

Surface Use & Operating Plan

Gold Coast 26 Federal SWD #1

- Surface Tenant: Mark T. McCloy, P O Box 1076, Jal, NM 88252.
- New Road: Approximately 4050'
- Flow Line: on well pad
- Facilities: will be constructed on well pad – see Exhibit 3

Well Site Information

V Door: East

Topsoil: North

Interim Reclamation: North and East

Notes

Onsite: On-site still needed

30-02541570

HOBBS OCD

DEC 17 2013

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SURFACE USE AND OPERATING PLAN

1. Existing & Proposed Access Roads

- A. The well site survey and elevation plat for the proposed well is attached with this application. It was staked by John West Surveying Company, Hobbs, NM.
- B. All roads to the location are shown in the Vicinity Map. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary. The road route to the well site is depicted in Exhibit #2. The road highlighted in Exhibit #2 will be used to access the well.
- C. Directions to location: See 600 x 600 plat for directions to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease. Roads will be maintained according to specifications in section 2A of this Surface Use and Operating Plan.

2. Proposed Access Road:

The Elevation Plat shows that 4050' of new access road will be required for this location. If any road is required it will be constructed as follows:

- A. The maximum width of the running surface will be 14'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.
- B. The average grade will be less than 1%.
- C. No turnouts are planned.
- D. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- E. Surfacing material will consist of native caliche. Caliche will be obtained from the actual well site if available. If not available onsite, caliche will be hauled from the nearest BLM approved caliche pit.

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DEC 30 2013 10/23/13
Linda

3. Location of Existing Well:

The One-Mile Radius Map shows existing wells within a one-mile radius of surface hole location and the bottom hole location.

4. Location of Existing and/or Proposed Facilities:

- 1) An SWD facility will be constructed as shown on Exhibit 3 and Exhibit 3A.
- 2) The facility will be installed according to API specifications.
- 3) Any additional caliche will be obtained from the actual well site. If caliche does not exist or is not plentiful from the well site, the caliche will be hauled from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
- 4) It will be necessary to run electric power if this well is productive. Power will be provided by Xcel Energy and they will submit a separate plan and ROW for service to the well location.
- 5) Rehabilitation plans will include the following:
 - The original topsoil from the well site will be returned to the location, and the site will be re-contoured as close as possible to the original site.

5. Location and Type of Water Supply:

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #1. If a commercial fresh water source is nearby, fast line may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

6. Source of Construction Materials and Location "Turn-Over" Procedure:

Obtaining caliche: One primary way of obtaining caliche to build locations and roads will be by "turning over" the location. This means, caliche will be obtained from the actual well site. A caliche permit will be obtained from BLM prior to obtaining caliche. 2400 cubic yards is the maximum amount of caliche needed for pad and roads. Amount will vary for each pad. The procedure below has been approved by BLM personnel:

- A. The top 6 inches of topsoil is pushed off and stockpiled along the side of the location.
- B. An approximate 160' X 160' area is used within the proposed well site to remove caliche.

- C. Subsoil is removed and stockpiled within the surveyed well pad.
- D. When caliche is found, material will be stock piled within the pad site to build the location and road.
- E. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
- F. Once well is drilled, the stock piled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced.
- G. Neither caliche, nor subsoil will be stock piled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in the Well Site Layout or survey plat.

In the event that no caliche is found onsite, caliche will be hauled in from a BLM approved caliche pit or other established mineral pit. A BLM mineral material permit will be acquired prior to obtaining any mineral material from BLM pits or land.

7. Methods of Handling Water Disposal:

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD approved commercial disposal facility.
- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. Human waste and grey water will need to be properly contained and disposed of. Proper disposal and elimination of waste and grey water may include but are not limited to portable septic systems and/or portable waste gathering systems (i.e. portable toilets).
- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole only a dry hole marker will remain.

8. Ancillary Facilities:

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

9. Well Site Layout:

- A. The drill pad layout, with elevations staked by John West Surveying, is shown in the Elevation Plat. Dimensions of the pad and pits are shown on the Rig Layout. V door direction is East. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level no major cuts will be required.
- B. The Rig Layout Closed-Loop exhibit shows the proposed orientation of closed loop system and access road. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

10. Plans for Restoration of the Surface:

- A. Interim Reclamation will take place after the well has been completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions of the pad that are not needed for production operations will be re-contoured to its original state as much as possible. The caliche that is removed will be reused to either build another pad site or for road repairs within the lease. The stockpiled topsoil will then be spread out reclaimed area and reseeded with a BLM approved seed mixture. In the event that the well must be worked over or maintained, it may be necessary to drive, park, and/or operate machinery on reclaimed land. This area will be repaired or reclaimed after work is complete.
- B. Final Reclamation: Upon plugging and abandoning the well all caliche for well pad and lease road will be removed and surface will be recountoured to reflect its surroundings as much as possible. Caliche will be recycled for road repair or reused for another well pad within the lease. If any topsoil remains, it will be spread out and the area will be reseeded with a BLM approved mixture and re-vegetated as per BLM orders.

11. Surface Ownership:

- A. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. The surface tenant is Mark T. McCloy, P O Box 1076, Jal, NM 88252.
- C. The proposed road routes and surface location will be restored as directed by the BLM

12. Other Information:

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within 2 miles of this location.
- D. If needed, a Cultural Resources Examination is being prepared by Southern New Mexico Archaeological Services, Inc. P.O. Box 1, Bent New Mexico, 88314, phone # 505-671-4797 and the results will be forwarded to your office in the near future. Otherwise, **COG will be participating in the Permian Basin MOA Program.**

13. Bond Coverage:

Bond Coverage is Statewide Bonds # NMB000215 and NMB000740

14. Lessee's and Operator's Representative:

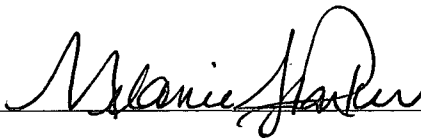
The COG Operating LLC representative responsible for assuring compliance with the surface use plan is as follows:

Sheryl Baker
Drilling Superintendent
COG Operating LLC
2208 West Main Street
Artesia, NM 88210
Phone (575) 748-6940 (office)
(432) 934-1873 (cell)

Ray Peterson
Drilling Manager
COG Operating LLC
One Concho Center
600 W Illinois Ave
Midland, TX 79701
Phone (432) 685-4304 (office)
(432) 818-2254 (business)

OPERATOR CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the drill site and access road proposed herein; that I am familiar with the conditions that presently 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 COG Operating, LLC, 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 1st day of July, 2013.

Signed:  _____

Printed Name: Melanie J. Parker

Position: Regulatory Analyst

Address: 2208 W. Main Street, Artesia, NM 88210

Telephone: (575) 748-6940

Field Representative (if not above signatory): Rand French

E-mail: mparker@concho.com

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Date: July 1, 2013

Lease #: NMNM120907
Gold Coast 26 Federal SWD #1

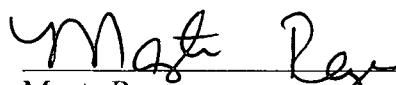
Legal Description: Sec. 26 – T24S – R32E
Lea County, New Mexico

Formation(s): Delaware

Bond Coverage: Statewide

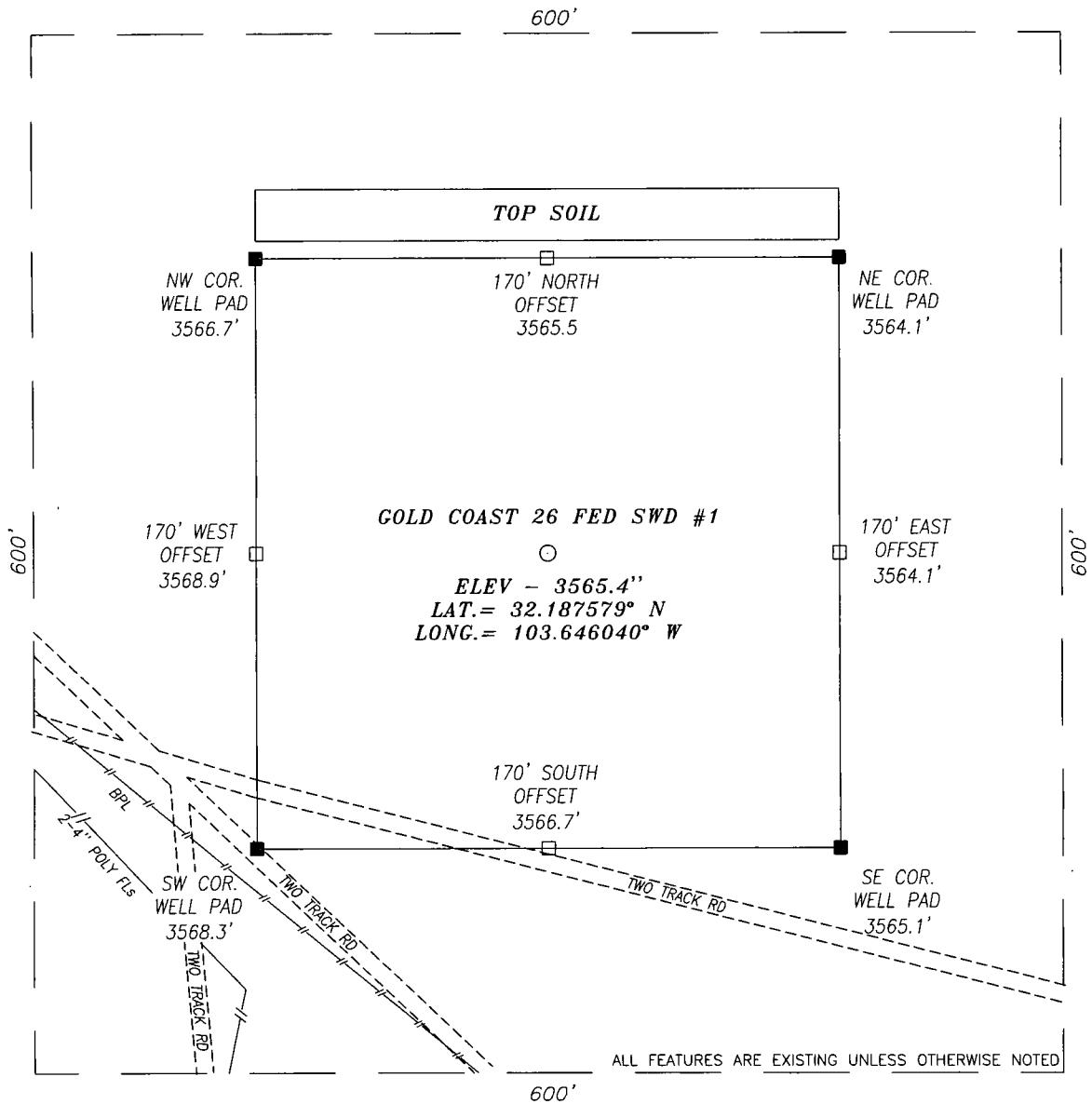
BLM Bond File #: NMB000740 & NMB000215

COG OPERATING LLC



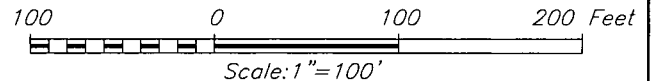
Mayte Reyes
Regulatory Analyst

SECTION 26, TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY NEW MEXICO



DIRECTIONS TO LOCATION:

HEADING EAST ON HWY 128 TURN RIGHT (SOUTH) APPROX. 0.3 MILE PAST MILE MARKER 23 ONTO A CALICHE RD AND GO APPROX. 1.7 MILES; THEN TURN LEFT (SOUTHEAST) ONTO A TWO TRACK RD AND GO APPROX. 0.8 MILE; THEN PROPOSED WELL IS APPROX. 215 FEET NORTH.



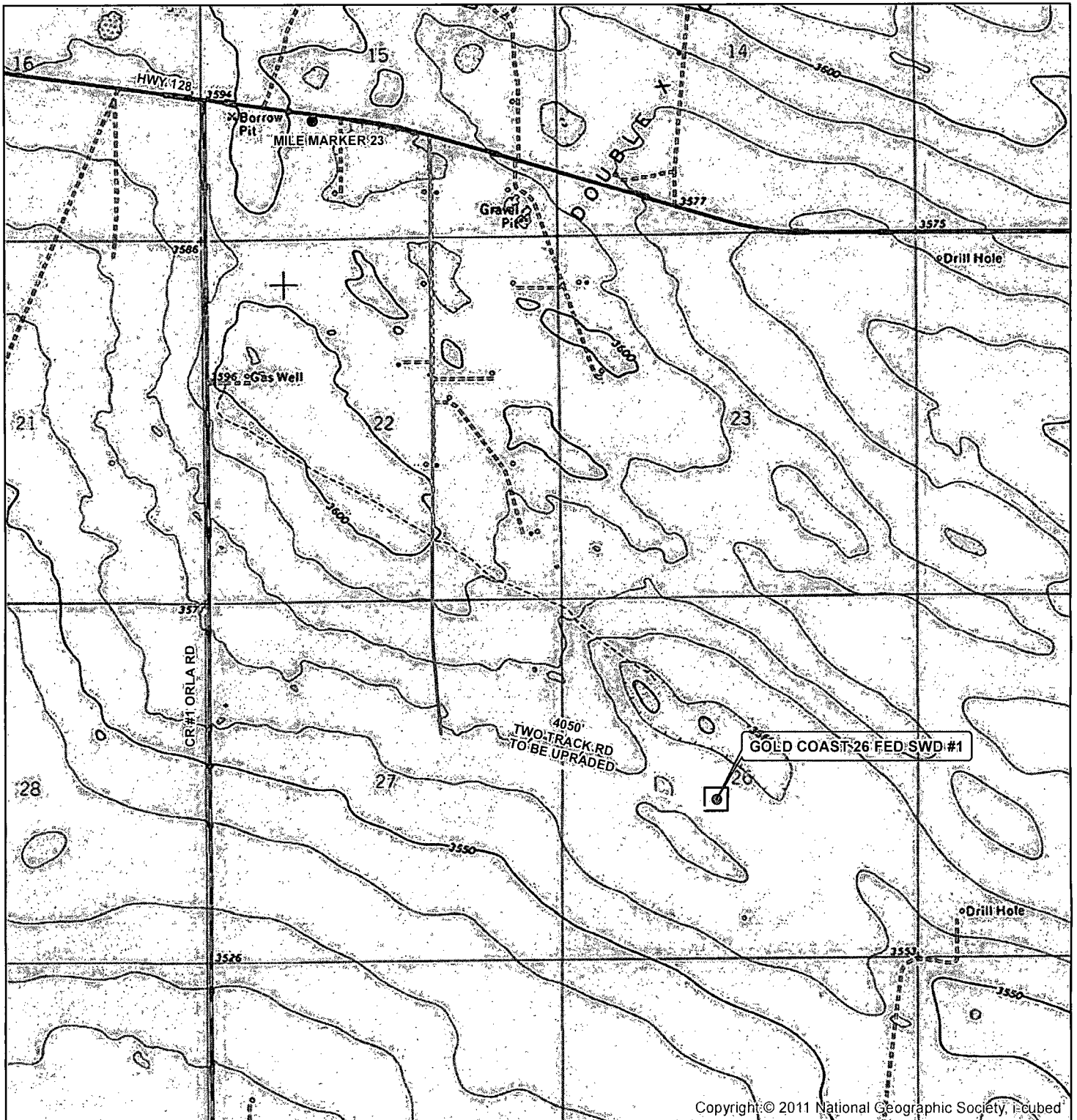
HARCROW SURVEYING, LLC
2314 W. MAIN ST, ARTESIA, N.M. 88210
PH: (575) 513-2570 FAX: (575) 746-2158
chad_harcrow77@yahoo.com



CONCHO COG OPERATING, LLC		
GOLD COAST 26 FED SWD #1 WELL LOCATED 2310 FEET FROM THE SOUTH LINE AND 2310 FEET FROM THE WEST LINE OF SECTION 26, TOWNSHIP 24 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO		
SURVEY DATE: 09/17/2013	PAGE: 1 OF 1	
DRAFTING DATE: 09/18/2013		
APPROVED BY: CH	DRAWN BY: TL	FILE: 13-643

EXHIBIT 2

LOCATION VERIFICATION MAP

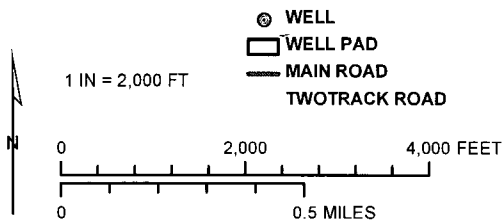


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SEC. 26, TWP. 24S, RGE. 32E
 SURVEY: N.M.P.M
 COUNTY: LEA STATE: NEW MEXICO
 DESCRIPTION: GOLD COAST 26 FED SWD #1
 2310' FSL, 2310' FWL

ELEVATION: 3565.4'
 OPERATOR: COG OPERATING LLC
 LEASE: GOLD COAST 26 FED

W.O. # 13-643

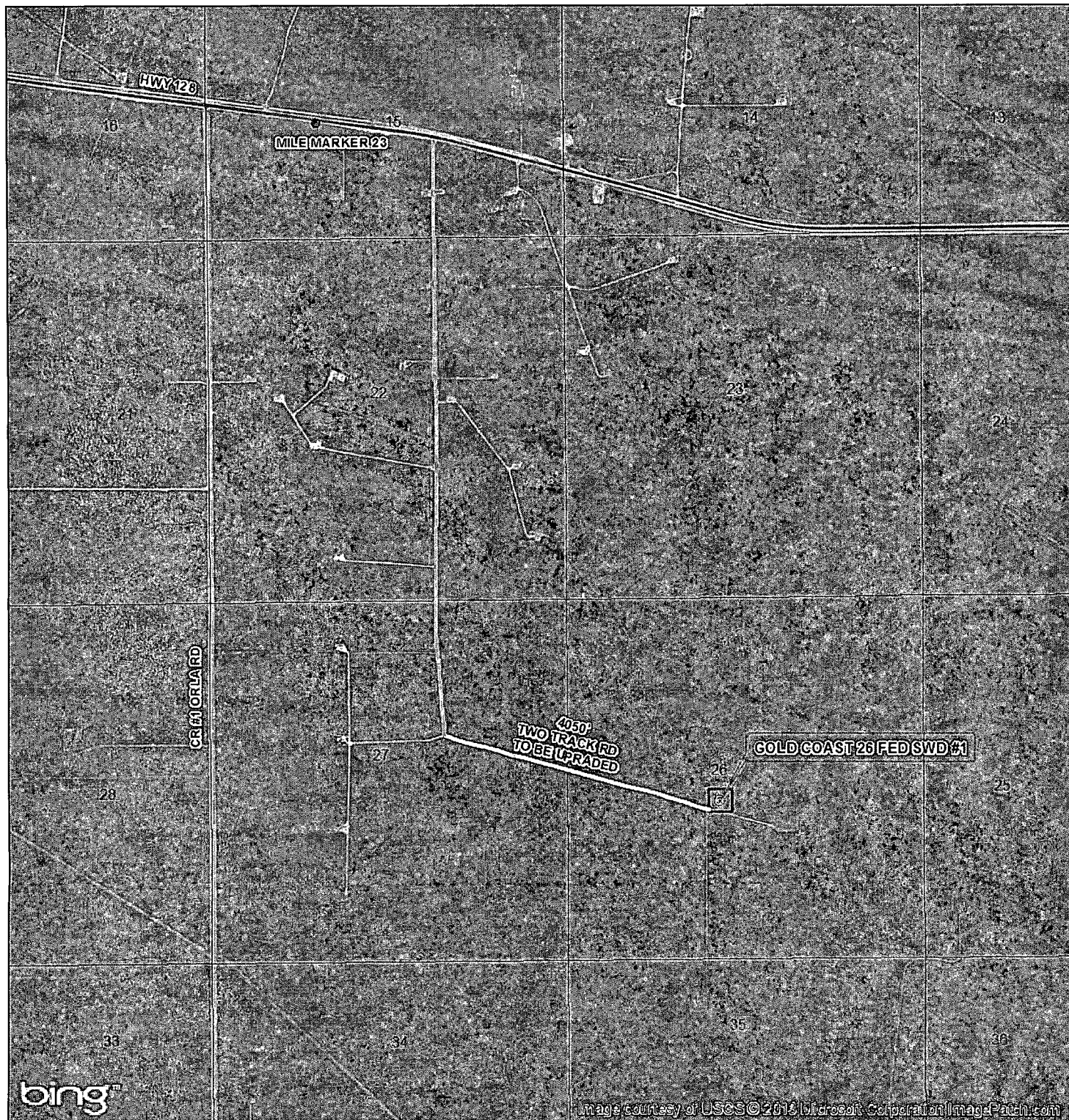


HARCROW SURVEYING, LLC
 1107 WATSON, ARTESIA N.M. 88210
 PH: (575) 513-2570 FAX: (575) 746-2158
 chad_harcrow77@yahoo.com



MAP DATE: 9/19/2013

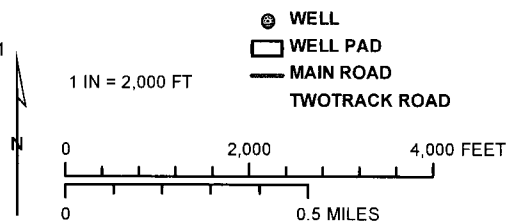
LOCATION VERIFICATION MAP



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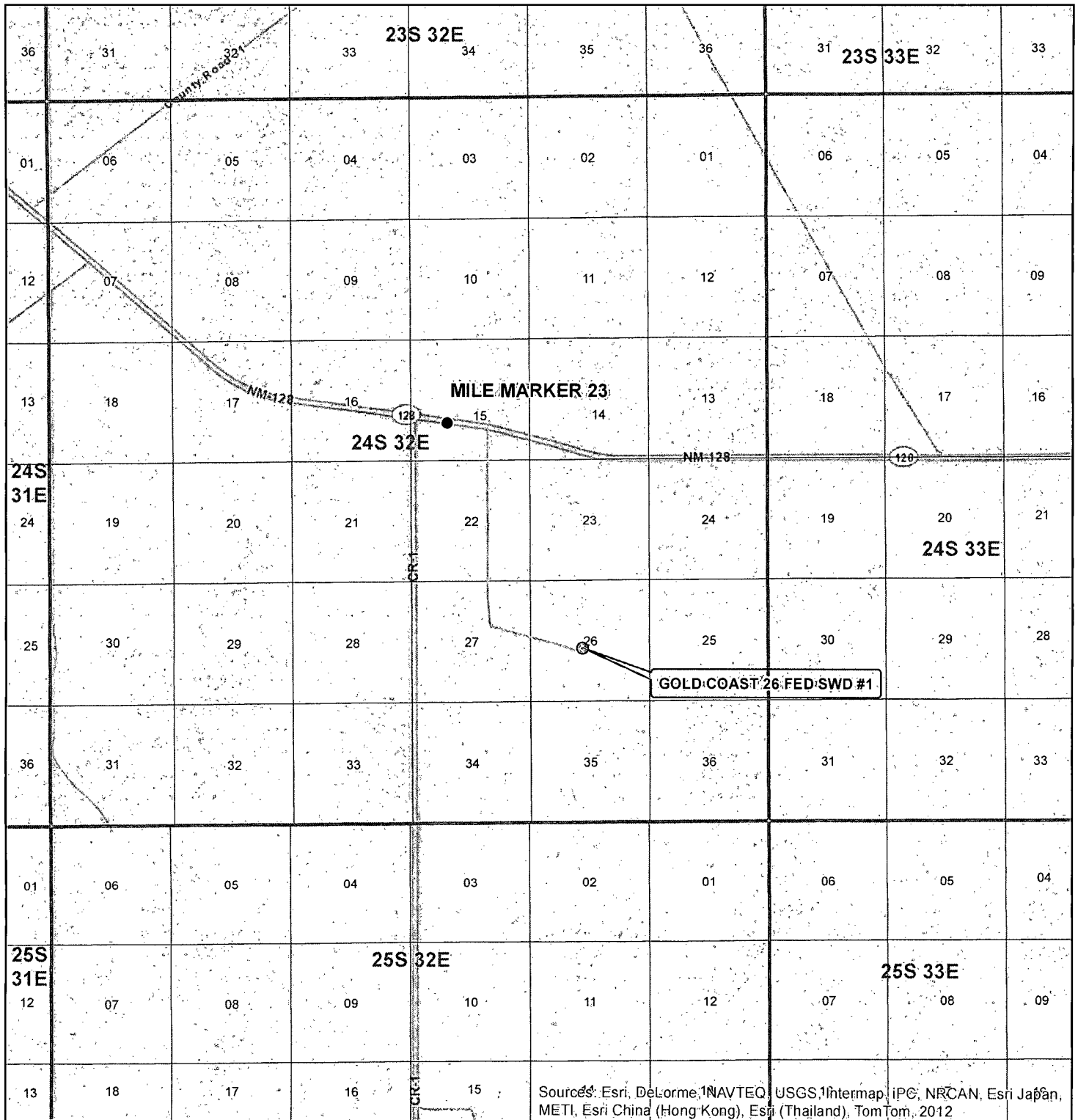


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 PH: (575) 513-2570 FAX: (575) 746-2158
 chad_harcrow77@yahoo.com



MAP DATE: 9/19/2013

VICINITY MAP



Sources: Esri, DeLorme, NAVTEQ, USGS, Intermap, iPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2012

SEC. 26, TWP. 24S, RGE. 32E
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 COUNTY: LEA STATE: NEW MEXICO
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ELEVATION: 3565.4'
 OPERATOR: COG OPERATING LLC
 LEASE: GOLD COAST 26 FED

W.O. # 13-643



1 IN = 6,000 FT

0 0.5 MILES

⊙ WELL
 □ TOWNSHIP
 □ SECTION

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 1107 WATSON, ARTESIA N.M. 88210
 PH: (575) 513-2570 FAX: (575) 746-2158
 chad_harcrow77@yahoo.com



MAP DATE: 9/19/2013

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HBP
33955

Manzano
Queenie-Fed

33955

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Gold Coast 26 Federal SWD #1
2310' FSL & 2310' FWL
Section 26 - T24S - R32E

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US
Kenneth Smith (S)

"Baetz"

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Richardson Oil
E. P. R. Bass
TD 3158
Chevron
D/A 7-5
HBP
03023

Oil
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S R. Bass
ThruLine, Inc. et al
7-1-71 (3)
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Strata Prod
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Cimarex
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PB 13799

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U.S.

Sam L.
Shackel-
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C.M. Selby, M.L.
Resources
Protection (S)

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Celtic Oil, et al
C.M. Selby, M.L.
KRM, Inc (S)

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Chesapeake
(Exco)
(Breck Up)
(Grace Pet)
(Felmont Fed)

Hallwood Pet.
(EM Nominee
Prtshp.)

U.S.

S R. Bass
ThruLine, Inc. et al
7-1-71 (3) 0657504
U.S.

"S H Snoddy -Fed."
U.S.

U.S.

L. Scott et al
K. Smith (S)

Bass
Devon En
K Smith (S)

S R. Bass
ThruLine, Inc. et al
7-1-71 (3)
069899
(Unit)

Richardson Oil
8-1-6
068104A
(Unit)

Ryan et al
Acree
TD 3410

Chesapeake

Chesapeake

HBP
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Richardson Oil
E. P. R. Bass
HBU
03023

LITTLE EDDY
RUBICON O&G

R32E

U.S.

U.S.

U.S.

Apache

E-5231

(Texas)
(State)
Atoka F.
Morr Disc

V.S. Welch
Ayers
TD 3439

State K. Smith (S)

U.S.