

30-025-41475

ECG 10-31-2013

An Onsite Inspection Meeting was held with Trishia Badbear on  
1/15/2013.

**SURFACE USE PLAN OF OPERATIONS**

PRIMERO OPERATING, INC.  
State Line Federal, Well No. 1  
990' FNL & 2228' FWL, Sec.33-T9S-R38E  
Lea Country, New Mexico  
Lease No.: NM 23020

HOBS OCD

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RECEIVED

This plan is submitted with the Application for permit to drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operation plans to be followed in rehabilitating the surface and environment effects associated with the operations.

**1. EXISTING ROADS:**

A. Exhibit "A" is a portion of BLM TOPO map showing the location of the proposed well as staked. The well site location is approximately 102 miles northeast of Roswell, NM.

B. Directions: Travel east of Roswell, NM on U.S. Hwy 380 to Tatum, NM, continue east 5.7 miles to TX FM Rd. 796. Turn left (north) for approximately 16.4 miles on Texas FM796. The proposed access road will be built and run west 217' through the state line fence to the SE corner of the well pad.

**2. PLANNED ACCESS ROAD:**

A. Length and Width: The proposed new access road will be approximately 15 feet wide (20ft total) and 217feet long.

B. Construction: The proposed access road will be constructed by grading and topping with compacted caliche. The surface will be properly drained. All dirt construction will be contracted by Sweatt Construction, Lovington, NM. The new road will not exceed 20' wide. This includes 4 ft shoulders with a 1ft to 3 ft slope for bar ditches and water drainage. The road will be constructed to have a crown of approximately 2 % grade to promote drainage and prevent pooling of water.

C. Turnouts: No turnout will be required.

D. Culverts: None.

E. Cuts and Fills: None required.

F. Gates, Cattle Guard: A cattle guard will be at the fence line.

G. Off Lease right of way: None will be required.

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### **3. LOCATION OF EXISTING WELLS:**

A. Existing wells within a two-mile radius are shown on Exhibit "C".

### **4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;**

A. Primero Operating Inc. has no production facilities on the lease at this time.

B. If the well proves to be commercial the anticipated production facilities equipment will be installed on the drilling pad. Any anticipated electrical lines are mapped on Exhibit 4.0, but it may be determined to use a gas powered motor to power the pump. This depends on the well's capability of volume production. See: Exhibit 4.0 Reclamation Well Pad Diagram.

### **5. LOCATION AND TYPE OF WATER SUPPLY:**

A. It is planned to drill the proposed well with fresh water that will be obtained through a private contractor (Sweatt Construction, Lovington, NM) and will be transported to the location over the existing and proposed access roads.

### **6. SOURCE OF CONSTRUCTION MATERIALS:**

A. Caliche for surfacing the proposed access road and well site pad will be obtained from a private contractor (Sweatt Construction) and transported to the location over existing and proposed access roads. No federal surface will be disturbed except those necessary for actual grading and leveling of the drill site and access road. The top soil from the site will be stockpiled on the west side of the pad. If necessary, the south and east side may be used.

### **7. METHODS OF HANDLING WASTE DISPOSAL**

A. Drilling cuttings and liquids will be stored in the steel tanks of the closed loop mud system during the drilling operations and delivered to Gandy Marley, Inc. Permit No.: NM 711-01-020 as needed and at closure.

B. There will be no mud pits to be fenced.

C. Water produced during operations will be collected in tanks until hauled to an approval disposal facility.

D. Oil produced during operations will be stored in tanks until sold.

E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

F. Trash, waste paper, garbage, and junk will be contained in trash bins to prevent scattering by the wind and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

## 8. ANCILLARY FACILITIES

A. None required.

## 9. WELL SITE LAYOUT:

A. Exhibit 1.0 shows the relative location and dimensions of the well pad, closed loop system, and major rig components. The location area has been staked and flagged, 600' x 600' Arch Survey, & a 300' x 300' anticipated drilling pad, as shown in Exhibit 1a.

B. Mat Size: 250' x 125' , plus 90' x 250' pad on the north, to service the closed loop mud system.

C. Cut and Fill: The location will require a 2.0 foot cut on the northeast will fill to the south and west.

D. The surface will be topped will compacted caliche.

E. There are no ponds or streams in the vicinity. There are no residents dwellings within a 1-mile radius. There are no livestock grazing or farming land use at this time.

## 10. PLANS FOR RESTORATION:

A. After Completion of drilling and/or completion of operations, all equipment and other material not required for operations will be removed. If the well is a commercial well, **Interim Reclamation** will begin within six months after drilling and completion or at the time of the construction of the production facilities. The surface land to be reclaimed will be those areas of the pad which will not be needed for pumping and producing operations. There will be sufficient area remaining for workover rigging. The reclaimed area will be to reduce the pad size by 50 ft on the west, south and east sides. The pad size will be reduced from a 300' x 300' to 200' x 250' area. Approximately 60ft of the pad will remain for access.

**SEE: Exhibit 4.0 Reclamation of Well Pad Diagram.**

If the well is found to be non-commercial, reclamation will begin within 6 months or thereafter abandonment. The caliche will be removed and transported to the original source or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original top soil will be returned to the original placement and contoured as close as possible to the original state. The Location will be cleaned of all trash and junk to leave the well site in an aesthetically pleasing condition as possible. All rehabilitation and /or vegetation requirements of the Bureau of Land Management and Ted Gandy, Fee surface owner, will be complied with and will be accomplished as expeditiously as possible.

B. There will be no unguarded pits containing fluids.

## **11. OTHER INFORMATION:**

A. Topography: The proposed well site and access road are located on a .5% slope to east. The location has an elevation of 3918.0' GL.

B. Soil: The topsoil at the well site is a reddish brown sandy loam. The solid is part of the Amarillo Loamy fine sands of the Brownfield-Patricia-Tivali association.

C. Flora and fauna: the location has a fair to poor grass cover of tabosa and gramma along with plants and mesquite, yucca, cacti and miscellaneous weeds and wildflowers. The wildlife consists of rabbits, coyotes, antelope, deer, rattlesnakes, lizards, dove, quail and other wildlife typical of semi-arid desert land.

D. Ponds and Streams: None Because the sandy soil will absorb most rain before it can run off.

E. Residences and Other Structures: None in the immediate vicinity except producing wells within 1000 feet of the location.

F. There is no Cattle, livestock grazing, or farming on this land at this time.

G. Surface Ownership: The proposed well site and access road is on Fee surface, owned by Teddy and Alma Gandy, 1308 E. Birch, Lovington, NM 88260, (575)-408-0443. The minerals are owned by the United States and managed by the MMS and BLM.

H. There is no evidence of archaeological, historical or cultural sites in the 600' X 600" drill site area and no previously recorded sites in the vicinity. Archaeological Survey Consultants, Box 2285, Roswell, NM 88202 has conducted an archaeological survey and their report will be submitted to the appropriate government agencies.

## **12. OPERATING REPRESENTATIVE:**

A. The field representative for assuring compliance with the approved use and operations plan is as follows:

Phelps White,  
Primero Operating, INC.,  
P.O. Box 1433,  
Roswell, NM 88202  
Office Phone: 575-622-1001  
Cell Phone: 575-626-7660

**PRIMERO OPERATING, INC.**

State Line Federal, Well No. 1

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**12. OPERATOR'S REPRESENTATIVE:**

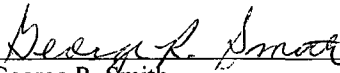
- A. The field representative for assuring compliance with the approved use and operations plan is as follows:

Phelps White  
PRIMERO OPERATING, INC  
P.O. Box 1433  
Roswell, NM 88202  
Office Phone: 575-622-1001  
Cell Phone: 575-626-7660

**CERTIFICATION:**

I hereby certify that I have inspected the proposed drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have knowledge of State and Federal laws applicable to this operation; that the statements made in the 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 which it is approved . I also certify that I, or the company I represent am/is 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 a false statement.

December 17,. 2012

  
\_\_\_\_\_  
George R. Smith  
POA Agent for: PRIMERO OPERATING, INC.

## **POWER OF ATTORNEY**

### **DESIGNATION OF AGENT**

**Primero Operating, Inc.** \_\_\_\_\_, hereby names the following person as its agent

Name of Agent: George R. Smith d/b/a Energy Administrative Services Company

Agents Address: P.O. Box 458, Roswell, NM 88202

Agent's Telephone Number: (575) 623-4940

### **GRANT OF SPECIAL AUTHORITY**

**Primero Operating, Inc.** \_\_\_\_\_, grants its agent the authority to act for it with respect to the following only:

- 1 Executing forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.
2. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department.

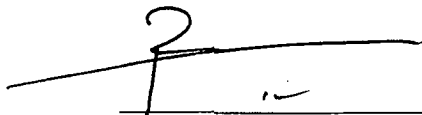
### **EFFECTIVE DATE**

This power of attorney is effective immediately.

### **RELIANCE ON THE POWER OF ATTORNEY**

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

**SIGNATURE AND ACKNOWLEDGMENT**

  
\_\_\_\_\_

By: Phelps White IV

Title: President

Date: May 5, 2009

Address: P.O. Box 1433. Roswell, NM 88202-1433

Telephone: 575.622.1001

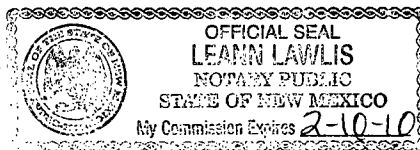
STATE OF New Mexico

COUNTY OF Chaves

This instrument was acknowledged before me on May 5, 2009 by  
S. Phelps White IV, of Primero operating Inc, a NM corporation  
, acting on behalf of said corporation.

Signatory of notary: LeAnn Lawlis

My commission expires: 2-10-10





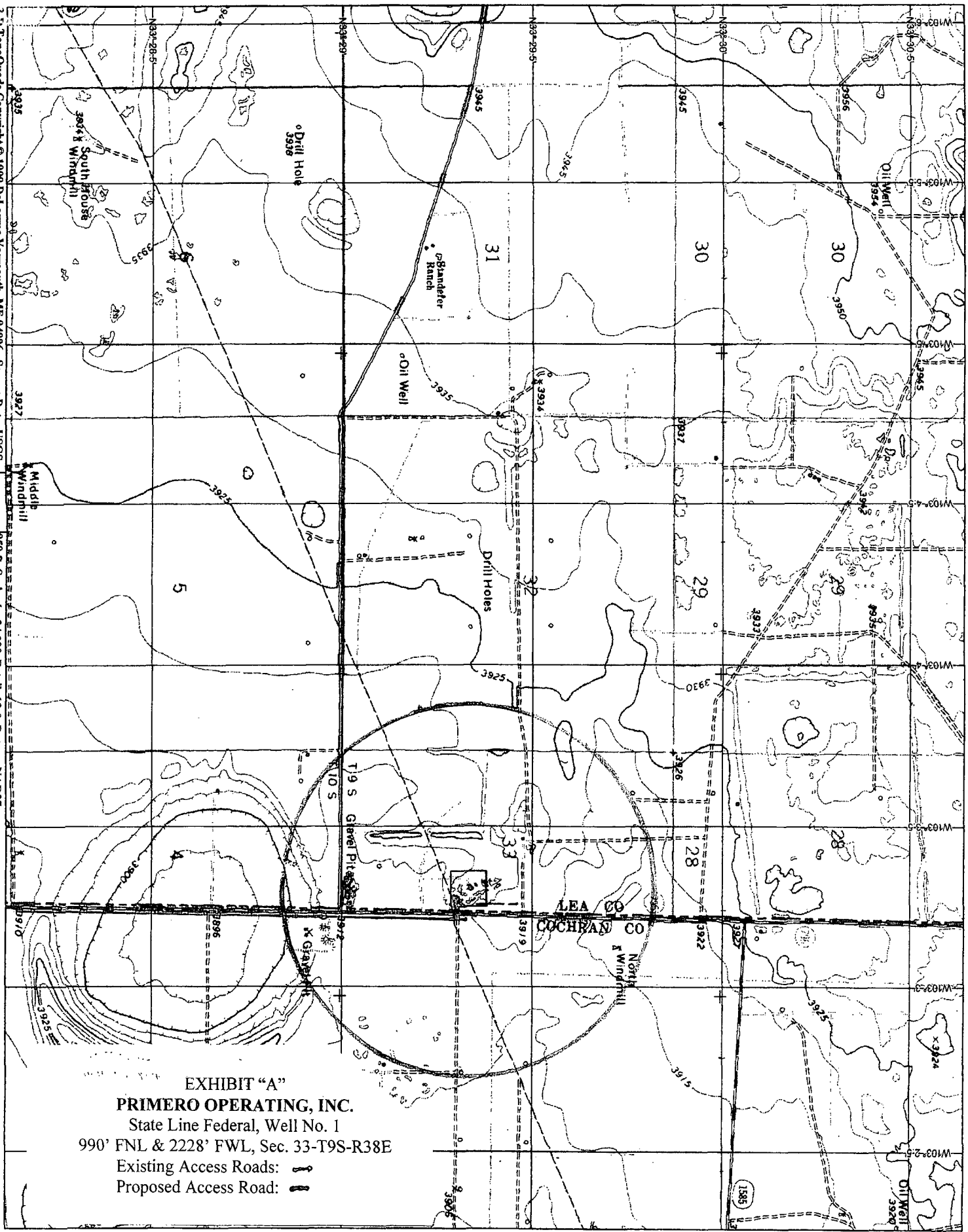


EXHIBIT "A"

PRIMERO OPERATING, INC.

State Line Federal, Well No. 1

990' FNL & 2228' FWL, Sec. 33-T9S-R38E

Existing Access Roads: —

Proposed Access Road: —

# ROOSEVELT, South

103° 05'

R38E

TO 103° 05'

MIDLAND © MAP

COCHRAN County

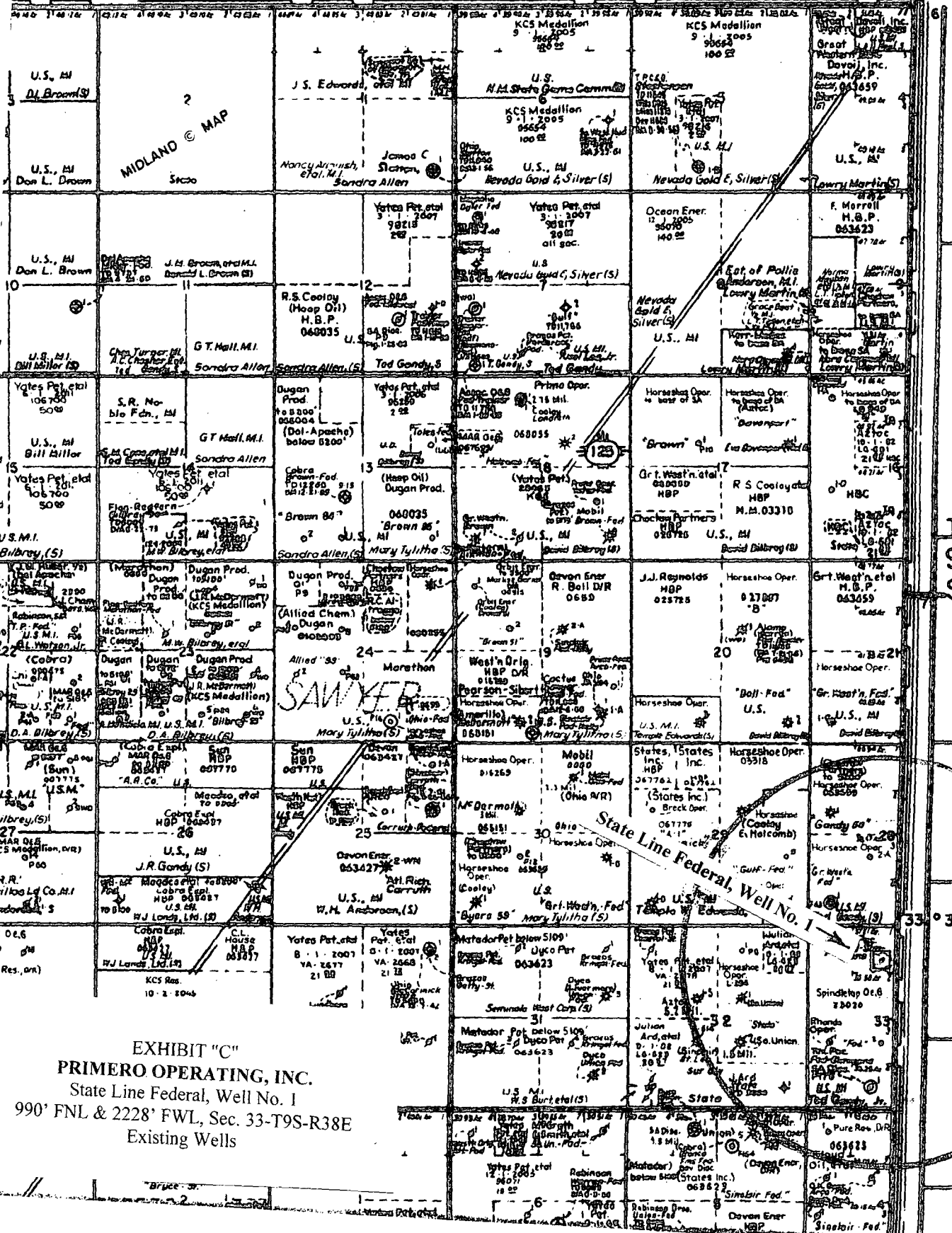


EXHIBIT "C"  
PRIMERO OPERATING, INC.  
State Line Federal, Well No. 1  
990' FNL & 2228' FWL, Sec. 33-T9S-R38E  
Existing Wells