Form 3160-3 (November 1983) (formerly 9-331C)

UNITED STATES 80210

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30-015-26212 Form approved. Budget Bureau No. 1004-0136 Expires August 31, 1985

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Submit to Appropriate District Office State Lease - 4 copies Fee Lease - 3 copies

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised 1-1-89

DISTRICT | P.O. Box 1980, Hobbs, NM 88240

DISTRICT II P.O. Drawer DD, Artesia, NM 88210

OIL CONSERVATION DIVISION

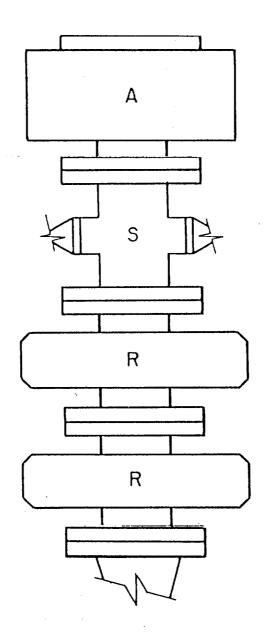
P.O. Box 2088 Santa Fe, New Mexico 87504-2088

DISTRICT III 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

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A - Stripping Rubber

R - Blind and Pipe Rams

APPLICATION FOR DRILLING

HONDO OIL & GAS COMPANY
H. E. WEST "A", Well No. 17
660' FSL & 660' FEL, Sec.4-T17S-R31E
Eddy County, New Mexico
Lease No.: LC-029426-A

In conjunction with Form 9-331C, Application for Permit to Drill subject well, Hondo Oil & Gas Company submits the following items of pertinent information in accordance with BLM requirements:

- The geologic surface formation is recent Permian with quaternary alluvium and other surficial deposits.
- 2. The estimated tops of geologic markers are as follows:

Rustler Anhydrite	510'	Grayburg	3150'
Top of Salt	690'	Premier Sand	3320'
Base of Salt	1670'	San Andres	3485'
Yates	1808'	Lovington Sand	3590'
Seven Rivers	2110'	Lower S.A. "M"	3680'
Queen	2730 '	T. D.	4000'

3. The estimated depths at which water, oil or gas formations are anticipated to be encountered:

Water: Random fresh water from surface to 300' +/-, and water flow from injection wells possible at around 2800'.

Oil: Grayburg at approximately 3150' or below.

Gas: None anticipated.

- 4. Proposed Casing Program: See Form 9-331C.
- 5. Proposed Control Equipment: See Form 9-331C and Exhibit "E".
- 6. Mud Program: See Form 9-331C.
- Auxiliary Equipment: Blowout preventer, gas detector, kelly cock, pit level monitor, flow sensors and stabbing valve.
- 8. Testing, Logging and Coring Program:

Drill Stem Tests: None planned.

Logging: LDT/CNL T.D. - 1670'
DLL RXO NGT. T.D. - 1670'
GRN T.D. - Surface

Coring: None planned.

APD
Hondo Oil & Gas Company
H. E. West "A", Well No. 17
Page -2-

- 9. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight.
- 10. Anticipated starting date: 11/3/89 Anticipated completion of drilling operations: approximately 20 days

MULTI OINT SURFACE USE AND OPERALIONS PLAN

HONDO OIL & GAS COMPANY
H. E. WEST "A", Well No. 17
660' FSL & 660' FEL, Sec.4-T17S-R31E
Eddy County, New Mexico
Lease No.: LC-029426-A

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan to be followed in rehabilitating the surface after completion of the operation so that a complete appraisal can be made of the environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a BLM Quad map showing the location of the proposed well and access road as staked, in relation to existing roads and U.S. Highway 82. The well is approximately 10 miles northeast of Loco Hills, New Mexico, with half the distance paved.
- B. Directions: Travel east of Loco Hills, New Mexico on U.S. Highway 82 for 3.5 miles to the paved county road No. 221. Turn north on Skelly Rd. (County #221) for approximately 1.3 miles, then turn northeast onto the gravel road at the fork for .7 mile. Then turn east for .6 mile. Then turn north for .5 mile. Then turn east for 1.5 miles. Then turn north for .4 mile. Then turn east for .25 mile and go to location. (See Exhibit "B".)

2. PLANNED ACCESS ROAD:

- A. Length and Width: A 1320' road 12' wide will be constructed from the H. E. West "A" #14 east to the proposed wellsite. (See Exhibit "B".)
- B. Construction: The new road will be 12' wide with a center crown, with 4 inches compacted caliche. The existing roads will be graded and topped with compacted caliche as needed.
- C. Turnouts: One turnout will be required.
- D. Culverts: None required.
- E. Cut and Fill: The area has 5 to 10 foot sand dunes and deflation basins to be levelled.
- F. Gates, Cattleguards: None required.

3. LOCATION OF EXISTING WELLS:

A. Existing wells within a two miles radius are shown on Exhibit "C".

SURFACE USE AND OPERA ONS PLAN Hondo Oil & Gas Company H. E. West "A", Well No. 17 Page -2-

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on the lease at this time. See Exhibit "C".
- B. If the oil well proves to be commercial, the necessary production facilities will be installed on the drilling pad and flow lines will be installed along the existing and proposed access roads to the storage tanks.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with fresh and brine water which will be obtained from commercial sources. The water will be transported over existing and proposed access roads.

6. SOURCES OF CONSTRUCTION MATERIALS:

A. Caliche for surfacing the proposed access road and wellsite pad will be obtained from a Federal pit in the SE4SE4 of Section 5-T17S-R31E. The pit has been staked and cleared by the archae-ologist. The topsoil from the location will be stockpiled near the location for future rehabilitation use. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. All pits will be fenced with normal fencing materials to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.

SURFACE USE AND OPERA ONS PLAN Hondo Oil & Gas Company H. E. West "A", Well No. 17 Page -3-

- G. Trash, waste paper, garbage and junk will be buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.
- H. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

A. None required.

9. WELLSITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, reserve pits, and major rig components. The pad and pit area has been staked and flagged.
- B. Mat Size: $140' \times 210'$ plus reserve pits.
- C. Cut & Fill: The area has 7 to 15 foot sand dunes and deflation basins to be levelled.
- D. The surface will be topped with compacted caliche and the reserve pits will be plastic lined.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- 8. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the proposed well is non-productive, all rehabilitation and/ or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled and levelled within 90 days after abandonment.

11. OTHER INFORMATION:

A. Topography: The wellsite and access road are located in the Mescalero Pediment, north of the Querecho Plains, to the east of

SURFACE USE AND OPERATIONS PLAN Hondo Oil & Gas Company H. E. West "A", Well No. 17 Page -4-

the Nimenim Ridge, within an area draining generally southwest towards Cedar Lake Draw, ca. 4.25 miles SW. The area is characterized by deep aeolian topography, characterized by a large NW/SE trending dune ridge system, with dunes up to 4 metres high, and large, elongate, and often interconnected deflations basins. The western 1/2 of the access road is within undulating aeolian topography, with the occurrence of localized, low, dune rises.

- B. Soil: The topsoil at the wellsite is Kermit-Berino fine sands.
- C. Flora and Fauna: The vegetative cover is of grassland formation and scrub-grass scrub disclimax community. The wildlife consists of rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in the area.
- E. Residences and Other Structures: There is an abandoned injection line corridor running under the proposed wellsite and along the proposed access road.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed wellsite and existing access road is on Federal surface and minerals.
- Archaeological survey revealed the occurrence of a BLM Category Η. 2, prehistoric Multipile Use Locale, Type 1D, designated as ASC Site 89-128-S1. The site is west of the well pad, on either side of an extant pipeline R/W, concentrated within a dune ridge system, with artifact material occurring high up the dunes. extant pipeline and associated two-track road are at a lower level than the artifacts high up the dune; hence the pipeline has already damaged the site; furthermore, since the pipeline is at a lower stratigraphic level than the relatively in situ cultural material, the possibility of buried material, within the extant pipeline R/W, is nil. Since ASC Site 89-129-S1 will not be endangered by an access road directly within the previously bladed area, archaeological clearance has been recommended, with the provision that all access road construction activity, and all vehicular traffic is restricted to the already disturbed pipeline corridor and two-track road immediately adjacent to the extant pipeline. (The archaeological survey was performed with the intent of constructing two access roads: one to the west of the proposed wellsite to the H. E. West "A" #14 and the other to the east of the proposed wellsite to the H. E. West "B" #16 in Section 3; however, only the portion from the H. E. West "A" #14to the H. E. West "A" #17 will be built.) The survey was con-

SURFACE USE AND OPERA ONS PLAN Hondo O11 & Gas Company H. E. West "A", Well No. 17 Page -5-

ducted by Archaeological Survey Consultants, P. O. Box D, Roswell, NM 88202, and their report has been submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

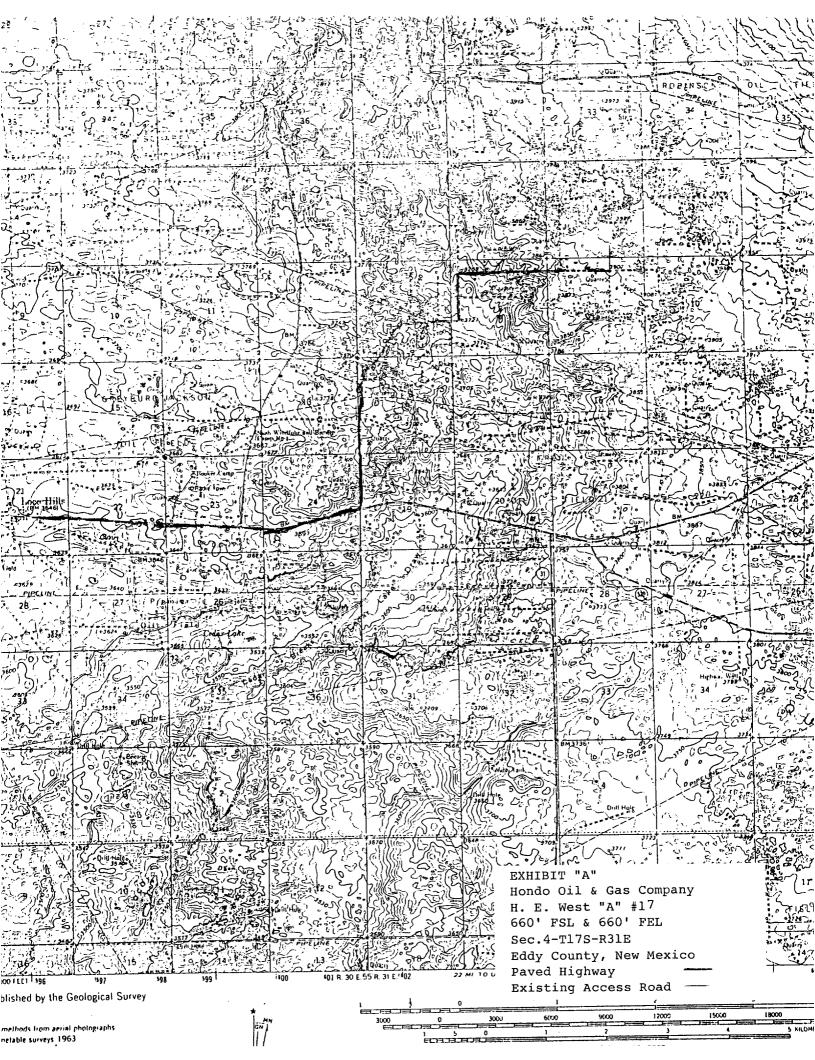
A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

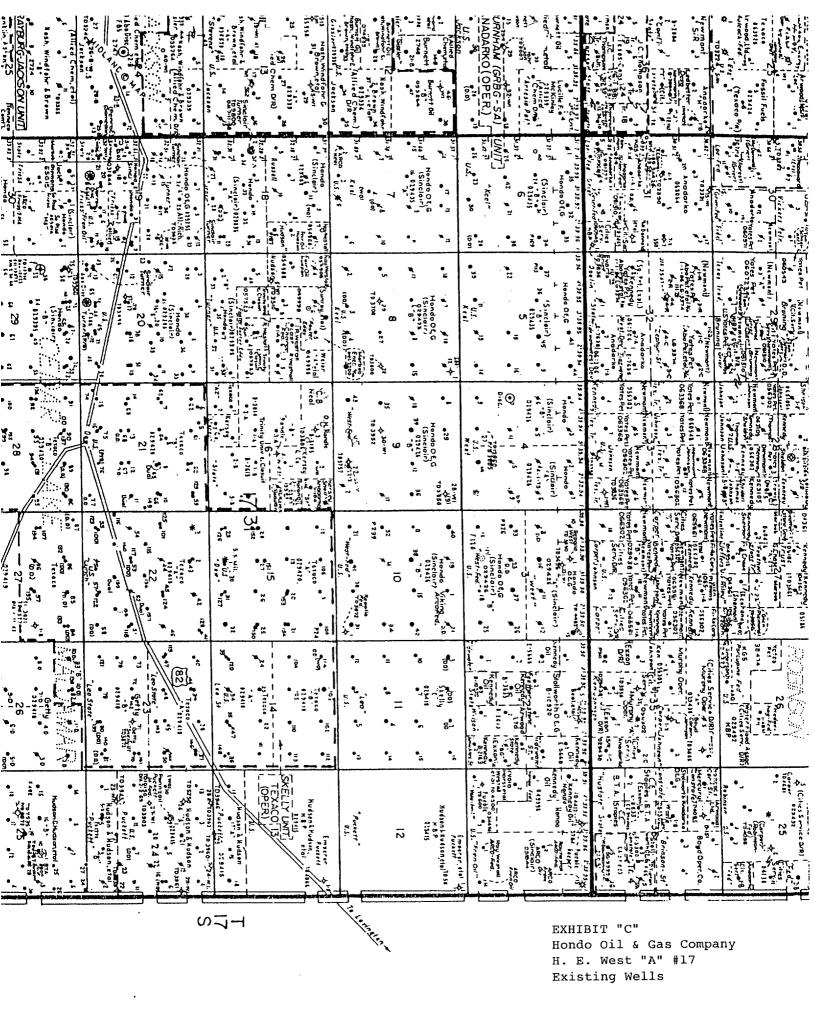
Bruce Stubbs
Hondo Oil & Gas Company
P.O. Box 2208
Roswell, NM 88202
Office phone: 505/625-8786
Home phone: 505/623-6466

13. CERTIFICATION:

I hereby certify that I have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in the plan are, to be the best of my knowledge true and correct; and, that the work associated with the operations proposed herein will be performed by Hondo Oil & Gas Company and its contractors and subcontractors in conformity with this plan and their terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Hondo 011 & Gas Company





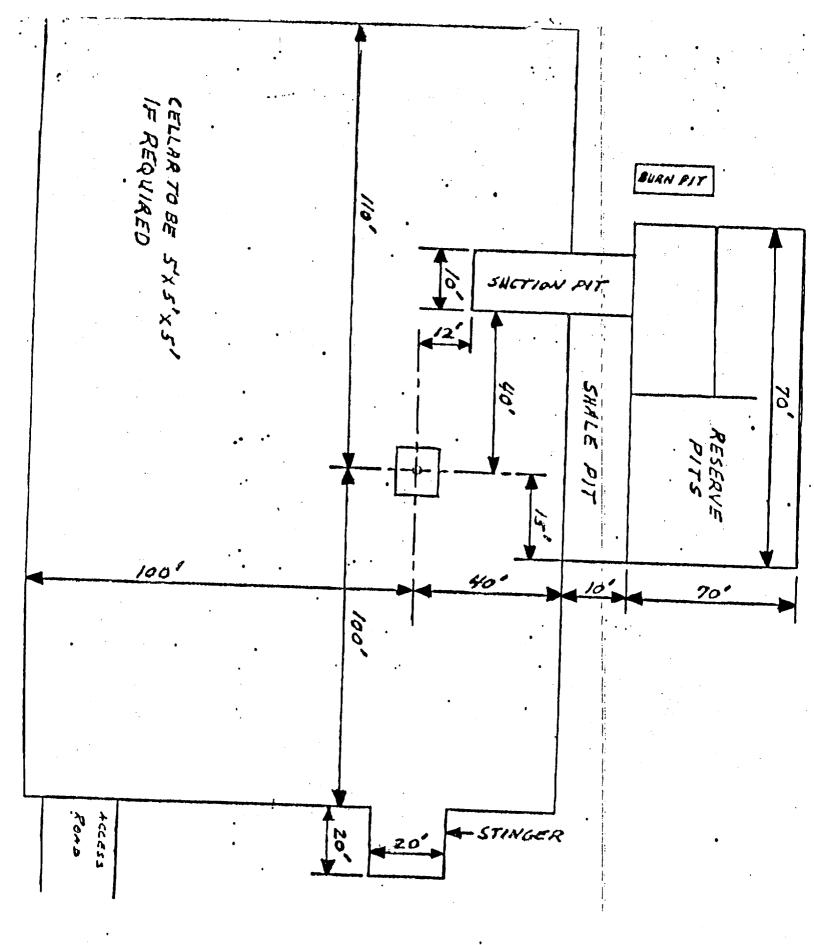


EXHIBIT "D"
Hondo Oil & Gas Company
H. E. West "A" #17
Rig Layout