OCD-HOBBS

Form 3160-5
(August 2007)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

5. Lease Serial No.
NMNM118722

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: INJECTION

8. Well Name and No.
SALADO DRAW SWD 13 1

2. Name of Operator
CHEVRON USA INC

Contact: CINDY H MURILLO
E-Mail: CHERRERAMURILLO@CHEVRON.COM

9. API Well No.
30-025-42354

3a. Address
1616 W. BENDER BLVD
HOBBS, NM 88240

3b. Phone No. (include area code)
Ph: 575-263-0431
Fx: 575-263-0445

10. Field and Pool, or Exploratory
SWD DEVONIAN; SILURIAN

4. Location of Well *(Footage, Sec., T., R., M., or Survey Description)*
Sec 13 T26S R32E Mer NMP SWSW 290FSL 10FWL

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.)

This subsequent report is filed in response to the Notice of Written Order by Authorized Officer dated 04/13/2016. Explanation of cement for the 9 5/8" and 7 5/8" casing and the 5 1/2 production liner (See Attached Report)

HOBBS OCD

MAY 19 2016

RECEIVED

No Hydrocarbons Document:

Chevron hereby determines that there are no producible hydrocarbons in paying quantities based on mud log evaluation(fluorescence/cut fluorescence, oil staining, gas shows, or gas flares) across the 800' of upper Silurian Limestone section.

The Salado Draw SWD 13-1 well encountered the Top of Silurian Limestone at 17,875', as seen on the mud log. A 5 1/2" liner was set in the overlying Woodford Shale at 17,820' and the remaining 55' of

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

Electronic Submission #339119 verified by the BLM Well Information System
For CHEVRON USA INC, sent to the Hobbs
Committed to AFMSS for processing by PAUL SWARTZ on 05/13/2016 ()

Name *(Printed/Typed)* CINDY H MURILLO — Title PERMITTING SPECIALIST

Signature (Electronic Submission) — Date 05/12/2016

ACCEPTED FOR RECORD

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By _____ Title _____ Date MAY 13 2015

PRSwartz

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

Additional data for EC transaction #339119 that would not fit on the form

32. Additional remarks, continued

Woodford Shale and 800' of Silurian Limestone was drilled with a 4 1/2" drill bit. As seen in the mud log across to 55" of open-hole Woodford Shale section, the gas reading averaged about 82 total units of gas (C1 to C4 combined).

Once the Silurian Limestone was encountered, the gas readings dropped to zero gas units across the entire Silurian Limestone interval. The only exceptions were small readings of mud gas at pipe connections (connection gas or GC) and during down time (Down time Gas or DTG), when the mud pumps were turned off and gas from the formation built up in the mud column. These small gas shows are interpreted as coming from the overlying 55' of Woodford Shale open-hole section as that was the only place where any gas occurred during active drilling. Since no mud gas is present, no gas flares would be expected either. A scale bar (from 0' to 200')for recording the presence of gas flares was placed on the mud log by 'Selman and Associates LTD'. This scale bar can be seen on the right hand side of the mud log, the blue colored gas flare never exceeds zero feet.
^ at 18000ft as logged.

Salado Draw SWD Cement Report attached

05/13/2016
Accepted for record as partial compliance of the Written Order dated 04/13/2016 and attached to the subsequent sundry ES#335064. An annular monitoring system is still to be constructed and accepted by BLM. Also a subsequent report of the MIT accomplished this week and witnessed by the NMOCD is to be filed.

Chevron U.S.A. Inc.
Salado Draw SWD 13 No. 1
API 3002542354

9-5/8" Casing Cementing Report

This casing was cemented with a 2-stage cement job with lead and tail slurry in both stages. Planned TOC was 3500'.

1st Stage:
Pumped 960 sks (434 bbl) of 11.3 ppg lead cement and 310 sks (90 bbl) of 13.2 ppg tail cement and displaced.
Cement top verification: Returns during cement job
Full returns through job with final circulating pressure of 908 psi at 3 bpm.
Circulate 6.5 hrs to allow 1st stage to reach 100 psi compressive strength prior to pumping the 2nd stage.
Following the fluids caliper circulation prior to starting the cementing job, additional cement was ordered due to calculated washout of 80 bbl observed. Calculation indicated 150 more sacks of cement needed to get top of cement to 3500'.

2nd Stage:
Pumped 470 sks (209 bbl) of 11.9 ppg lead cement and 180 sks (42 bbl) of 14.8 ppg tail cement and displaced.
Cement top verification: Returns during cement job
Full returns through job with final circulating pressure of 630 psi at 4 bpm.

7-5/8" Liner Cementing Report

Planned TOC was liner top. This liner was cemented with single stage cement slurry of 15.6ppg as follows:
Pressure tested lines to 9,000 psi, Pump 20 bbls of spacer at 15.5 ppg.
Pumped 300 sxs (64 bbls) of 15.6 ppg and displaced.
Cement top verification: Returns during cement job
A full return was observed through job. After setting hanger, 5-10 bbls of cement and spacer were circulated to surface

5 ½" Liner Cementing Report

Note: Chevron will run a Cement Bond Log from the surface to the 5-1/2" liner top at 0 psig, prior to deepening the well.

Planned TOC was liner top. This liner was cemented with single stage cement slurry of 15.3ppg as follows:
Pressure tested lines to 9,500 psi, Pump 20 bbls of spacer at 15.3 ppg.
Pumped 286sx (57.7 bbls) of 15.3 ppg cement. Displaced cement with Final lift pressure of 2070 psi.
A full return was not observed during displacement but regained returns once the cement exited the shoe and began to enter the annulus. The plug was bumped at calculated displacement and verified to be holding. A total of 57 bbls of 15.3 PPG cement was pumped, which included 40% open hole excess (14.7 bbls). Circulated bottoms up 25' above liner top. This circulation consisted of 565 bbls to get BU and an additional 140 bbls while watching for evidence of cement. No sign of cement was observed. Rigged up wireline and ran CBL to determine the actual TOC at 14,800'.

The CBL result is attached. Below we are including the email conversation between the CVX drilling engineer and the BLM point of contact at the time of the execution.

From: Walls, Christopher [mailto:cwalls@blm.gov]
Sent: Thursday, July 16, 2015 2:44 PM
To: Hinchman, Cody N
Subject: Re: Salado Draw SWD 13 #1 - API# 30-025-42354: 5-1/2" Liner Cement Job

I will concur that the CBL has picked up cement bond and the signal increases with depth. If you cannot get to bottom I am okay with you drilling on. Are you planning on performing a shoe test?

On Thu, Jul 16, 2015 at 11:50 AM, Hinchman, Cody N <Cody.Hinchman@chevron.com> wrote:

Mr. Walls,

As discussed, on the subject well we are currently running the CBL as requested following running and cementing our 5-1/2" liner at a depth of 17,820'. After mult. runs and following a clean-out run with a bit and scrapper we have made it to a depth of 15030' on the current CBL run, which is +/- 350' below the 7-5/8" shoe set @ 14678' and +/- 600' below the top of the 5-1/2" liner top @ 14,433'. Due to the high MW of 14.8 ppg and the low weight of the logging assembly we are having difficulty getting the log all the way to bottom.

I have attached the log of the current CBL run for your review. Based on the results of the log, it appears we have cement starting right below the 7-5/8" shoe at 14,680' with amplitude decreasing further starting at +/- 14790' giving positive indication we have cement behind pipe.

Based on the log, Chevron is respectfully requesting to proceed forward with planned well operations given the TOC for the 5-1/2" liner has been verified and no remediation will be required based on such, due to the high TOC and low probability of success and high risk of performing remedial work on the 5-1/2" liner. Both a positive and negative test was successfully performed on the 5-1/2" liner top to verify its' integrity as a seal as well.

Please advise if the above information and attached log is sufficient justification for proceeding forward or if anything additional is required at this time. We will continue to run the current CBL until we reach a depth we cannot make any further progress and send the official log for documentation purposes.

Thank You,

Cody Hinchman
Drilling Engineer - Delaware Basin
Mid-Continent Business Unit
Chevron North America Exploration & Production
1400 Smith Street
HOU140/43135
Houston, TX 77002
Direct +1 713 372 1944
Mobile +1 832 470 4890
e-mail: Cody.Hinchman@Chevron.com

From: Walls, Christopher [mailto:cwalls@blm.gov]
Sent: Thursday, July 09, 2015 12:10 PM
To: Hinchman, Cody N
Subject: Re: Salado Draw SWD 13 #1 - API# 30-025-42354: 5-1/2" Liner Cement Job

Cody,
We need to verify the top of cement. I don't have a problem moving forward but we do need to get a TS or CBL.

Thank you,

Chris Walls
Bureau of Land Management
Carlsbad Field Office
575-234-2234

On Thu, Jul 9, 2015 at 10:22 AM, Hinchman, Cody N <Cody.Hinchman@chevron.com> wrote:

Mr. Walls,

On the subject well we have just finished running and performing the cement job on the 5-1/2" production liner. During the cement job, we did not have full returns during displacement but regained returns once the cement exited the shoe and began to enter the annulus. The plug was bumped at calculated displacement and verified to be holding. A total of 57 bbls of 15.3 PPG cement was pumped, which included 40% open hole excess (14.7 bbls).

After setting and releasing from the liner hanger, we did not circulate any cement back to surface but lift pressures from the job showed good indication of placing the cement. Both a negative and positive pressure test will be done on the 5-1/2" liner top to verify a seal between the 5-1/2" liner top and the 7-5/8" liner has been achieved as per Onshore Order #2.

Given the above information, Chevron is respectfully requesting to proceed forward with well operations. If there are any questions or further information/documentation is needed please let me know.

Well Information:
7-5/8" Liner Shoe @ 14,678'
5-1/2" TOL @ 14,433' (245' liner lap)
5-1/2" Liner Shoe @ 17,820'

Thank You,

Cody Hinchman
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Mid-Continent Business Unit
Chevron North America Exploration & Production
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