

BC Operating, Inc.
Surface Use and Plan

HOBBS OCD
FEB 27 2017
RECEIVED

Blue Quail 7 Federal Com #2H

SHL: 240' FSL & 1980' FEL of Unit Letter 'O', Section 6, T-23S, R-32E

BHL: 240' FSL & 1980' FEL of Unit Letter 'O', Section 7, T-23S, R-32E

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 N. Canal Street in Carlsbad, New Mexico, head East on Greene Street for 2.5 miles. Then, take a right onto Refinery Road and travel 12.5 miles. Turning left at this point onto New Mexico State Highway 31, traveling 2.4 miles to New Mexico State Highway 128 East. Turn right onto New Mexico State Highway 128 East and travel for 17.8 miles. Take a left onto Red Road. Travel down Red Road 5.1 miles turning right onto Mills Ranch Road. Go 1.1 miles to an unnamed lease road. Turn left approximately 1000' down the unnamed access road and approximately 165' to the right is the proposed location for the Blue Quail 7 Federal Com #2H well pad.

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 165' in length coming off an existing lease road and will come into the Northwest side of the drill pad. The maximum width of the driving surface will be 14 feet. The maximum width of surface disturbance needed to construct the road will be 25 feet. The road will be crowned and ditched with a 2 % slope from the tip of the crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. The driving surface will be made of 6" rolled and compacted caliche. 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' square shaped (see Surface Use Plan attachments and maps) and will require approximately 3' of cut and fill from the South side of the pad to the North 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 East 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 South and East side of the drill pad with four 750 bbl oil storage tanks, two 500 bbls fiberglass water tanks, a 750 bbl gun barrel, a separator, one heater treater, one FWKO/tester 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 plan on reclaiming 75' of the East side of the pad.
2. Interim reclamation consists of minimizing the footprint of disturbance by reclaiming all portions of the well site not needed for production operations. Topsoil is respread over areas not needed for production operations and recontoured to the surrounding area and reseeded. All interim reclamation will be complete within 6 months of completion activities.
3. Topsoil will be stockpiled on the East 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.
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 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 Stacey Mills. His address is 2010 Mission Ave., Carlsbad, New Mexico, 88220. His phone number is 575-522-2031.

l. Other Information:

1. The area surrounding the well site is loamy sand and slopes slightly from the South to the North. The topsoil is loamy sand. The vegetation is moderately sparse with native yuccas, mesquite, native grasses, Shinnery Oak, Soap Weed and Winter Fat. 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 from the SHL.
4. An onsite inspection was conducted on October 22nd, 2014 with Trisha Badbear and Cassandra Brooks.