ONSHORE OIL & GAS ORDER NO. 1 Approval of Operations on Onshore Federal and Indian Oil and Gas Leases

#### **Salado Draw 29 26 33 FED #7H**

136' FNL and 3,881' FWL Section 29, Township 26, Range 33 Lea County, New Mexico

## A. <u>EXISTING ROADS/LEASE ROADS</u> (Surface Land)

Driving directions are from Jal, New Mexico. The location is approximately 50.5 miles from the nearest town, which is Jal, New Mexico. From Jal, NM. Proceed on Highway 128 approximately 30 miles and turn left onto highway 1 and go approximately 14.2 miles to Battle Axe road (CR 2) and turn left or east, and go approximately 6.7 miles and turn left and go about 0.5 of a mile north, then turn east 0.5 of a mile to the well.

The proposed access to the location is approximately 1 mile off of Battle Axe Road (CR 2) being approximately 1 mile in length and 14' in travel way width with a maximum disturbance area of 20' will be used, and in accordance with guidelines set forth in the BLM Onshore Orders. No turnouts are expected.

Existing county and lease roads will be used to enter proposed access road.

Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

Location, access, and vicinity plats attached hereto. See Exhibits A-1 to A-4.

*Note*: Exhibit A-2 (C102) shows compressor station adjacent to the facility pad. Chevron only plans to construct compressor station when low pressure gas takeaway is not available.

Plans for improvement and/or maintenance of existing roads planned to access the well site:
Chevron will improve or maintain existing roads in a condition the same as or better
than before operations begin. Chevron will repair pot holes, clear ditches, repair the
crown, etc. All existing structures on the entire access route such as cattle guards, other
range improvement projects, culverts, etc. will be properly repaired or replaced if they
are damaged or have deteriorated beyond practical use. We will prevent and abate
fugitive dust as needed, whether created by vehicular traffic, equipment operations, or
wind events. BLM written approval will be acquired before application of surfactants,
binding agents, or other dust suppression chemicals on roadways.)

# B. <u>NEW OR RECONSTRUCTED ACCESS ROADS</u> (Surface Land)

There will be approximately 1,600' of new access to be constructed.

The new access road will be upgraded to a crowned and ditched road and will be graveled as needed for drilling. If requested by the surface owner, upgrading of this portion of the road will be kept to a minimum.

All existing roads (previously improved) will be used "as is" with the exception of minor blading as needed.

Surface disturbance and vehicular travel will be limited to the approved access route. Any additional area will be approved in advance.

Road Width: 14 – 20 feet traveling surface.

Maximum Grade: Road gradient less than 8%

Crown Design: 2%

Turnouts will be installed along the access route as needed.

Ditch design: Drainage, interception and outlet.

Erosion Control: 6" rock under road.

Re-vegetation of Disturbed Area: All disturbed areas will be seeded by Broadcast or Drill and Crimp. Ground conditions will determine the method used.

Cattle guard(s) will be installed as needed.

Major Cuts and Fills: 2:1 Slope.

Surfacing material (road base derived from caliche or river rock) will be placed on the access road during construction. All surface disturbing activities will be discussed with and agreed to with the surface owner.

## C. <u>LOCATION OF EXISTING WELLS</u> (Geology)

All wells located within a 1-mile radius of the Surface & Bottom Hole Location. See Exhibit B.

## D. LOCATION OF PRODUCTION FACILITIES (Surface Land/Facilities)

It is anticipated that the existing Porter Brown production facility, located in Section 19, will be utilized and oil to be sold at that tank battery.

The production line will be a surface laid 4" Flexpipe with a working pressure greater than 100 psi ran along existing disturbances.

Oil and gas measurement will be installed on this well location. See Exhibits C.

The permanent water disposal system will utilize the Salado Draw SWD facilities (permitted separately). Facilities will include a water transfer pipeline as well as SWD station storage and injection facilities.

The permanent electrical supply route will be determined prior to construction of permanent distribution lines. A generator will be utilized until permanent power is connected.

## E. LOCATION AND TYPES OF WATER SUPPLY (Surface Land)

Water will be obtained from a private water source.

Chevron will utilize the fresh water holding pond in Section 29-T26S-R33E. for fresh water.

Water to be hauled into or piped by a private provider into Section 29-T26S-R33E.

A 10" black expanding water pipe transfer line will run approx. 6.5 miles from Section 32-T26-R32E to Section 29-T26S-R33E. All transfer lines will be laid on a "pre-disturbed) area.

## F. <u>CONSTRUCTION MATERIALS</u> (Facilities)

All construction materials will be used from the nearest Private, BLM, or State pit. All material (i.e. shale) will be acquired from private or commercial sources.

No construction material will be needed for well pad construction; subsurface spoil material will be utilized.

Surfacing material (caliche) will be purchased from a supplier having a permitted source of materials.

The entire location will be fenced with barb/woven wire.

## G. <u>METHODS FOR HANDLING WASTE DISPOSAL</u>

A closed system will be utilized consisting of above ground steel tanks.

All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in a state approved facility.

Disposal of cuttings: Tervita, LLC

Sewage and gray water before and after treatment are not allowed to be discharged to the ground. They are collected from storage tank(s) and portable potty at drilling and completions locations and transported by an approved transporter to be disposed of at a Chevron's selectfor-use disposal facility.

## H. ANCILLARY FACILITIES (Facilities)

It is anticipated that a compressor station will be constructed to the East side of the Salado Draw battery pad for the purposes of gas lift. The distribution system will be buried pipe within the 43' pipeline ROW along the South of the access road.

## I. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Ensign 767 orientation and equipment location. See Exhibit D.

In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.

A locking gate will be installed at the site entrance.

Any fences cut will be repaired. Cattle guards will be installed, if needed.

## J. PLANS FOR RECLAMATION OF THE SURFACE (Facilities)

Within 6 months, Chevron will contact BLM Surface Management Specialists to devise the best strategies to reduce the size of the location. Current plans for interim reclamation will consist of reclaiming the pad to +/-50 feet outside the anchors, or approximately 200 x 200 feet. **See Exhibit E.** 

In addition, the following procedures shall be followed:

- i. Caliche will be removed from reclaimed areas to increase the success of revegetation. Removed caliche that is free of contaminants may be reused for future projects.
- ii. The portions of the cleared well site not needed for operational and safety purposes will be re-contoured to a final or intermediate contour that blends with the surrounding topography as much as possible. Sufficient level area remains for setup of a workover rig and to park vehicles/equipment.
- iii. All surface soil materials (topsoil) are to be removed from the entire cut and fill area and temporarily stockpiled for reuse during interim reclamation. Topsoil will be respread over areas not needed for all-weather operations to ensure successful revegetation. Any topsoil pile set aside should be revegetated to prevent it from eroding and to help maintain its biological viability.

- iv. After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture advised by the BLM. The seed mix will be evenly and uniformly distributed over the disturbed area. Seeding will be accomplished by using a drilling or, when drilling is not available, by broadcasting the seed. When broadcasting the seed, the amount of seed shall be doubled.
- v. Weed control will be used on disturbed land, including the roads, pads, associated pipeline corridor, and adjacent land affected by the operations. There shall be no primary or secondary noxious weeds in the seed mixture used for reseeding.

### In the Event of a Dry Hole/Final Reclamation

Upon final abandonment of the well, a new reclamation plan will be submitted with the Notice of Intent to Abandon (NIA) or Subsequent Report Plug and Abandon (SRA) using the Sundry Notices and Reports on Wells Form 3160-5. The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations and BLM regulations.

In addition, the following procedures shall be followed:

- i. Caliche material from the well pad and access road will be removed and utilized to recontour to a final contour that blends with the surrounding topography as much as possible. Any caliche material not used will be utilized to repair roads within the lease.
- ii. On sloped ground, the topsoil and interim vegetation will be restripped from portions of the site that are not at the original contour, the well pad recontoured, and the topsoil will be respread over the entire disturbed.
- iii. Topsoil will be distributed over the reclamation area and cross ripped to control erosion
- iv. After all disturbed areas have been satisfactorily prepared, these areas need to be revegetated with the seed mixture advised by the BLM. The seed mix will be evenly and uniformly distributed over the disturbed area. Seeding will be accomplished by using a drilling or, when drilling is not available, by broadcasting the seed. When broadcasting the seed, the amount of seed shall be doubled. Weed control will be used on disturbed land, including the roads, pads, associated pipeline corridor, and adjacent land affected by the operations. There shall be no primary or secondary noxious weeds in the seed mixture used for reseeding.

#### K. SURFACE TENANT (Surface Land)

Oliver Kiehne P.O. Box 35 Orla, Texas 79770 432-448-6337

#### **ROAD OWNERSHIP**

All access roads are located on County Road 2 (Battle Axe) & Federal lands.

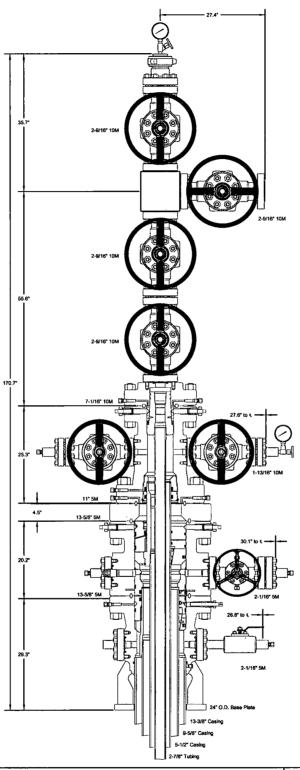
### L. ADDITIONAL INFORMATION

Class III cultural resource inventory report was prepared by Boone Arch Services of NM, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference. **Exhibit F.** 

# M. <u>CHEVRON REPRESENTATIVES</u>

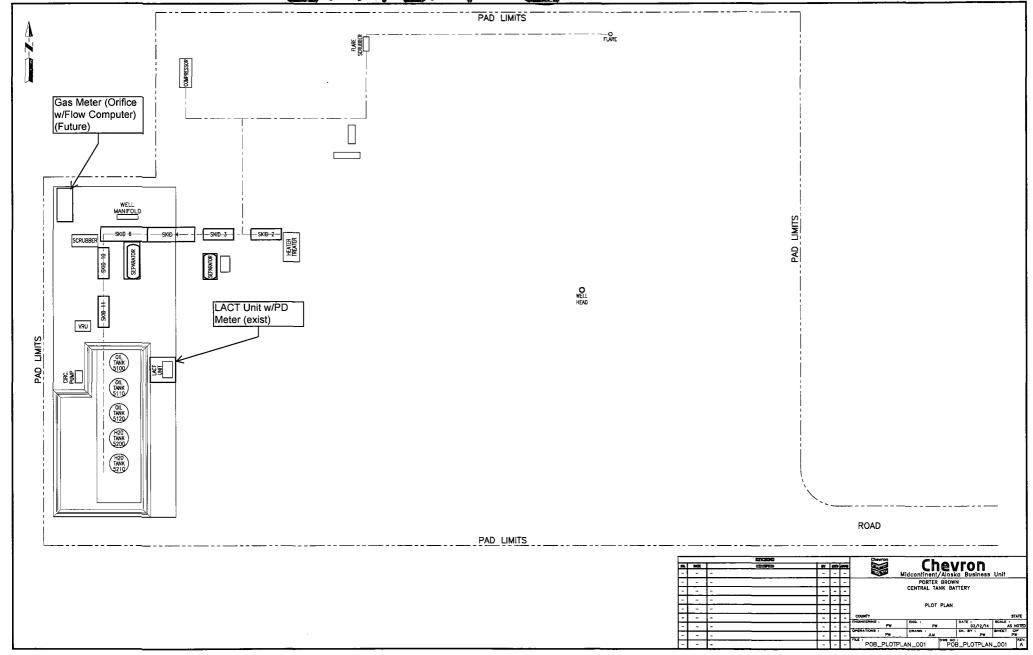
Project Manager	Drilling Engineer		
James Ward	Vicente Ruiz		
1400 Smith Street, 40055	1400 Smith Street, 43104		
Houston, TX 77002	Houston, TX 77002		
Office: 713-372-1748	Office: +1 (713) 372-6181		
JWGB@chevron.com	vruiz@chevron.com		
Surface Land Representative	Facility Engineer		
Stephen Tarr	Nick Wann		
15 Smith Road, 5103	15 Smith Road, 6220		
Claydesta Plaza	Claydesta Plaza		
Midland, TX 79705	Midland, TX 79705		
Office: +1 432-687-7956	Office: +1 504-224-0597		
Cell: +1 432-238-6316	NWann@chevron.com		
STarr@chevron.com			
O la int	F		
Geologist	Execution Team Lead		
Patrick Taha	Ed Van Reet		
1400 Smith Street, 40034	1400 Smith Street. 40040		
Houston, TX 77002	Houston, TX 77002		
Office: +1 713-372-1543	EVTR@chevron.com		
PatrickTaha@chevron.com	713-372-1559		
Regulatory Specialist	Land		
Cindy Herrera-Murillo	Robert Morrison		
1616 W Bender Blvd, 121	1400 Smith Street. 45010		
Hobbs, NM 88240	Houston, TX 77002		
Office: +1 575-263-0431	Office: 713-372-6707		
CHerreraMurillo@chevron.com	UAMZ@Chevron.com		

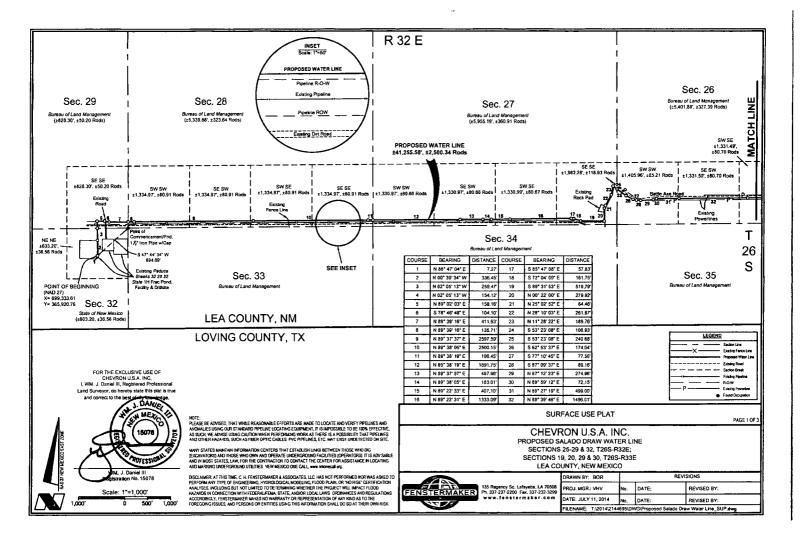


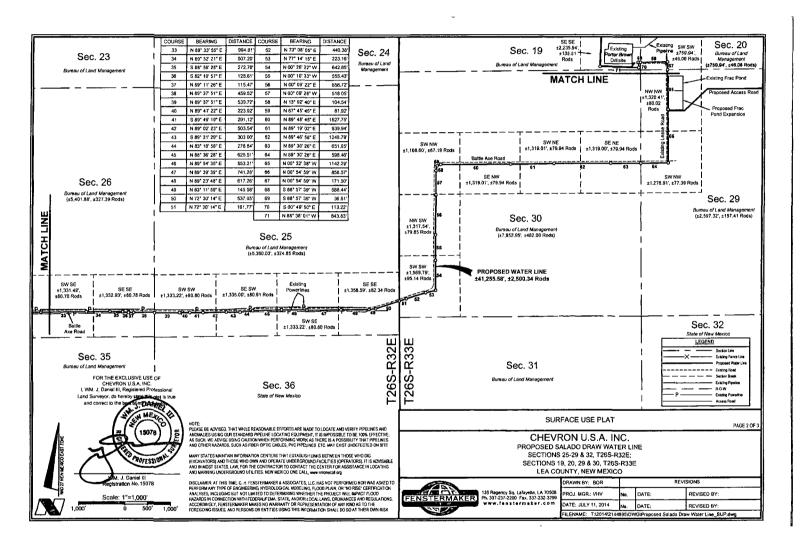


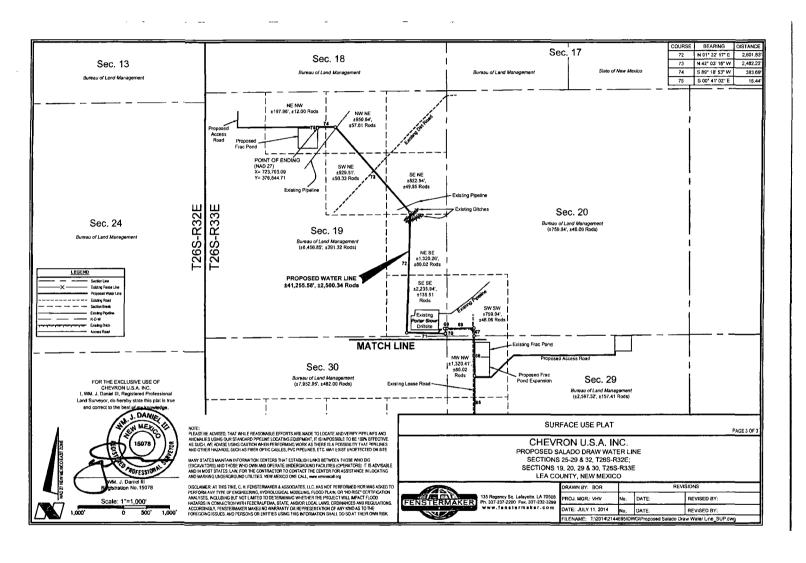
Wellhead Assembly, With DSA, T-EBS-F Tubing Head, T-EN Tubing Hanger and A5PEN Adapter Flange	DRAWING NO. AE23705		
13-3/8" x 9-5/8" x 5-1/2" x 2-7/8" 10M SH2/Conventional	APPRV	KN	19MAR13
40.0/00 v. 0.5/00 v. 5.4/00 v. 0.7/00 40M CLIQ/Conventional	DRAWN	VJK	19MAR13
This drawing is the property of GE Oil & Gas Pressure Control LP and is considered confidential. Unless otherwise approved in writing, neither it nor its contents may be used, copied, transmitted or reproduced except for the sole purpose of GE Oil & Gas Pressure Control LP.	CHEVRON USA, INC. DELAWARE BASIN		

Exhibit C









#### METES AND BOUNDS DESCRIPTION OF A PROPOSED WATER LINE SECTIONS 25-29 & 32, T26S-R32E & SECTIONS 19, 20, 29 & 30, T26S-R33E LEA COUNTY, NEW MEXICO

Survey of a proposed water line 41,255.58 feet or 2,500.34 rods in length crossing State of New Mexico and Bureau of Land Management lands in Sections 25-29 & 32 of Township 26 South Range 32 East and Sections 19, 20, 29 & 30 of Township 26 South Range 33 East, N.M.P.M Lea County, New Mexico.

COMMENCING at the Northeast corner of said Section 32 of Township 26 South Range 32 East at a found 1 1/2" Iron Pipe with Cap; thence South 47 degrees 44 minutes 34 seconds West 894.69 feet to the POINT OF BEGINNING having the following coordinates: X= 699,333.61 and Y= 365,920.76 (New Mexico State Plane Coordinate System, East Zone, NAD 27);

Thence North 86 degrees 47 minutes 04 seconds East 7.27 feet;

Thence North 00 degrees 30 minutes 34 seconds West 336.45 feet;

Thence North 02 degrees 05 minutes 13 seconds West 259.47 feet to a common section line of said Sections 32 and 29, Township 26 South Range 32 East;

Thence North 02 degrees 05 minutes 13 seconds West 154.12 feet;

Thence North 89 degrees 02 minutes 03 seconds East 158.16 feet;

Thence South 78 degrees 46 minutes 46 seconds East 104.10 feet;

Thence North 89 degrees 39 minutes 16 seconds East 411.93 feet to a common section line of said Sections 29 and 28, Township 26 South Range 32 East;

Thence North 89 degrees 39 minutes 16 seconds East 135.71 feet;

Thence North 89 degrees 37 minutes 37 seconds East 2,597.59 feet;

Thence North 89 degrees 38 minutes 05 seconds East 2,500.15 feet;

Thence North 89 degrees 38 minutes 19 seconds East 106.45 feet to a common section line of said Sections 28 and 27, Township 26 South Range 32 East;

Thence North 89 degrees 38 minutes 19 seconds East 1,891.75 feet;

Thence North 89 degrees 37 minutes 57 seconds East 497.98 feet;

Thence North 89 degrees 38 minutes 05 seconds East 183.01 feet;

Thence North 89 degrees 22 minutes 33 seconds East 407.10 feet;

Thence North 89 degrees 22 minutes 31 seconds East 1,333.09 feet;

Thence South 85 degrees 47 minutes 08 seconds East 57.83 feet;

Thence South 72 degrees 04 minutes 09 seconds East 161.75 feet;

Thence South 89 degrees 31 minutes 53 seconds East 519.79 feet:

Thence North 00 degrees 22 minutes 00 seconds East 279.92 feet;

Thence North 25 degrees 02 minutes 52 seconds East 64.46 feet;

Thence North 28 degrees 10 minutes 03 seconds East 261.87 feet;

Thence North 11 degrees 28 minutes 22 seconds East 189.76 feet;

Thence South 53 degrees 23 minutes 08 seconds East 106.93 feet to a common section line of said Sections 27 and 26, Township 26 South Range 32 East;

Thence North 00 degrees 09 minutes 22 seconds East 856.72 feet; Thence North 00 degrees 10 minutes 33 seconds West 555.43 feet; Thence North 00 degrees 26 minutes 22 seconds West 642.85 feet; Thence North 77 degrees 14 minutes 15 seconds East 223.16 feet; Thence North 73 degrees 08 minutes 05 seconds East 440.38 feet; Thence North 72 degrees 30 minutes 14 seconds East 161.77 feet; Section 25, Township 26 South Range 32 East and Section 30, Township 26 South Range 33 East; Thence North 72 degrees 30 minutes 14 seconds East 537.05 feet to a common section line of said Thence North 83 degrees 11 minutes 59 seconds East 145.58 feet; Thence North 89 degrees 23 minutes 48 seconds East 617.26 feet; Thence North 89 degrees 39 minutes 39 seconds East 741.28 feet; Thence North 89 degrees 54 minutes 35 seconds East 553.21 feet; Thence North 88 degrees 36 minutes 28 seconds East 625.51 feet; Thence North 83 degrees 16 minutes 58 seconds East 278.84 feet; Thence South 89 degrees 21 minutes 29 seconds East 303.00 feet; Thence North 89 degrees 02 minutes 23 seconds East 503.54 feet; Thence South 89 degrees 49 minutes 19 seconds East 291.12 feet; Thence North 89 degrees 41 minutes 22 seconds East 223.92 feet; Thence North 89 degrees 37 minutes 51 seconds East 539.72 feet; Sections 26 and 25, Township 26 South Range 32 East; Thence North 89 degrees 37 minutes \$2 seconds East 459.52 feet to a common section line of said Thence North 89 degrees 11 minutes 26 seconds East 115.47 feet; Thence South 82 degrees 10 minutes 57 seconds East 128.61 feet; Thence South 88 degrees 56 minutes 25 seconds East 272.70 feet; Thence North 89 degrees 32 minutes 21 seconds East 507.20 feet; Thence North 89 degrees 33 minutes 55 seconds East 994.81 feet; Thence North 89 degrees 39 minutes 46 seconds East 1,496.01 feet; Thence North 89 degrees 27 minutes 19 seconds East 499.00 feet; Thence North 69 degrees 59 minutes 12 seconds East 72.15 feet; Thence North 87 degrees 12 minutes 23 seconds East 274.96 feet; Thence South 87 degrees 09 minutes 37 seconds East 89.16 feet; Thence South 77 degrees 10 minutes 45 seconds East 77.56 feet; Thence South 62 degrees 53 minutes 37 seconds East 174.04 feet; Thence South 53 degrees 23 minutes 08 seconds East 240.68 feet;

Thence North 00 degrees 09 minutes 28 seconds West 518.05 feet;

Thence North 13 degrees 02 minutes 40 seconds East 104.54 feet;

Thence North 67 degrees 45 minutes 45 seconds East 81.92 feet;

Thence North 89 degrees 48 minutes 45 seconds East 1,527.75 feet;

Thence North 89 degrees 19 minutes 02 seconds East 939.94 feet;

Thence North 89 degrees 46 minutes 58 seconds East 1,248.79 feet;

Thence North 89 degrees 30 minutes 26 seconds East 651.65 feet to a common section line of said Sections 30 and 29, Township 26 South Rangé 33 East;

Thence North 89 degrees 30 minutes 26 seconds East 598.46 feet;

Thence North 00 degrees 32 minutes 38 seconds West 1,142.29 feet;

**Thence** North 00 degrees 54 minutes 59 seconds West 856.57 feet to a common section line of said Sections 29 and 20, Township 26 South Range 33 East;

Thence North 00 degrees 54 minutes 59 seconds West 171.50 feet;

Thence South 88 degrees 57 minutes 39 seconds West 588.44 feet to a common section line of said Sections 20 and 19, Township 26 South Range 33 East;

Thence South 88 degrees 57 minutes 39 seconds West 36.61 feet;

Thence South 00 degrees 49 minutes 50 seconds East 113.22 feet;

Thence North 88 degrees 38 minutes 01 seconds West 843.83 feet;

Thence North 01 degrees 22 minutes 17 seconds East 2,601.83 feet;

Thence North 42 degrees 03 minutes 16 seconds West 2,462.22 feet;

Thence South 89 degrees 18 minutes 53 seconds West 383.69 feet;

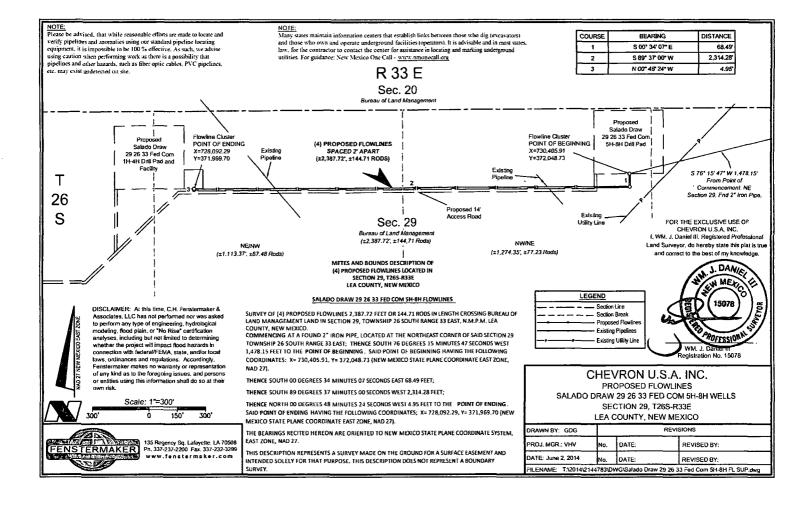
Thence South 00 degrees 41 minutes 02 seconds East 15.44 feet to the POINT OF ENDING having the following coordinates: X= 723,703.09 and Y= 376,844.71 (New Mexico State Plane Coordinate System, East Zone, NAD 27);

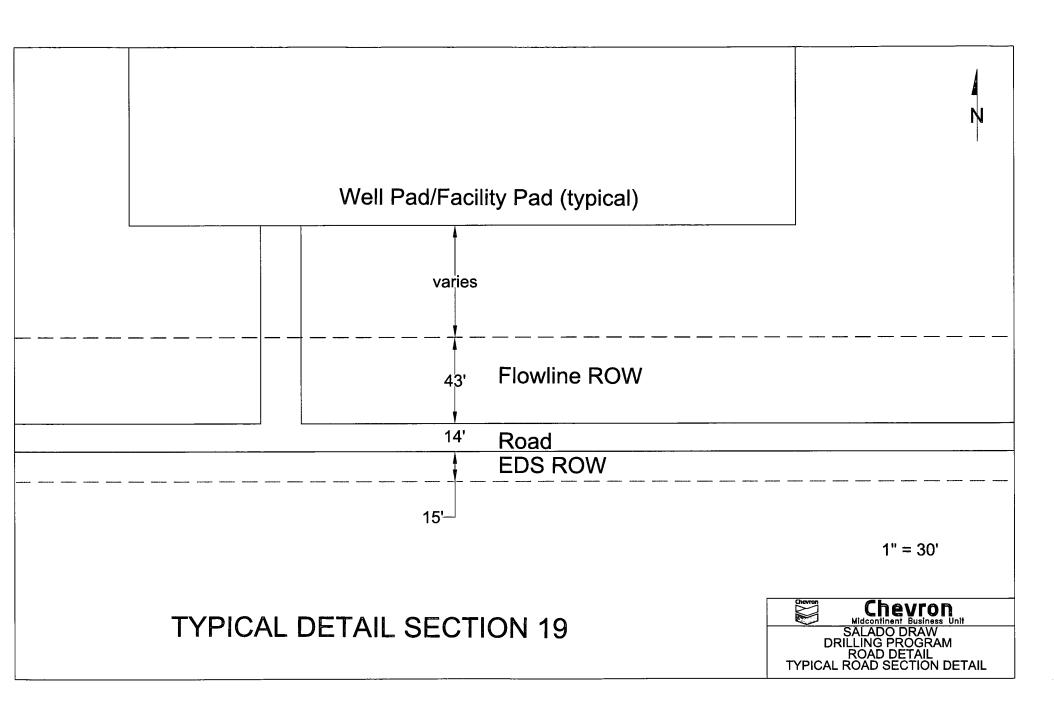
Reference is hereby made to a separate plat of the subject proposed water line.

The bearings recited hereon are oriented to NAD 27 New Mexico East Zone.

This description represents a survey made on the ground of a proposed water line and is intended solely for that purpose. This description does not represent a boundary survey.

WA. J. Danel III
Registered Frofessional Land Surveyor #15078
C.H. Fenstermaker & Associates, LLC
135 Regency Square
Lafayette, LA 70508
337-237-2200





#### **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 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 a false statement.

Name: James Ward - Project Manager

Address: 1400 Smith Street, 40050

Houston, TX 77002

Office <u>713-372-1748</u>

E-mail: jwgb@chevron.com