

HOBBS OCD

MAY 16 2016

RECEIVED

BC Operating, Inc.
Surface Use and Plan

Rusty Anchor 7 Federal Com #2H

SHL: 236' FSL & 1613' FWL of Unit Letter 'N', Section 7, T-20S, R-33E

BHL: 240' FNL & 1680' FWL of Unit Letter 'C', Section 6, T-20S, 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:

Take US 62-180 from Carlsbad East to the intersection of Laguna Road and US 62-180. Turn North on Laguna Road and go 1.5 miles to Tonto Road. Turn East on Tonto Road and go 0.6 miles then turn North and go 179' to proposed location.

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. There will not be a new road constructed. The well pad will be adjacent to an existing road to the East. The proposed well site and the access route to the well site are shown on Surface Use Plan-Exhibit 2.

The drill pad will be a 300' x 300' location. In lieu of the archeological survey, we will pay the PA fee for the area that encompasses the drill pad.

2. Surface Use Plan-Exhibit 2 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-Exhibit 2) and will require less than 3' 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 North side of the location.

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 with four oil storage tanks, four water tanks, a slop tank, two heater treaters, one FWKO's, a gas sales meter and two 3 phase separators (see Surface Use Plan-Exhibit 4).~~

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. - See flowline plans

Green Frog
Cafe #14
well pad.

See electrical layout diagram

4. ~~Currently, there are power lines running South of the proposed location. We will tap in to the Southern powerlines and run them up to the proposed location. Power is supplied by X-Cell Energy in that area.~~

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 we may utilize this location for additional wells to be drilled.
2. Topsoil will be stockpiled on the North 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, 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 Bureau of Land Management and is administered by their office. The 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 flat with sandy loams. The topsoil is sand. The vegetation is moderately sparse with mesquite bushes. No wildlife was observed but it is likely that deer, rabbits, coyotes and rodents traverse the area.
2. The Laguna Gatuna is located approximately 3/8 of a mile to the East.
3. There are no dwellings within +2 miles of location.

BC Operating, Inc.
Statement of Certification

Rusty Anchor 7 Federal Com #2H

SHL: 236' FSL & 1613' FWL of Unit Letter 'N', Section 7, T-20S, R-33E

BHL: 240' FSL & 1680' FWL of Unit Letter 'C', Section 6, T-20S, 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 August, 2014.



Pam Stevens

Name: Pam Stevens
Position Title: Regulatory Analyst, BC Operating, Inc.
Address: P.O. Box 50820 – Midland, Texas 79710
Telephone: 432-684-9696

BC Operating, Inc.
Statement of Bond Coverage

Rusty Anchor 7 Federal Com #2H

SHL: 236' FSL & 1613' FWL of Unit Letter 'N', Section 7, T-20S, R-33E

BHL: 240' FSL & 1680' FWL of Unit Letter 'C', Section 6, T-20S, 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.

HOBBS OCD

MAY 16 2016

RECEIVED

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

BC Operating, Inc.

Pam Stevens

Pam Stevens
Regulatory Analyst

Confirmation of Payment

HOBBS OCD

Form NM 8140-9

(March 2008)

MAY 16 2016

United States Department of the Interior

Bureau of Land Management

New Mexico State Office

RECEIVED

Permian Basin Cultural Resource Mitigation Fund

The company shown below has agreed to contribute funding to the Permian Basin Cultural Resource Fund in lieu of being required to conduct a Class III survey for cultural resources associated with their project. This form verifies that the company has elected to have the Bureau of Land Management (BLM) follow the procedures specified within the Programmatic Agreement (PA) concerning improved strategies for managing historic properties within the Permian Basin, New Mexico, for the undertaking rather than the Protocol to meet the agency's Section 106 obligations.

Company Name: BC Operating, Inc.

Address: P.O. Box 50820

Midland, Texas 79710

Project description:

Well: Rusty Anchor 7 Federal Com #2H

T. 20S R. 33E, Section 7 NMPM, Lea County, New Mexico

Amount of contribution: \$ 1552.00

COPY

Provisions of the PA:

A. No new Class III inventories are required of industry within the project area for those projects where industry elects to contribute to the mitigation fund.

B. The amount of funds contributed was derived from the rate schedule established within Appendix B of the PA. The amount of the funding contribution acknowledged on this form reflects those rates.

C. The BLM will utilize the funding to carry out a program of mitigation at high-priority sites whose study is needed to answer key questions identified within the Regional Research Design.

D. Donating to the fund is voluntary. Industry acknowledges that it is aware it has the right to pay for a Class III survey rather than contributing to the mitigation fund. Industry must avoid or fund data recovery at those sites already recorded that are eligible for nomination to the National Register or whose eligibility is unknown. Any such payments are independent of the mitigation funds established by this PA.

E. Previously recorded archaeological sites determined eligible for nomination to the National Register, or whose eligibility remains undetermined, must be avoided or mitigated.

F. If any skeletal remains that might be human or funerary objects are discovered by any activities, the land-use applicant will cease activities in the area of discovery, protect the remains, and notify the BLM within 24 hours. The BLM will determine the appropriate treatment of the remains in consultation with culturally-affiliated Indian Tribe(s) and lineal descendants. Applicants will be required to pay for treatment of the cultural items, independent and outside of the mitigation fund.

Pam Steuers

Company-Authorized Officer

HOBBS OCD

MAY 16 2016

RECEIVED

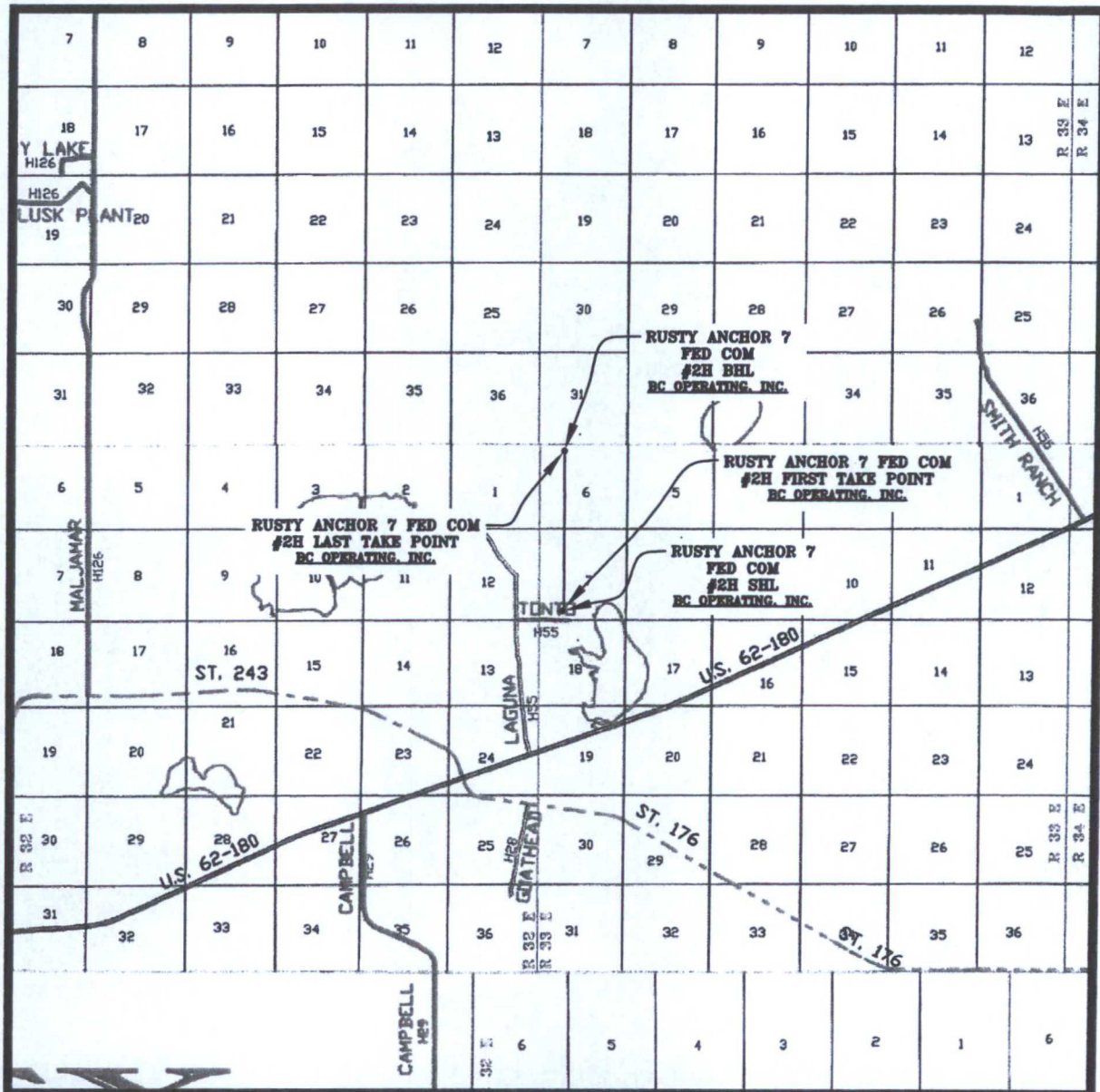
9/17/14

Date

BLM-Authorized Officer

Date

VICINITY MAP



SEC. 7 TWP. 20-S RGE. 33-E
 SURVEY: N.M.P.M.
 COUNTY: LEA
 DESCRIPTION: 236' FSL & 1613' FWL
 ELEVATION: 3532'
 OPERATOR: B.C. OPERATING, INC.
 LEASE: RUSTY ANCHOR 7 FED COM
 U.S.G.S. TOPOGRAPHIC MAP: LAGUNA GATUNA, N.M.

SCALE: 1" = 2 MILES

PREPARED BY:
 R-SQUARED GLOBAL, LLC
 1309 LOUISVILLE AVENUE, MONROE, LA 71201
 318-323-6900 OFFICE
 JOB No. R3406