

HOBBS OCD

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BC Operating, Inc.
Surface Use and Plan

Chili Parlor 17 Federal Com #2H

SHL: 240' FSL & 360' FEL of Unit Letter 'P', Section 8, T-22S, R-33E

BHL: 240' FSL & 660' FEL of Unit Letter 'P', Section 17, T-22S, R-33E

Lea County, New Mexico

This Surface Use Plan is submitted with Form 3160-3, Application for Permit to Drill, in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.4., covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

a. Existing Roads:

1. The well site and elevation plat for the proposed well are attached to Form 3160-3 and reflect the proposed well site layout (NMOCD Form C-102). The well was staked by Lloyd P. Short.
2. Surface Use Plan – Exhibit 1 is a Vicinity map showing the well and roads in the vicinity of the proposed location. There are existing roads that provide access to other wells in the area that will be utilized for access to this new location. These roads are in good condition and will not require any improvements for this well.

Directions:

From Hobbs, go East on US 62-180 for about 38 miles to the junction of US 62-180 and C29 (Campbell Road). Turn left (South) on C29 and go 13.7 miles. Turn left (East) and go 6.9 miles. Turn right (South) and go 1.2 miles. Turn left (East) and go 0.6 miles. Veer left at the fork and go 0.7 miles. Turn left and go 1.0 miles. Turn right (East) and go 1.25 miles. Turn left (North) and go 0.2 miles. Turn right (East) and go 0.3 miles. Go North 0.75 miles & veer Northeast 0.4 miles following the pipeline to location.

MAR 28 2016

3. Right of Way using the proposed route is hereby being requested, if necessary.
4. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition in the same or better condition than before operations began for as long as any operations continue on this lease.

b. New Access Road and Drill Pad:

1. The proposed new access road will be built from an existing lease road and will head South for 636' to the Northeast corner of the proposed Chili Parlor 17 Federal Com #3H drilling pad. Then the road will continue from the Southeast corner of the Chili Parlor 17 Federal Com #3H drilling pad to the Northwest corner of the proposed Chili Parlor 17 Federal Com #2H drilling pad. This road will be 1,567' long.

The width of the ROW for the proposed new access road will not exceed 20' with a driving surface not to exceed 14'. The proposed new access road will originate off an existing lease road in Section 8, as depicted on the attached plats, and terminate at the Northwest corner of the drill pad. The road will be constructed with a road crown grade of ~2% and surfaced with 3-6 inches of caliche. Drainage control systems shall be constructed on the entire length of the proposed new access road. The entire road will be watered and compacted. The proposed road will not require the installation of any culverts or cattle guards, nor the modification or installation of any fence.

The drill pad will be no bigger than 300' x 300' location. We will do an archeological survey that will encompass the drill pad and be an area 600' x 600'. See attached well pad topo map for additional information.

2. We have included a plat showing the well site layout and drill pad dimensions for a rig utilizing a closed loop system. This well will be drilled with a closed loop system so no reserve pits will be constructed.
3. The drill pad will be 300' x 300' (see Surface Use Plan-Exhibit 2) and will require less than 8' of cut and fill from the Northeast side of the pad to the Southwest side of the pad. The drill pad will be surfaced with 4-6 inches of compacted caliche. The average grade will be approximately 1%. Topsoil will be stockpiled on the West side of the location. We will need to build a 3' berm of caliche on the South and West side of the location to prevent any drainage in case of a spill.

c. Location of Existing Wells:

Surface Use Plan-Exhibit 3 shows all wells within a one mile radius of the proposed well.

d. Location of Existing and/or Proposed Production Facilities:

1. In the event the well is found productive, a tank battery will be constructed at the proposed Chili Parlor 17 Federal Com #3H and we will run a flowline from the Chili Parlor 17 Federal Com #2H to the Chili Parlor 17 Federal Com #3H. The well should be a producing oil well and will be produced initially with a submersible pump and then with a conventional pumping unit.

Will apply for ROW through BLM.

2. All flowlines will adhere to API standards. We will build a flowline going from the Chili Parlor 17 Federal #1H following the new lease road down to the Chili Parlor 17 Federal #2H battery. It will be approximately 2017' in length.

3. We are working with XCEL Energy on the route of the electric lines. However, we will use a generator at the well until power is brought in. We will file a sundry notice when the route is established and apply for a ROW from the BLM and any other necessary parties.

e. Location and Types of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the Section f of the Drilling Plan). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown. Temporary flowlines will be used for drilling and fracing activities.

f. Construction Materials:

Surface material will be native caliche. Construction materials will be obtained from the nearest approved BLM, Fee or State pit or from existing deposits found under the location.

g. Methods of Handling Waste:

1. All trash, junk and other waste material, including broken sacks and/or pallets, will be removed from the well site within 30 days after finishing drilling and/or completion operations. All waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
2. All drilling fluids and cuttings will be trucked to an approved disposal facility.
3. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete. Any trailer houses and/or temporary living quarters on the well site will be plumbed into a sanitary septic system.
4. Disposal of fluids to be transported by an approved disposal company.

h. Ancillary Facilities:

1. No campsite or other facilities will be constructed as a result of this well.

i. Well Site Layout:

1. Surface Use Plan-Exhibit 2 shows the proposed well site layout with dimensions of the pad layout.
2. Surface Use Plan-Exhibit 5 is a schematic showing the rig equipment on the well pad.
3. Surface Use Plan-Exhibit 4 shows the proposed location of the topsoil stockpile.
4. Mud pits in the active circulating system will be steel pits and a closed loop system will be utilized.

j. Plans for Surface Reclamation:

1. If the well is productive, there will be no interim reclamation plans because it falls on a drilling pad and we may have to drill future wells from this location.
2. Topsoil will be stockpiled on the West side of the location and 100% of this material will be used for the reclamation after the well is drilled and completed and production facilities are installed. When the well is P&A'd, we will restore the surface to its natural state.
3. Surface Use Plan – Exhibit 4 illustrates the proposed interim reclamation plan.
4. If the well is not productive, a dry hole marker will be installed, all caliche will be removed from the location and new road, the topsoil returned to the location and new road and be re-contoured as close as is practical to the original contour. The location will then be ripped and seeded.

- k. The surface is owned by The State of New Mexico in Section 17 and the Bureau of Land Management in Section 8 and is administered by their offices. The necessary permits and/or easements required by the New Mexico State Land Office and Bureau of Land Management will be acquired prior to the commencement of any surface disturbing activity associated with this application. The State of New Mexico address is 310 Old Santa Fe Trail, Santa Fe, New Mexico 87501. The phone number is 505-827-5760. The Bureau of Land Management address is 620 E. Greene Street, Carlsbad, New Mexico, 88220-6292. The phone number is 575-234-5972.

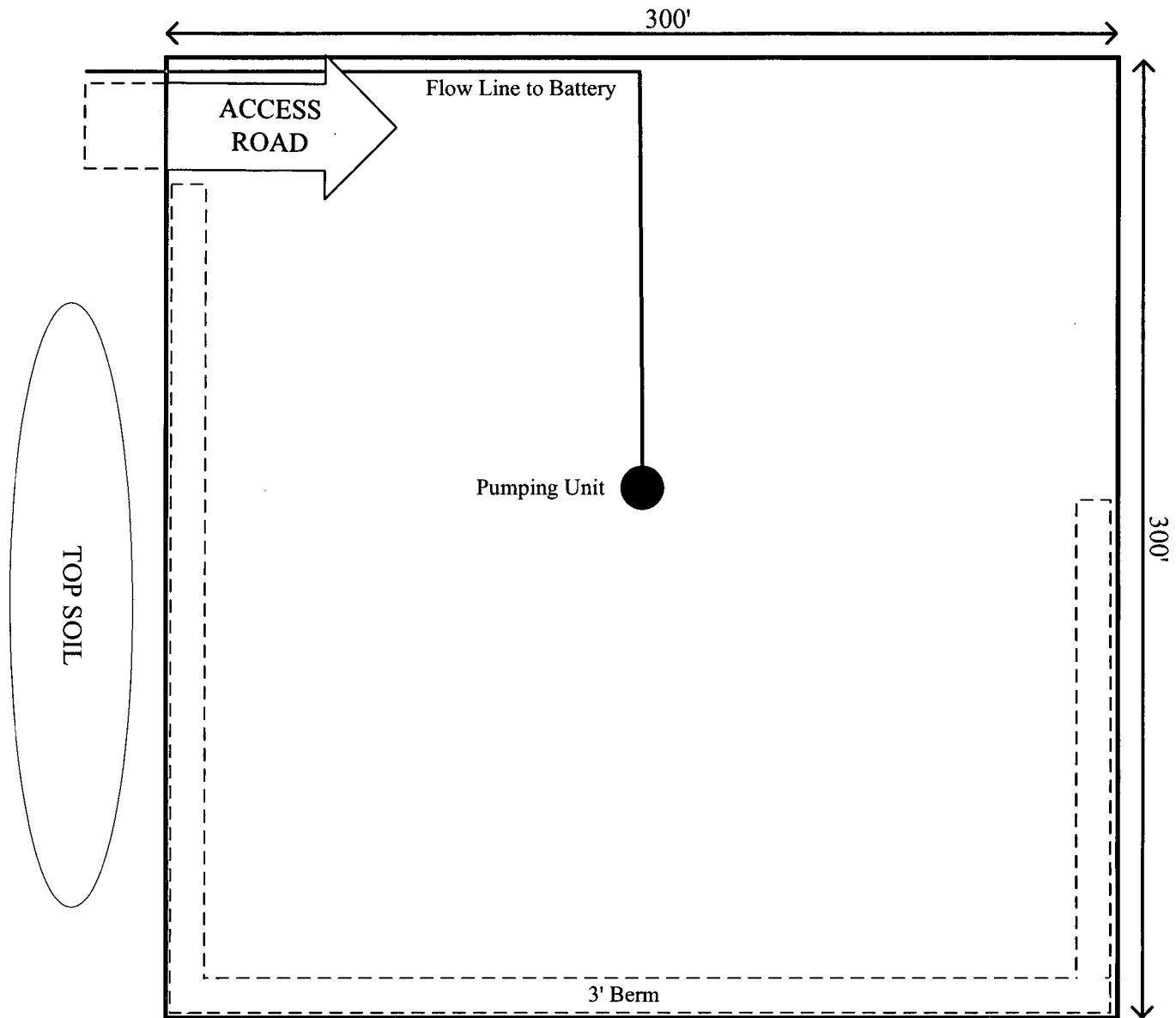
l. Other Information:

1. The area surrounding the well site is grassland. The topsoil is packed red soils. The vegetation is moderately sparse with native prairie grass, some mesquite bushes and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes and rodents traverse the area. There is a habitat

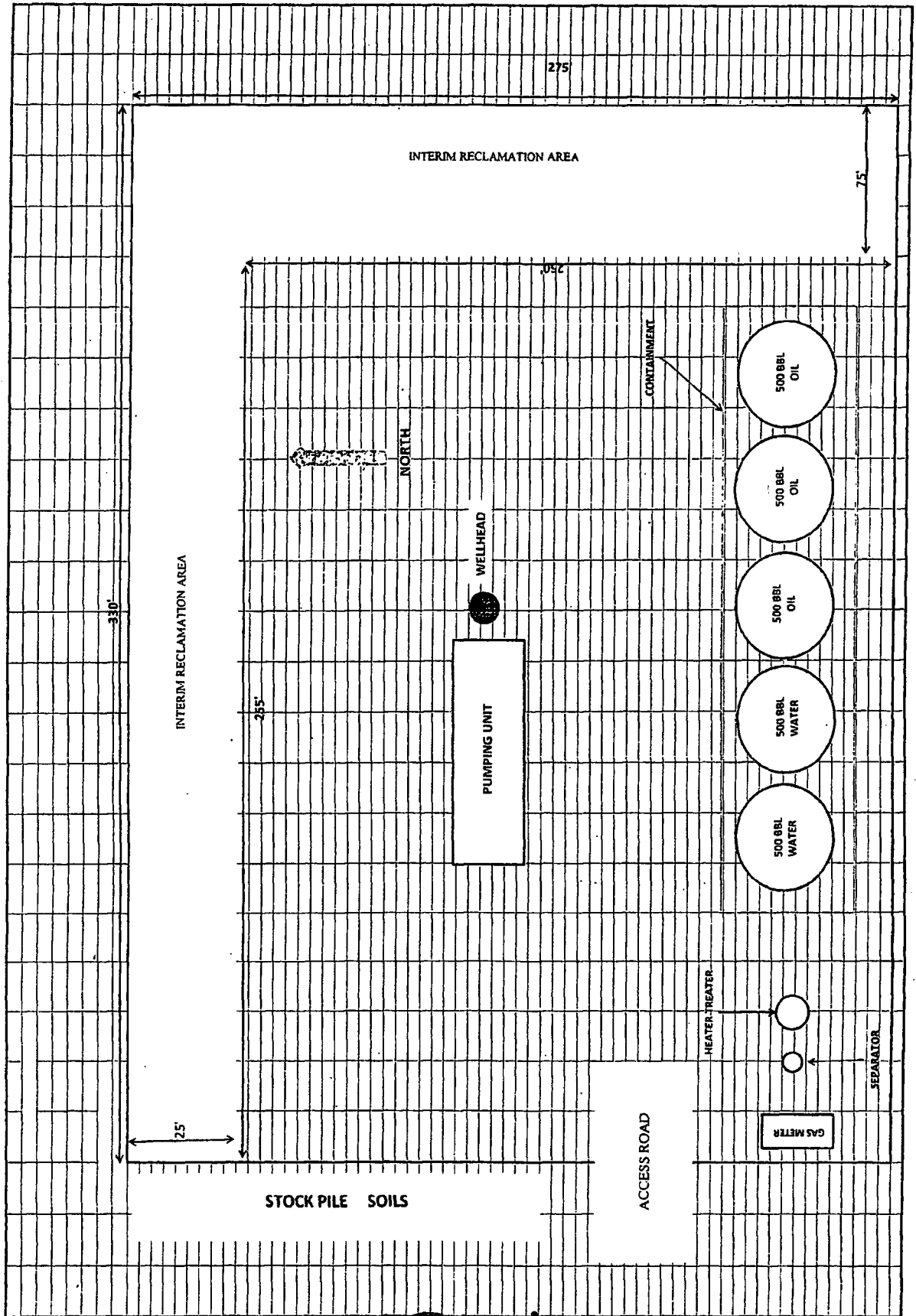
evaluation area on the East $\frac{1}{2}$ of the Southwest quarter of Section 17. Due to this habitat evaluation area, we moved the well to the proposed location to stay out of the habitat evaluation area.

2. There is no permanent or live water in the general proximity of the location.
3. There are no dwellings within +2 miles of location.

BC Operating, Inc.
Chili Parlor 17 Federal Com #2H
Surface Use Plan Exhibit 4
240' FSL & 360' FEL, Unit Letter 'P'
Section 8, T-22S, R-33E



MANZANO, LLC
 EXHIBIT 4
 PRODUCTION FACILITIES and INTERIM RECLAMATION PLAN FOR CHILI PARLOR 17 FED #1H



SURFACE USE PLAN - EXHIBIT 4

BC Operating, Inc.
Statement of Certification

Chili Parlor 17 Federal Com #2H

SHL: 240' FSL & 660' FEL of Unit Letter 'P', Section 8, T-22S, R-33E

BHL: 240' FSL & 660' FEL of Unit Letter 'P', Section 17, T-22S, R-33E

Lea County, New Mexico

This Statement of Certification is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.6., covering the above described well.

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 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 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 false statements.

Executed this 15th day of September, 2014.

Pam Stevens

Pam Stevens

Name: Pam Stevens
Position Title: Regulatory Analyst, BC Operating, Inc.
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BC Operating, Inc.
Statement of Bond Coverage

Chili Parlor 17 Federal Com #2H

SHL: 240' FSL & 660' FEL of Unit Letter 'P', Section 8, T-22S, R-33E

BHL: 240' FSL & 660' FEL of Unit Letter 'P', Section 17, T-22S, R-33E

Lea County, New Mexico

This Statement of Bond Coverage is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.5., covering the above described well.

Bond Coverage: Statewide
BLM Bond File #: NM-2572

BC Operating, Inc.

Pam Stevens

Pam Stevens
Regulatory Analyst