

**MANZANO, LLC**  
**SURFACE USE AND PLAN**

Chili Parlor 17 Federal #1H  
SHL: 330' FSL & 2200' FEL  
BHL: 330' FNL & 2200' FEL  
Section 17-T22S-R33E  
Lea County, New Mexico

HOBBS OCD

DEC 04 2013

RECEIVED

This Surface Use Plan is submitted with Form 3160-3, Application for Permit to Drill, in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.4., covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

**a. EXISTING ROADS:**

1. The well site and elevation plat for the proposed well are attached to Form 3160-3 and reflect the proposed well site layout (NMOCD Form C-102). The well was staked by Basin Surveys, Inc.
2. Surface Use Plan-Exhibit 1 is a Vicinity map showing the well and roads in the vicinity of the proposed location. There are existing roads that provide access to other wells in the area that will be utilized for access to this new location. These roads are in good condition and will not require any improvements for this well.

**DIRECTIONS:**

From Hobbs, Go east on US 62-180 for ~38 miles to the junction of US 62-180 and C29 (Campbell Road), Turn left (south) on C29 and go 13.7 miles, Turn left (east) & go 6.9 miles, Turn right (south) & go 1.2 miles, Turn left (east) & go 0.6 miles, Veer left @ fork & go 0.7 miles, Turn left & go 1.0 miles, Turn right (east) & go 1.25 miles, Turn left (north) & go 0.2 miles, Turn right (east) & go 0.3 miles to location.

3. Right of Way using the proposed route is hereby being requested if necessary.
4. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition in the same or better condition than before operations began for as long as any operations continue on this lease.

**b. NEW ACCESS ROAD AND DRILL PAD:**

1. The proposed new access road will be 2219' in length and will come into the southwest side of the drill pad. The proposed well site and the proposed new access route to the well site are shown on Surface Use Plan-Exhibit 2.

The width of the ROW for proposed new access road will not exceed 20' with a driving surface not to exceed 14'. The proposed new access road will originate off of an existing lease road going into the OXY EBR Fed #1 and terminate at the southwest side of the drill pad. The road will be constructed with a road crown grade of ~2% and surfaced with 3-6 inches of caliche. Drainage control systems shall be constructed on the entire length of the proposed new access road. There will be one vehicle turnout near the center of the proposed road. The entire road will be watered and compacted. The proposed road will not require the installation of any culverts or cattleguards, nor the modification or installation of any fence.

2. Surface Use Plan-Exhibit 2 also is a plat showing the well site layout and drill pad dimensions for a rig utilizing a closed loop system. This well will be drilled with a closed loop system so no reserve pits will be constructed.

The drill pad will be 330' x 275' (see Surface Use Plan-Exhibit 2) and will require less than 5' of "cut and fill" from the south side of the pad to the north side of the pad. The drill pad will be surfaced with 4-6 inches of compacted caliche. The average grade will be approximately 1%. Topsoil will be stockpiled on the west side of the location.

- c. **LOCATION OF EXISTING WELLS:** Surface Use Plan-Exhibit 3 shows all wells within a one mile radius of the proposed well.

**d. LOCATION OF EXISTING AND/OR PROPOSED PRODUCTION FACILITIES:**

1. In the event the well is found productive, a tank battery will be constructed with three 500 bbl oil storage tanks, two 500 bbl fiberglass water tanks, a separator, a heater treater and a gas sales meter (see Surface Use Plan-Exhibit 4).
2. The well should be a producing oil well and will be produced initially with a submersible pump and then with a conventional pumping unit.
3. All flowlines will adhere to API standards.

4. Electricity is ~1.6 miles west of the location and will be supplied by XCEL Energy. XCEL will apply for ROW for their power lines.

**e. LOCATION AND TYPES OF WATER SUPPLY:**

1. This location will be drilled using a combination of water mud systems (outlined in the Section f of the Drilling Plan). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown.

**f. CONSTRUCTION MATERIALS;** Surface material will be native caliche. Construction materials will be obtained from the nearest approved BLM, Fee or State pit or from existing deposits found under the location.

**g. METHODS OF HANDLING WASTE:**

1. All trash, junk and other waste material, including broken sacks and/or pallets, will be removed from the wellsite within 30 days after finishing drilling and/or completion operations. All waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
2. All drilling fluids and cuttings will be trucked to the an approved disposal facility.
3. A Porto-john will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete. Any trailer houses and/or temporary living quarters on the well site will be plumbed into a sanitary septic system.
4. Disposal of fluids to be transported by an approved disposal company.

**h. ANCILLARY FACILITIES:**

1. No campsite or other facilities will be constructed as a result of this well.

**i. WELLSITE LAYOUT:**

1. Surface Use Plan-Exhibit 2 shows the proposed well site layout with dimensions of the pad layout.
2. Surface Use Plan-Exhibit 5 is a schematic showing the rig equipment on the well pad.

3. Surface Use Plan-Exhibit 4 shows the proposed location of the topsoil stockpile.
4. Mud pits in the active circulating system will be steel pits and a closed loop system will be utilized.

**j. PLANS FOR SURFACE RECLAMATION:**

1. If the well is productive, Interim Reclamation plans will be to reduce the pad size to 255' x 250' by removing the caliche on the east side and north side of location. A strip of caliche 75 feet wide on the east side and 25 feet wide on the north side will be removed and then re-used on the road. The original top soil will be returned to the location. Then this area will be ripped and seeded.
2. Top soil will be stock piled on the west side of the location, and 100% of this material will be used for the reclamation after the well is completed and production facilities are installed.
3. Surface Use Plan-Exhibit 4 illustrates the proposed Interim Reclamation Plan.
4. If the well is not productive, a dry hole marker will be installed, all caliche will be removed from the location, the top soil returned to the location and be re-contoured as close as is practical to the original contour. The location will then be ripped and seeded. The new access road will be reclaimed as directed by the BLM.

**k. SURFACE OWNERSHIP:**

1. The surface is owned by the State of New Mexico and is administered by the New Mexico State Land Office. The necessary permits and/or easements required by the New Mexico State Land Office will be acquired prior to the commencement of any surface disturbing activity associated with this application. The address is: New Mexico State Land Office – 310 Old Santa Fe Trail – Santa Fe, NM 87501. The phone number is 505-827-5760.

**l. OTHER INFORMATION:**

1. The area surrounding the well site is grassland. The topsoil is packed red soils. The vegetation is moderately sparse with native prairie grass, some mesquite bushes and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area. An empty raptor nest was noticed near the origination point of the proposed new access road resulting in moving the proposed new road 700' north of the anticipated start of the new road.

2. There is no permanent or live water in the general proximity of the location.
3. There are no dwellings within 2 miles of location.

**MANZANO, LLC**  
**STATEMENT OF CERTIFICATION**

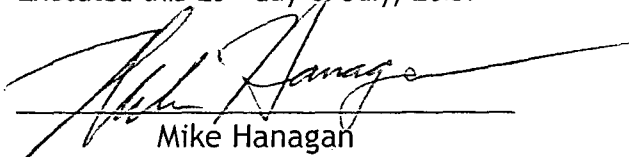
**Chili Parlor 17 Federal #1H**  
**SHL: 330' FSL & 2200' FEL**  
**BHL: 330' FNL & 2200' FEL**  
**Section 17-T22S-R33E**  
**Lea County, New Mexico**

This Statement of Certification is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.6., covering the above described well.

**CERTIFICATION:**

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and Federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 29<sup>th</sup> day of July, 2013.

  
Mike Hanagan

Name: Mike Hanagan  
Position Title: Managing Member, Manzano, LLC  
Address: PO Box 2107 – Roswell, New Mexico 88202-2107  
Telephone: 575-623-1996

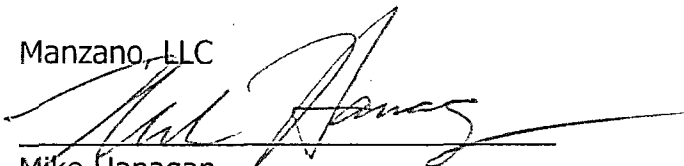
**MANZANO, LLC**  
**STATEMENT OF BOND COVERAGE**

Chili Parlor 17 Federal #1H  
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Section 17-T22S-R33E  
Lea County, New Mexico

This Statement of Bond Coverage is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.5., covering the above described well.

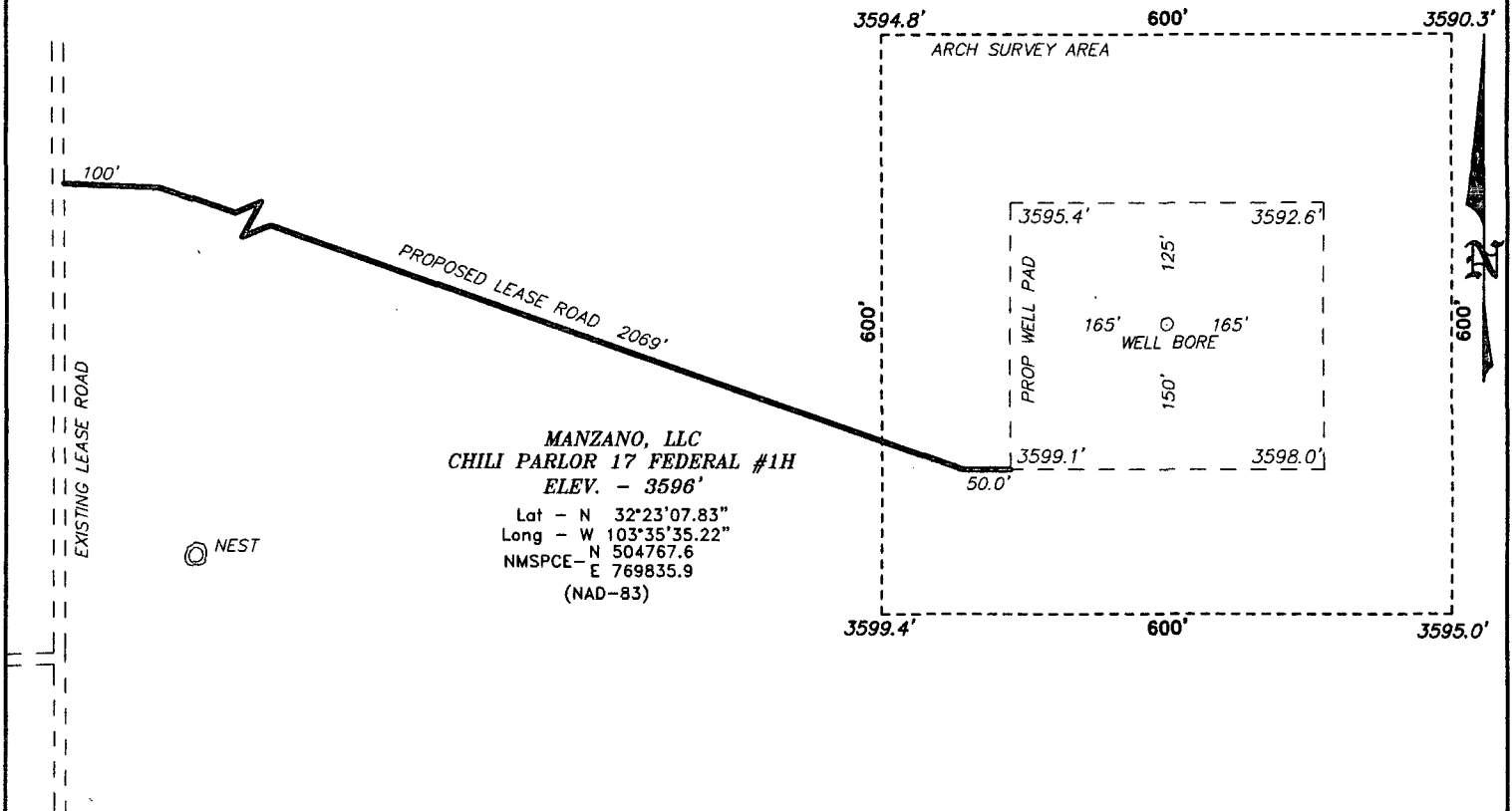
Bond Coverage: Statewide  
BLM Bond File #: NM-2567

Manzano, LLC

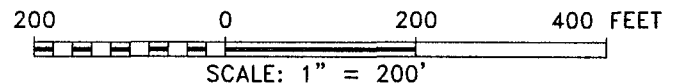


Mike Hanagan  
Managing Member

SECTION 17, TOWNSHIP 22 SOUTH, RANGE 33 EAST, N.M.P.M.,  
LEA COUNTY, NEW MEXICO.



EUNICE, NM IS ±25 MILES TO THE EAST OF LOCATION.



Directions to Location:

FROM THE JUNCTION OF RED AND MILLS RANCH, GO  
EAST ON LEASE ROAD FOR 7.1 MILES TURNING  
SOUTH 1.2 MILES TURNING EAST 1.5 MILES TURNING  
AGAIN NORTH 1.0 MILES THENCE EAST 1.0 MILES TO  
PROPOSED LEASE ROAD.

**BASIN SURVEYS** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 28969 Drawn By: J. SMALL

Date: 07-11-2013 Disk: JMS 28969

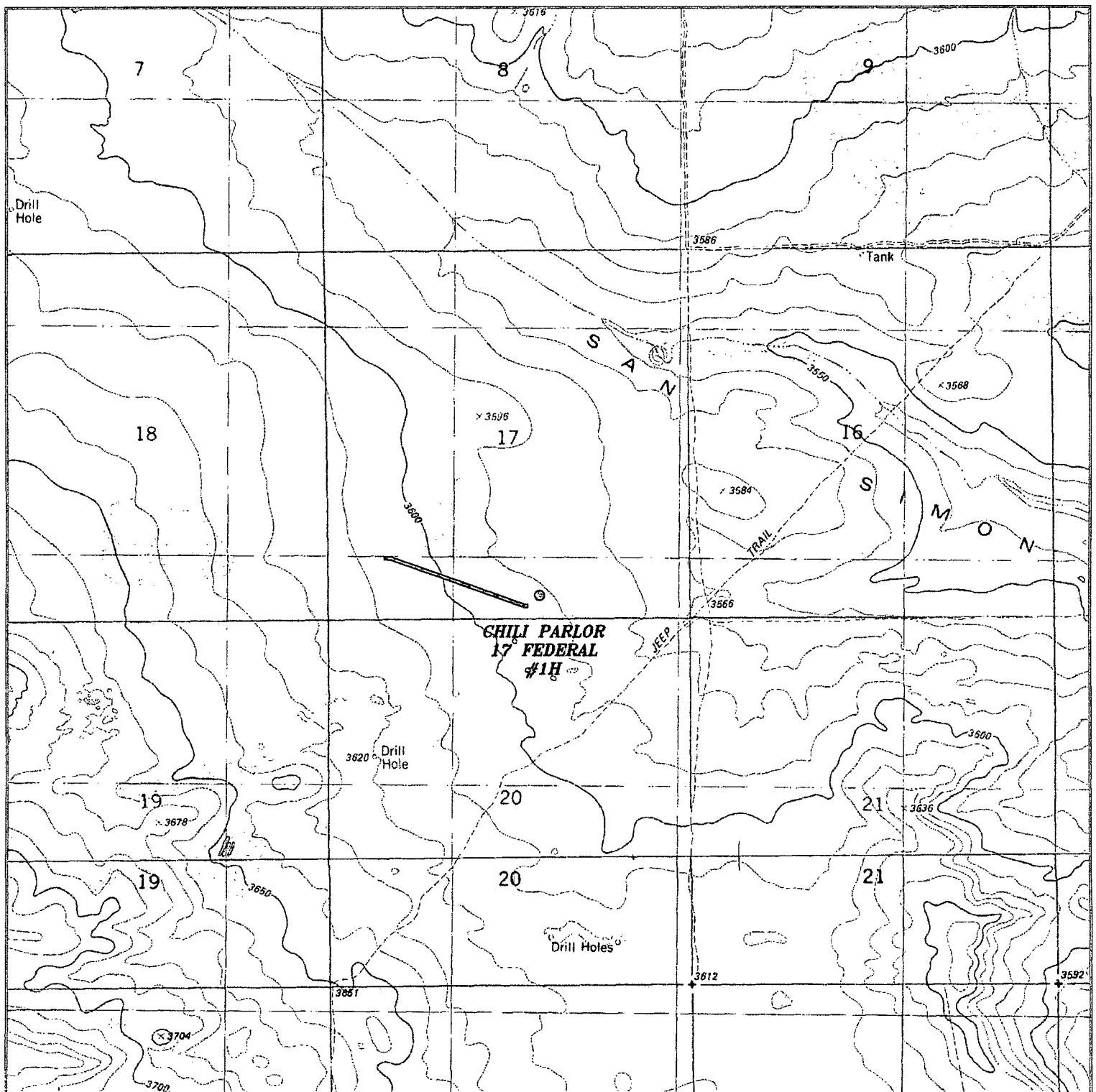
REF: CHILI PARLOR 17 FEDERAL #1H / WELL PAD TOPO

THE CHILI PARLOR 17 FEDERAL #1H LOCATED 330'  
FROM THE SOUTH LINE AND 2200' FROM THE EAST LINE OF  
SECTION 17, TOWNSHIP 22 SOUTH, RANGE 33 EAST,  
N.M.P.M., LEA COUNTY, NEW MEXICO.

Survey Date: 07-09-2013 Sheet 1 of 1 Sheets

**SURFACE USE PLAN - EXHIBIT 2**





**CHILI PARLOR 17 FEDERAL #1H**  
 Located 330' FSL and 2200' FEL  
 Section 17, Township 22 South, Range 33 East,  
 N.M.P.M., Lea County, New Mexico.



P.O. Box 1786  
 1120 N. West County Rd.  
 Hobbs, New Mexico 88241  
 (575) 393-7316 - Office  
 (575) 392-2206 - Fax  
[basinsurveys.com](http://basinsurveys.com)

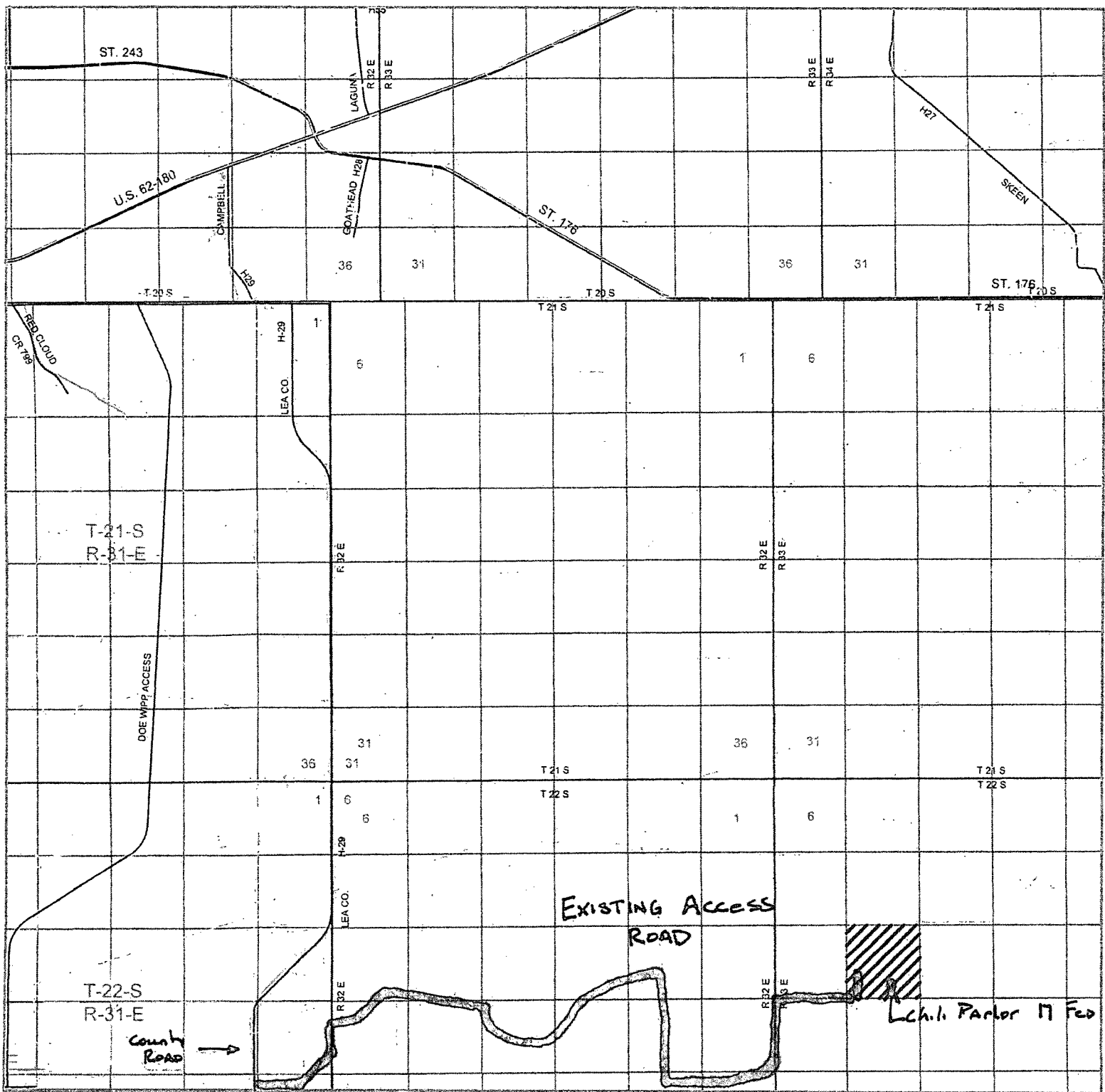
W.O. Number: JMS 28969

Survey Date: 07-09-2013

Scale: 1" = 2000'

Date: 07-11-2013

**MANZANO, LLC**



# CHILI PARLOR 17 FEDERAL #1H

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Section 17, Township 22 South, Range 33 East,  
N.M.P.M., Lea County, New Mexico.

**basin**  
**surveys**  
focused on excellence  
in the oilfield

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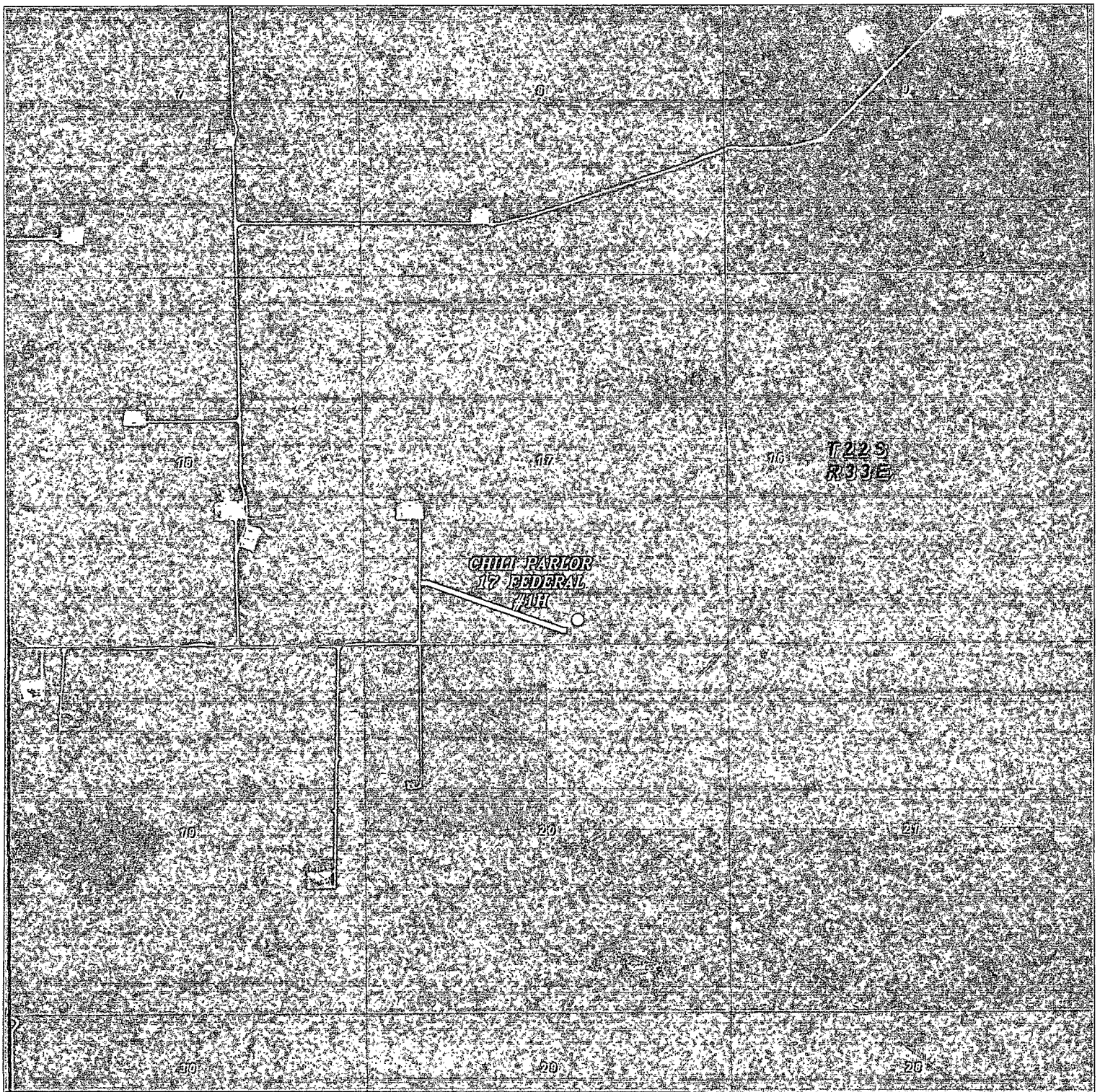
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Scale: 1" = 2 Miles

Date: 07-11-2013

**MANZANO, LLC**

**SURFACE USE PLAN - EXHIBIT 1**



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YELLOW TINT - USA LAND  
BLUE TINT - STATE LAND  
NATURAL COLOR - FEE LAND



**MANZANO, LLC**

