

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

Salado Draw 29 26 33 FED #5H

136' FNL and 3,831' FWL
Section 29, Township 26, Range 33
Lea County, New Mexico

A. EXISTING ROADS/LEASE ROADS (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. NEW OR RECONSTRUCTED ACCESS ROADS (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. LOCATION OF EXISTING WELLS (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. CONSTRUCTION MATERIALS (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. METHODS FOR HANDLING WASTE DISPOSAL

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 select-for-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 re-contour 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.
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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. CHEVRON REPRESENTATIVES

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