

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

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 purposes.

5. Lease Serial No. NMNM109669
6. If Indian, Allottee or Tribe Name

HOBBS OCD

SUBMIT IN TRIPLICATE - Other instructions on page 2

JUN 10 2019

| | | |
|--|---|--|
| 1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other | | 7. If Unit of CA/Agreement, Name and/or No. |
| 2. Name of Operator Armstrong Energy Corporation | | 8. Well Name and No. Chocolate Foam Wing #1 |
| 3a. Address PO Box 1973 Roswell, NM 88202 | 3b. Phone No. (include area code) (575) 625-2222 | 9. API Well No. 30-025-35789 |
| 4. Location of Well (Footage, Sec., T.R.M., or Survey Description) 760' FWL & 1800' FSL Sec 34 T14S R35E | | 10. Field and Pool or Exploratory Area Wildcat; Mississippian |
| | | 11. Country or Parish, State Lea County, NM |

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 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.)

Armstrong Energy Corporation proposes to abandon the existing Upper Mississippian interval upon approval by BLM. The current producing interval is uneconomic, and we propose to proceed as follows:

- Pull existing tubing out of the hole.
- Set CIBP @ 13,600' and cap with 35' cement.
- Perforate and swab test Penn Canyon interval with perforations from 11,967'-11,995', 2 shots per foot, 90 degree phasing. Acidize as needed, evaluate for economic production.
- If the Canyon interval is productive, proceed with turning well to surface facilities.
- If the Canyon interval is deemed to be uneconomic, proceed with setting plug at 11,915' above new perforations and capping with 35' of cement.
- Perforate and swab test the Wolfcamp interval with perforations from 10,600'-10,655', 2 shots per foot, 90 degree phasing. Acidize as needed, evaluate for economic production.
- If the Wolfcamp interval is economically productive, proceed with turning well to surface facilities.

Arnsbad Field Office
OCD Hobbs

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Provide NMOCDS w/c-102

| | |
|--|--|
| 14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed) Kyle Alpers | Vice President of Engineering Title |
| Signature | Date 03/20/2019 |

THE SPACE FOR FEDERAL OR STATE OFFICE USE

| | | |
|---|-----------------------------|------------------------|
| Approved by /s/ Zota Stevens | PETROLEUM ENGINEER Title | Date 5/10/19 |
| 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 CFO |

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 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

Conditions of Approval

Failure to comply with the following Conditions of Approval may result in a Notice of Incidents of Noncompliance (INC) in accordance with 43 CFR 3163.1.

1. Recompletion operations shall commence within ninety (90) days from the approval date of this Notice of Intent to Abandon.

If you are unable to Recomplete the well by the 90th day provide this office, prior to the 90th day, with the reason for not meeting the deadline and a date when we can expect the well to be Recompleted. Failure to do so will result in enforcement action.

The rig used for the Recomplete procedure cannot be released and moved off without the prior approval of the authorized officer. Failure to do so may result in enforcement action.

2. Notification: **Contact the appropriate BLM office at least 24 hours prior to the commencing of any Recomplete operations. For wells in Chaves and Roosevelt County, call 575-627-0272; Eddy County, call 575-361-2822; Lea County, call 575-393-3612.**

3. Blowout Preventers: A blowout preventer (BOP), as appropriate, shall be installed before commencing any plugging operation. The BOP must be installed and maintained as per API and manufacturer recommendations. The minimum BOP requirement is a 2M system for a well not deeper than 9,090 feet; a 3M system for a well not deeper than 13,636 feet; and a 5M system for a well not deeper than 22,727 feet.

4. Mud Requirement: Mud shall be placed between all plugs. Minimum consistency of plugging mud shall be obtained by mixing at the rate of 25 sacks (50 pounds each) of gel per 100 barrels of brine water. Minimum nine (9) pounds per gallon.

5. Cement Requirement: Sufficient cement shall be used to bring any required plug to the specified depth and length. Any given cement volumes on the proposed plugging procedure are merely estimates and are not final. Unless specific approval is received, no plug except the surface plug shall be less than 25 sacks of cement. Any plug that requires a tag will have a minimum WOC time of 4 hours.

In lieu of a cement plug across perforations in a cased hole (not for any other plugs), a bridge plug set within 50 feet to 100 feet above the perforations shall be capped with 25 sacks of cement. If a bailer is used to cap this plug, 35 feet of cement shall be sufficient. **Before pumping or bailing cement on top of CIBP, tag will be required to verify depth. Based on depth, a tag of the cement may be deemed necessary.**

Unless otherwise specified in the approved procedure, the cement plug shall consist of either Neat

Class "C", for up to 7,500 feet of depth or Neat Class "H", for deeper than 7,500 feet plugs.

7. Subsequent Recomplete Reporting: Within 30 days after Recomplete work is completed, file one original and three copies of the Subsequent Report of Recomplete, Form 3160-5 to BLM. The report should give in detail the manner in which the recompletion was carried out, the extent (by depths) of cement plugs placed, and the size and location (by depths) of casing left in the well.
Show date well was recompleted.

8. Trash: All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.