

JUL 28 2014

RECEIVED

SURFACE USE PLAN OF OPERATION

SHL: 110' FSL & 1790' FEL, Unit O, Section 5, T25S-R34E, N.M.P.M., Lea, NM
BHL: 230' FSL & 1293' FEL, Unit P, Section 8, T25S-R34E, N.M.P.M., Lea, NM

An onsite inspection was conducted on Thursday, April 18 with BLM Natural Resources Specialist Trisha Bad Bear and representatives from EOG Resources, Inc. to review the surface location, roads and infrastructure routes for the Diamond 5 Fed Com #8H.

NMOCD ADMINISTRATIVE ORDER NSL – 6835

1. EXISTING ROADS:

- a. The well site and elevation plat for the proposed well are reflected on the well site layout; Form C-102. The well was staked by Michael B. Brown of Topographic Land Surveyors, N.M.P.S. No. 18329.
- b. All roads into the location are depicted on Exhibits 2 and 2a.
- c. Operator shall maintain existing lease roads and improve said roads as deemed necessary, whether by observation of Operator or by an Authorized Officer of the BLM. In compliance with Onshore Order 1, Operator will improve or maintain existing roads in a condition the same as, or better than before operations began. Proper crowning, ditching, drainage and turnouts shall be monitored and updated as necessary. Should additional surfacing be required, surfacing material shall be obtained from a BLM approved caliche pit. Any updates to existing roads would comply with the parameters set out in the Construction section of the Conditions of Approval for the well site location and its road access.
- d. Directions to Locations: Beginning in Jal, NM at the intersection of N.M. State Hwy 128 and Hwy 18, go west on Hwy 128 for 14.1 miles to County Road #2 (Battle Ax Road), turn left and go southwest on County Road #2 for 5.7 miles, turn right and go west for 2.0 miles, turn right and go north for .03 miles to the proposed road which is approximately 969 feet south of the location.

2. NEW OR RECONSTRUCTED ACCESS ROAD:

- a. The well site layout, Exhibit 2a shows the layout. A new access road will be constructed a distance of 969 feet of compact caliche as depicted per Exhibit 2a.
- b. The maximum width of the road will be 14'. It will be crowned and made of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent soil erosion.

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- c. Surface material will be native caliche. This material will be obtained from a BLM approved pit nearest in proximity to the location. The average grade will be approximately 1%.

3. LOCATION OF EXISTING WELLS:

Exhibit #3 shows all existing wells within a one-mile radius of the surface and bottom hole locations of this well.

4. LOCATION OF EXISTING AND/OR PROPOSED PRODUCTION FACILITIES:

- a. Applicant will lay a 6" poly buried low pressure gas sales pipeline, a distance of 1,308 feet south, that shall tie into an existing buried 6" poly surface low pressure gas sales pipeline located just to the southeast of the Diamond 8 Fed Com #5H well pad, that shall head south to a sales point on the Diamond 8 Federal lease. Applicant shall lay a SWD pipeline, a 4" surface low pressure SWD pipeline that will travel a distance of 1,252 feet south, and will tie into an existing line just to the southeast of the Diamond 8 Fed Com #5H well pad that is currently utilized to handle produced water. A 4" poly surface pipeline will be laid a distance of 1,252 feet north, and will be used as a gas lift line which will originate from an existing gas line just to the southeast of the Diamond 8 Fed Com #5H well pad. Initially applicant shall have its oil trucked from the Diamond 5 Fed Com wells. Plains will be the oil purchaser and Flint will be the oil transport company. All pipelines described above are depicted on Exhibit 5.
- b. Electricity is available on the Diamond 8 Fed Com lease to the south. An electric line will be constructed from the existing line at the Diamond 8 Fed Com #5H well pad to the south and will travel 1,252 feet north to service the electricity needs on the Diamond 5 Fed Com #6H location.
- c. Refer to b above.
- d. If the well is productive, rehabilitation plans are as follows:
 - i. The location shall be reduced on the north and west sides as depicted by the Location Layout. The interim reclamation will be performed when optimal conditions exist during the growing season as per the interim reclamation guidelines of the BLM.
 - ii. The original topsoil, which will be stored to the north of the well pad, will be returned to the location. The location will be contoured as close as possible to match the original topography.

5. LOCATION AND TYPE OF WATER SUPPLY:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using existing and proposed roads shown in Exhibit 2 and 2a. On occasion, water will be obtained

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from existing water wells. In these cases where a poly pipeline is used to transport water for drilling purposes, proper authorizations will be secured. If poly pipeline is used to transport fresh water to the location, proper authorization will be secured by the contractor.

6. CONSTRUCTION MATERIALS

Obtaining Mineral Material – Caliche utilized for the drilling pad and proposed access road will be obtained either from an existing approved pit, or by benching into a hill which will allow the pad to level with existing caliche from cut, or extracted by “flipping” the location. A caliche permit shall be obtained from the BLM prior to excavating any caliche on Federal Lands. Amount will vary for each pad. The procedure for “flipping” the location is as follows:

1. An adequate amount of topsoil for final reclamation will be stripped from the well location surface and stockpiled along the edge of the location as shown in the well site layout.
2. An area will be used within the proposed well site to excavate caliche.
3. The subsoil will then be removed and stockpiled within the footages of the well location.
4. Once caliche/mineral material is found, the material will be excavated and stockpiled within the footages of the well location.
5. The subsoil will then be placed back in the excavated hole.
6. Caliche/mineral material will then be placed over the entire pad and/or road to be compacted.

In the event that caliche is not found on site, a permit will be acquired if caliche is obtained from a BLM approved caliche pit

7. METHODS OF HANDLING WASTE MATERIALS

- a. Drill cuttings shall be disposed of in a steel cuttings bin (catch tanks) on the drilling pad (behind the steel mud tanks). The bin and cuttings shall be hauled to an approved cuttings dumpsite.
At the site, the cuttings shall be removed from the bin & the bin shall be returned to the drilling site for reuse.
- b. All trash, junk, and other waste material shall be contained in trash cages or trash bins to prevent scattering. When a job is completed, all contents shall be removed and disposed of in an approved landfill.
- c. The supplier, including broken sacks, shall pick up salts remaining after completion of well.
- d. If necessary, a porto-john shall be provided for the rig crews. This equipment shall be properly maintained during the drilling and completion operations and shall be removed when all operations are complete.
- e. Remaining drilling fluids shall be hauled off by transports to a state approved disposal site. Water produced during completion shall be put in

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storage tanks and disposed of in a state approved disposal. Oil and condensate produced shall be put in a storage tank and sold.

- f. Disposal of fluids to be transported by the following companies:
 - i. RGB TRUCKING
 - ii. LOBO TRUCKING
 - iii. I & W TRUCKING
 - iv. CRANE HOT OIL & TRANSPORT
 - v. JWS
 - vi. QUALITY TRUCKING

8. ANCILLARY FACILITIES:

- a. No airstrip, campsite, or other facilities will be built.

9. WELL SITE LAYOUT:

- a. Exhibit 4 shows the proposed location of reserve and sump pits, living facilities and well site layout with dimensions of the pad layout.
- b. Mud pits in the active circulating system shall be steel pits and the catch tanks shall be steel tanks set in shallow sumps behind the steel circulating tanks and sumps.
- c. The area where the catch tanks are placed shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.

10. PLANS FOR SURFACE RECLAMATION:

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche shall be removed from the pad and transported to the original caliche pit or used for other drilling locations and roads. The road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations. The catch tank area shall be broken out and leveled after drying to a condition where these are feasible. The original topsoil shall again be returned to the pad and contoured, as close as possible, to the original topography.
- b. After the well is plugged and abandoned, the location and road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.
- c. If the well is deemed commercially productive, the catch tank area shall be restored as described in 4(e)(i). Caliche from areas of the pad site not required for operations shall be reclaimed. The original topsoil shall be returned to the area of the drill pad not necessary to operate the well. These unused areas of

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the drill pad shall be contoured, as close as possible, to match the original topography.

11. SURFACE OWNERSHIP

The surface is owned by the Bureau of Land Management. The surface has multiple uses with the primary uses in this region being the grazing of livestock and the production of oil and gas.

12. OTHER INFORMATION:

- a. The area surrounding the well is mesquite and tar brush. The topsoil is sandy in nature. The vegetation is moderately sparse with native prairie grass, cactus and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, birds and rodents transverse the area.
- b. There are not dwellings within 2 miles of location.
- c. Applicant will have an archeological survey conducted by Boone Archeological Services in Carlsbad, New Mexico.

13. BOND COVERAGE:

- a. Bond Coverage is Nationwide; Bond No. NM 2308

**EOG RESOURCES, INC.
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COMPANY REPRESENTATIVES:

Representatives responsible for ensuring compliance of the surface use plan are listed below:

Land and Right of Way

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State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey, Division Director
Oil Conservation Division



October 2, 2013

EOG Resources, Inc.
Attn: Mr. Michael H. Feldewert, Attorney
Holland & Hart LLP

ADMINISTRATIVE NON-STANDARD LOCATION ORDER

Administrative Order NSL-6835-A
Administrative Application Reference No. pPRG1325560888

EOG Resources, Inc.
OGRID 7377
Diamond 5 Federal Com Well No. 8H
API No. 30-025-Pending

Proposed Location:

	<u>Footages</u>	<u>Unit</u>	<u>Sec.</u>	<u>Twsp</u>	<u>Range</u>	<u>County</u>
Surface	170 FSL & 1790 FEL	O	5	25S	34E	Lea
Penetration Point	330 FNL & 1254 FEL	A	8	25S	34E	Lea
Terminus	230 FSL & 1293 FEL	P	8	25S	34E	Lea

Proposed Project Area:

<u>Description</u>	<u>Acres</u>	<u>Pool</u>	<u>Pool Code</u>
E/2 E/2 of Section 8	160	Red Hills; Lower Bone Spring	51020

Reference is made to your amended application received on September 10, 2013.

You have requested to drill this horizontal well at an unorthodox oil well location described above in the referenced pool or formation. This location is governed by Order R-10109, as amended, which provides for .80-acre units, with wells located no nearer than 330 feet to any outer boundary of a governmental quarter-quarter section or lot, and Rule 15.16.14.B(2) [19.15.16.14.B(2) NMAC] concerning directional wells in designated project areas. This location is unorthodox because portions of the proposed completed interval are less than 330 feet from an outer boundary of the project area

October 2, 2013
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Your application has been duly filed under the provisions of Division Rules 15.13 [19.15.15.13 NMAC] and 4.12.A(2) [19.15.4.12.A(2) NMAC].

It is our understanding that you are seeking this location for geologic and engineering reasons.

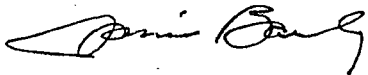
It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 4.12.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 15.13.B, the above-described unorthodox location is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 5.9 [19.15.15.9 NMAC].

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,

A handwritten signature in black ink, appearing to read "Jami Bailey", is written over a horizontal line.

Jami Bailey
Director

JB/db

cc: New Mexico Oil Conservation Division – Hobbs
United States Bureau of Land Management