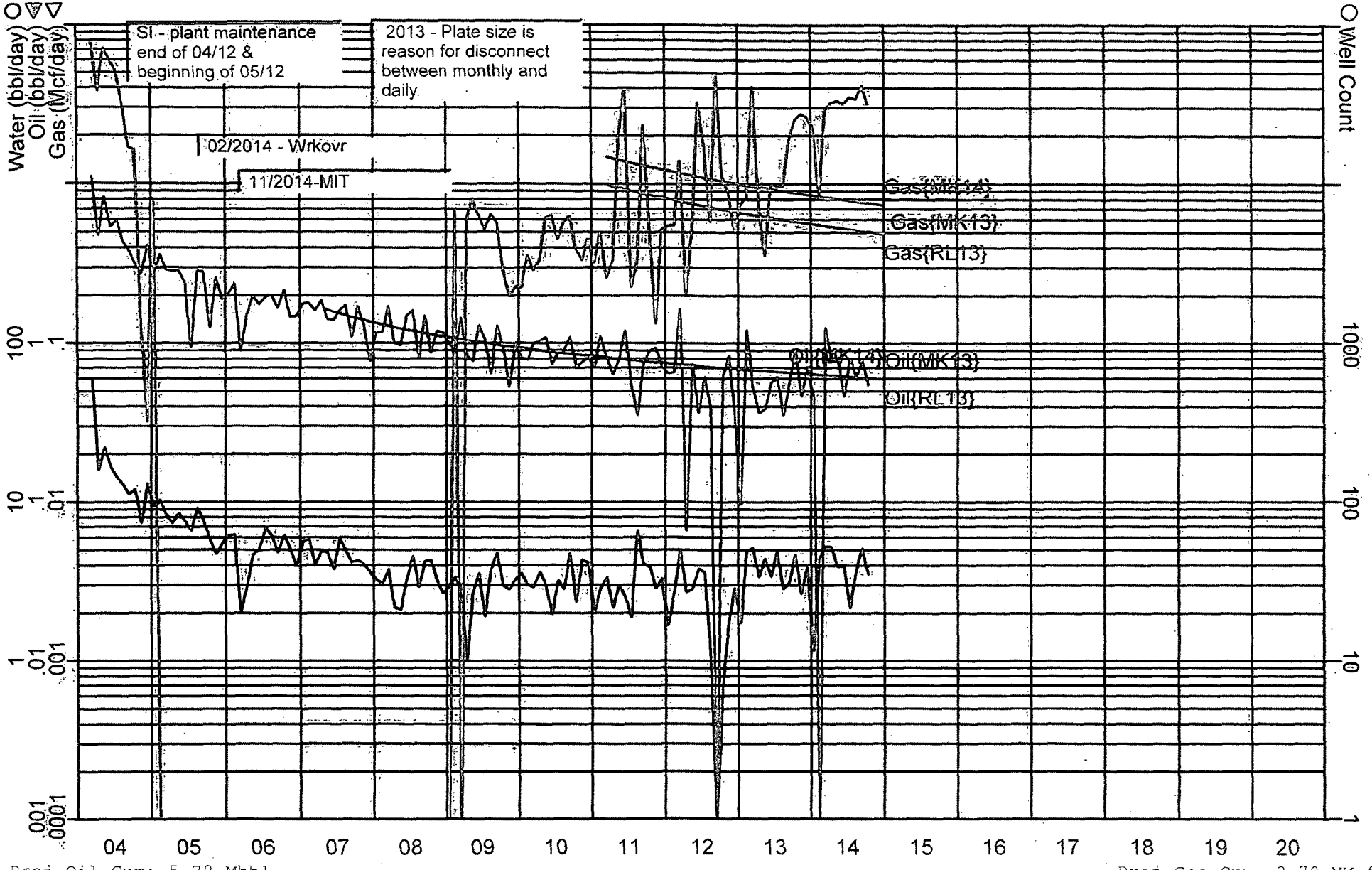
LINER:

BY:

3/4/2015

Case Name: FEDERAL L 1 (Converted To SWD Well 2014)
Reservoir: DELAWARE

Field: LAGUNA VALLEY
County,State: LEA,NM



Proj Oil Cum: 5.78 Mbbl
Oil Rem: 0.00 Mbbl
Oil EUR: 5.78 Mbbl

Proj Gas Cum: 3.79 MMcf
Gas Rem: 0.00 MMcf
Gas EUR: 3.79 MMcf

NEARBURG PRODUCING COMPANY
FEDERAL L #1
Lease Operating Statement
(8/8THS)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
8/8THS SALES VOLUMES:													
GAS SALES (MCF)	69	23	91	96	103	95	108	105	125	97			912
OIL SALES (BBLS)			187							176			363
AVG PRICE:													
GAS SALES (MCF)	5.07	5.39	5.34	4.90	5.53	5.32	5.34	4.66	4.90	4.36			5.05
OIL SALES (BBLS)			93.30							73.13			83.52
8/8THS REVENUE:													
GAS SALES	350	124	486	470	570	505	577	489	613	423			4,607
OIL SALES			17,448							12,871			30,319
GROSS REVENUE	$ 350	124	17,934	470	570	505	577	489	613	13,294			34,926
SEVERANCE TAX (INCL RI&ORI)	32	12	1,521	44	53	47	53	45	57	1,129			2,993
ROYALTIES (NET SEV.TAX)	76	27	5,923	102	124	110	126	106	133	2,903			9,630
TOTAL DEDUCTIONS	108	39	7,444	146	177	157	179	151	190	4,032			12,623
NET REVENUE TO WI	$ 242	85	10,490	324	393	348	398	338	423	9,262			22,303
EXPENSES:													
LEASE OPERATING EXPENSES													
REPAIRS & MAINT-SURFACE FACIL		3,776		176	194		28		190				4,364
FUEL, POWER & WATER	327	380	308	657	349		963	363	372	379	378		4,476
SALTWATER DISPOSAL EXPENSE	415	285	844	422	422	422	418	428	428	422			4,506
PARAFFIN CUTTING/HOT OIL SERV		757				369							1,126
SUPPLIES & MISC/NONCONTROLLAB			22										22
LOCATION AND ROAD EXP/MAINT.		258					199						457
PROFESSIONAL SERVICES	15	15	15	12	15	15	16	16		109	16		244
AD VALOREM TAX										43			43
INSURANCE									1,104				1,104
PUMP/VACUUM TRUCK SERVICES	636												636
ENGINEER/GEOLOGIST/LANDMAN		378											378
TOTAL LEASE OPERATING EXPENSES	1,393	5,849	1,189	1,267	980	806	1,624	807	2,094	953	394		17,356
WORKOVER EXPENSE (IDC)													
IDC WORKOVER LOS		29,438											29,438
TOTAL WORKOVER EXPENSE (IDC)		29,438											29,438
WORKOVER EXPENSE (TANG)													
TANG WORKOVER LOS		6,230											6,230
TOTAL WORKOVER EXPENSE (TANG		6,230											6,230
TOTAL EXPENSES	$ 1,393	41,517	1,189	1,267	980	806	1,624	807	2,094	953	394		53,024
NET TO WI WITH WORKOVER	$ -1,151	-41,432	9,301	-943	-587	-458	-1,226	-469	-1,671	8,309	-394		-30,721
EQUIV BBLS (12 MCF = 1 BBL)	4	2	129	6	7	6	7	7	8	142			318

Conditions of Approval

Nearburg Producing Company
Federal L - 01, API 3002520811
T20S-R34E, Sec 25, 1650FNL & 1980FWL
March 05, 2014

1. The Lease Operating Statement (L.O.S.) submitted for the last 12 consecutive months lists workover expenses for the month of February 2014. Should this have been for more than normal maintaince, a subsequent report of operations is requested.
2. 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.
3. 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.
4. 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.
5. Subject to like approval by the New Mexico Oil Conservation Division.
6. Notify BLM 575-200-7902 as work begins. 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.
7. Surface disturbance beyond the existing pad must have prior approval.
8. 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.
9. Functional H_2S monitoring equipment shall be on location.
10. 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.
11. 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.

12. 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.
13. **This procedure is subject to the next three numbered paragraphs.**
14. 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 ½" casing should cover 250ft, which may exceed 100ft plus 10ft per 1000ft.
15. 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 ft^3/sx, 6.3gal/sx water and "H" to be mixed 16.4#/gal, 1.06ft^3/sx, 4.3gal/sx water.
16. Minimum requirement for mud placed between plugs is 25 sacks of salt water gel per 100 barrels in 9 lb/gal brine.
17. **Drill out all plugs and tag cement on CIBP at 9575.**
18. Verify fluid level before each of the following cement plugs are set and calculate cement plug displacement for that depth.
19. Set a balanced "H" cement plug on the tag at 9575. Tag the plug at 9400 or above with tubing.
20. Set a balanced "H" cement plug from 8525 or below to cover the Bone Spring formation top. Tag the plug with tubing at 8275 or above.
21. If necessary, set a CIBP within 50 to 100ft of the top Brushy Canyon perforation of 8325 and set a balanced "H" cement plug on that CIBP. Tag the plug with tubing.
22. **After the 8325-46 perforations are covered, pressure test the 7" casing from no more than 50ft below the perfs of 3744-832 to 500psig for a minimum of 15m.**
23. **Provide BLM with an electronic copy (Adobe Acrobat Document) cement bond log record from 8200 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.**
24. Set a balanced "C" cement plug from 5540 or below to cover the 9 5/8" shoe. Tag the plug at 5290 or above with tubing.
25. Set a CIBP at 4200 and set a balanced 25sx "C" cmt plug on that CIBP. Tag the plug with tubing.
26. 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. Submit open hole logs to support the evaluation. BLM agreement is to be obtained prior to use as a disposal well.
27. 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.

28. Disposal of water from another operator requires that the well be designated as a commercial well and BLM surface right-of-way agreement **approvals.**

29. 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.

30. **The operator shall not fracture the water disposal interval.**

31. **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.**

32. File intermediate **subsequent sundry** Form 3160-**5** within 30 days of any interrupted workover procedures and a complete workover subsequent sundry

33. Submit the BLM Form 3160-**4 Recompletion Report** within 30 days of the date all BLM approved procedures are complete.

34. 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.

35. Should "beneficial use" not be achieved submit for BLM approval a plan for plug and abandonment.

PRS 030515

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.