

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Carlsbad Field Office
OCD Hobbs

FORM APPROVED
OMB No. 1004-0137
Expires: January 31, 2018

Lease Serial No. NMNM-- 0 000082

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

HOBBS OCD

| | | |
|--|---|---|
| 1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 7. If Unit of CA/Agreement, Name and/or No. |
| 2. Name of Operator Black Mountain Operating LLC | | 8. Well Name and No. BALLARD DE FEDERAL #004 ✓ |
| 3a. Address 500 Main Street, Suite 1200 Fort Worth, Texas 76102 | 3b. Phone No. (include area code) (817) 698-9901 | 9. API Well No. 30-025-02467 |
| 4. Location of Well (Footage, Sec., T., R., M., or Survey Description) A-27-20S-34E 330 FNL 990 FEL ✓ | | 10. Field and Pool or Exploratory Area LYNCH; YATES-SEVEN RIVERS |
| | | 11. Country or Parish, State Lea County, NM |

JUN 02 2017

RECEIVED

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 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"/> Hydraulic Fracturing | <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 |
| | <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 recomplate 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.)

This is notification that Black Mountain Operating LLC has acquired the above well/property from Sundown Energy LP.

Per NTL89, Black Mountain Operating LLC accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the lease land or portion thereof.

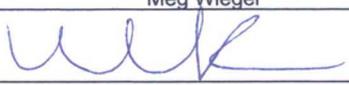
Bond Coverage: BLM Bond No.: B009770

Change of Operator Effective: 07/15/2016 (per OCD signature approval)

Former Operator: Sundown Energy LP (OGRID #232611)

Acquiring Operating: Black Mountain Operating LLC (OGRID #371127)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

| | |
|---|-----------------------------------|
| 14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Meg Wieger | Title Land Administration Manager |
| Signature  | Date 09/16/2016 |

THE SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|-----------------------------|-------------------------------------|
| Approved by Charles Nimmer | PETROLEUM ENGINEER Title | APPROVED Date MAY 26 2017 |
| 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.



BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE
620 E. Greene St
Carlsbad, NM 88220
Ph: (575) 234-5972

Conditions of Approval for Change of Operator

1. Tank battery must be bermed/diked (must be able to contain 1 1/2 times the volume of the largest tank).
2. Submit for approval of water disposal method within 60 days, if changes have been made from previously approved disposal method.
3. Review facility diagram on file, and submit updated facility diagrams, as per Onshore Order #3 within 60 day.
4. This agency shall be notified of any spill or discharge as required by NTL-3A.
5. All outstanding environmental issue must be addressed within 90 days. Contact Jim Amos for inspection and to resolve environmental issues. 575-234-5909
6. Install legible well sign on location with operator name, well name and number, lease number, unit number, 1/4 1/4, section, township, and range. NMOCD requires the API number on well signs.
7. Subject to like approval by NMOCD.
8. All Reporting to ONRR (OGOR Reports) must be brought current within 30 days of this approval including any past history.
9. If this well is incapable of producing in paying quantities submit NOI to plug and abandon this well or obtain approval to do otherwise within 90 days.
10. Submit plan for approval of well operations for all TA/SI wells within 30 days of this approval to change operator.
11. If not in place acquire operating rights on this lease within 30 days with BLM office in Santa Fe, NM.