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MAR 28 2016

BC Operating, Inc.
Surface Use and Plan

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Chili Parlor 17 Federal Com #3H

SHL: 240' FSL & 2200' FEL of Unit Letter 'O', Section 8, T-22S, R-33E

BHL: 240' FSL & 2200' FEL of Unit Letter 'O', 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 – Attached 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 the intersection of West Carlsbad Highway and Highway 176, travel Southeast on Highway 176 for 6.4 miles to lease road on the right. Travel South on lease road for 10.8 miles to lease road on the left. Travel East on lease road for 0.6 miles to lease road on the left. Travel North on lease road for 1.2 miles to lease road on the right. Travel East on lease road for 0.9 miles to proposed well pad 636' on the right.

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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. We will build a road approximately 636' in length coming off an existing lease road and will come into the Northeast side of the drill pad. The proposed well site and the access route to the well site are shown on Surface Use Plan attachments and maps.

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. Surface Use Plan attachment also is 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 attachments and maps) and will require approximately 2' of cut and fill from the North side of the pad to the South 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 South side of the location.

c. Location of Existing Wells:

Surface Use Plan one mile map 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 on the Northwest side of the drill pad with four 750 bbl oil storage tanks, two 750 bbls fiberglass water tanks, a 750 bbl gun barrel, a separator, one heater treater, two FWKOs/testers and a gas sales meter (see Surface Use Plan attachment).
2. The well should be a producing oil well and will be produced initially with a submersible pump and then with a conventional pumping unit.
3. All flowlines will adhere to API standards.

4. We will run electric lines alongside proposed new road. We will work with Xcel Energy to run power to the location along the proposed access road. Xcel will complete any necessary ROW information.

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 attachment shows the proposed well site layout with dimensions of the pad layout.
2. Surface Use Plan attachment is a schematic showing the rig equipment on the well pad.
3. Surface Use Plan attachment 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, we have no interim reclamation plan due to the possibility of multiple laterals being drilled from the same pad.
 2. Topsoil will be stockpiled on the South 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. If the well is not productive, a dry hole marker will be installed, all caliche will be removed from the location, the topsoil returned to the location 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 BLM and is administered by their office. The address is 620 E. Greene Street, Carlsbad, New Mexico 88220. The phone number is 575-234-5972. There is also a grazing tenant by the name of Kelly James. His address is 46 Henry Lane, Lovington, New Mexico 88260.
- l. Other Information:
1. The area surrounding the well site is relatively flat. The topsoil is loamy sand. The vegetation is heavy with natural grass, yuccas, mesquite and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes and rodents traverse the area.
 2. There is no permanent or live water in the general proximity of the location.
 3. The closest dwelling to this location is over 2 miles away.
 4. An onsite inspection was conducted on October 22, 2014 with Trisha Badbear and Cassie Brooks.

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Statement of Certification

Chili Parlor 17 Federal Com #3H

SHL: 240' FSL & 2200' FEL of Unit Letter 'O', Section 8, T-22S, R-33E

BHL: 240' FSL & 2200' FEL of Unit Letter 'O', 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 1st day of March, 2015.

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

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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