

HOBBS OCD

MAY 16 2016

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**Surface Use Plan of Operations**

**Operator Name/Number:** OXY USA, Inc. – 16696  
**Lease Name/Number:** Harley 17 Federal #1H  
**Pool Name/Number:** Draper Mill Wolfcamp – 76115  
**Surface Location:** 360 FSL 550 FEL SESE (P) Sec 17 T25S R33E NMNM26394  
**Bottom Hole Location:** 180 FNL 550 FEL NENE (A) Sec 17 T25S R33E

**1. Existing Roads**

- a. A copy of the USGS "Paduca Breaks East, NM" quadrangle map is attached showing the proposed location. The well location is spotted on the map, which shows the existing road system.
- b. The well was staked by Terry J. Asel, Certificate No. 15079 on 3/1/12, certified 10/23/14.
- c. Directions to Location: Beginning at the intersection of SH 128 and CR J2 (Diamond Rd.), go south on CR J2 for 2.6 miles. Continue south on caliche road for 1.8 miles, turn right and go southwest for 2.5 miles. Turn right on proposed road and go west for 313.4' to location.

**2. New or Reconstructed Access Roads:**

- a. A new access road will be built. The access road will run approximately 313.4' west from an existing road to location.
- b. The maximum width of the road will be 15'. It will be crowned and made up of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent surface erosion.
- c. Surface material will be native caliche. This material will be obtained from a BLM approved pit nearest in proximity to the location. The average grade will be approximately 1%.
- d. No cattle guards, grates or fence cuts will be required. No turnouts are planned.
- e. Blade, water and repair existing caliche roads as needed.

**3. Location of Existing Wells:**

Existing wells within a one mile radius of the proposed well are shown on attached plat.

**4. Location of Existing and/or Proposed Facilities:**

- a. In the event the well is found productive, the Harley 17 Federal central tank battery would be utilized and the necessary production equipment will be installed at the well site. See proposed Production Facilities Layout diagram.
- b. Electric line will follow a route approved by the BLM, see attached for proposed route.
- c. All flow lines will adhere to API standards, see attached for detail and proposed route.

**5. Location and types of Water Supply**

This well will be drilled using a combination of water mud systems. It will be obtained from commercial water stations in the area and will be hauled to location by transport truck using existing and proposed roads.

## 6. Construction Materials:

### Primary

All caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM/State/Fee approved pit or from prevailing deposits found on the location. Will use BLM recommended extra caliche from other locations close by for roads, if available.

### Secondary

The secondary way of obtaining caliche to build locations and roads will be by "turning over" the location. This means, caliche will be obtained from the actual well site. A caliche permit will be obtained from BLM prior to pushing up any caliche. 2400 cubic yards is max amount of caliche needed for pad and roads. Amount will vary for each pad. The procedure below has been approved by BLM personnel:

- a. The top 6" of topsoil is pushed off and stockpiled along the side of the location.
- b. An approximate 120' X 120' area is used within the proposed well site to remove caliche.
- c. Subsoil is removed and piled alongside the 120' X 120' within the pad site.
- d. When caliche is found, material will be stockpiled within the pad site to build the location and road.
- e. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
- f. Once the well is drilled the stockpiled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced. Neither caliche nor subsoil will be stockpiled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in the attached plat.

## 7. Methods of Handling Waste Material:

- a. A closed loop system will be utilized consisting of above ground steel tanks and haul-off bins. Disposal of liquids, drilling fluids and cuttings will be disposed of at an approved facility. Solids-CRI, Liquids-Laguna
- b. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
- c. The supplier, including broken sacks, will pickup slats remaining after completion of well.
- d. 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.
- e. Disposal of fluids to be transported will be by the following companies. TFH Ltd, Laguna SWD Facility

## 8. Ancillary Facilities: None needed.

## 9. Well Site Layout:

The proposed well site layout with dimensions of the pad layout and equipment location.

V-Door – East

CL Tanks – North

Pad – 280' X 410'

## 10. Plans for Surface Reclamation:

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by the BLM. The original topsoil will again be returned to the pad and contoured, as close as

possible, to the original topography, and the area will be seeded with an approved BLM mixture to re-establish vegetation.

b. If the well is deemed commercially productive, caliche from the areas of the pad site not required for operations will be reclaimed. The original topsoil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography, and the area will be seeded with an approved BLM mixture to re-establish vegetation.

### 11. Surface Ownership:

The surface is owned by the U.S. Government and is administered by the BLM. The surface is multiple use with the primary uses of the region for the grazing of livestock and the production of oil and gas.

### 12. Other Information:

a. The vegetation cover is generally sparse consisting of mesquite, yucca, shinnery oak, sandsage and perennial native range grass. The topsoil is sandy in nature. Wildlife in the area is also sparse consisting of deer, coyotes, rabbits, rodents, reptiles, dove and quail.

b. There is no permanent or live water in the general proximity of the location.

c. There are no dwellings within one mile of the proposed well site.

d. Cultural Resources Examination – This well is located in the Permian Basin MOA.

Pad + ¼ mile road	<u>\$1599.00</u>	\$.21/ft over ¼ mile	<u>\$0.00</u>	<u>\$1599.00</u>
Pipeline-up to 1 mile	<u>\$1476.00</u>	\$308 per ¼ mile	<u>\$0.00</u>	<u>\$1476.00</u>
Electric Line-up to 1 mile	<u>\$739.00</u>	\$.23/ft over 1 mile	<u>\$0.00</u>	<u>\$739.00</u>
Total	<u>\$3814.00</u>		<u>\$0.00</u>	<u>\$3814.00</u>

### 13. Bond Coverage:

Bond coverage is Individual-NMB000862, Nationwide-ESB00226.

### 14. Operators Representatives:

The OXY Permian representatives responsible for ensuring compliance of the surface use plan are listed below:

Don Kendrick  
Production Coordinator  
1502 West Commerce Dr.  
Carlsbad, NM 88220  
Office – 575-628-4132  
Cellular – 575-602-1484

Charles Wagner  
Manager Field Operations  
1502 West Commerce Dr.  
Carlsbad, NM 88220  
Office – 575-628-4151  
Cellular – 575-725-8306

Calvin (Dusty) Weaver  
Operation Specialist  
P.O. Box 50250  
Midland, TX 79710  
Office – 432-685-5723  
Cellular – 806-893-3067

Omar Lisigurski  
RMT Leader  
P.O. Box 4294  
Houston, TX 77210  
Office – 713-215-7506  
Cellular – 281-222-7248

OPERATOR 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 that presently 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 23<sup>rd</sup> day of November, 2015.

Signature:   
Name: Omar Lisigurski  
Position: Reservoir Management Team Leader  
Address: 5 Greenway Plaza, Suite 110, Houston, TX 77046  
Telephone: 713-215-7506  
E-mail: (optional): omar\_lisigurski@oxy.com  
Company: Occidental Permian LP/OXY USA Inc /OXY USA WTP LP  
Field Representative (if not above signatory): Dusty Weaver  
Address (if different from above): P.O. Box 50250 Midland, TX 79710  
Telephone (if different from above): 432-685-5723  
E-mail (if different from above): calvin\_weaver@oxy.com

Form NM 8140-9  
(March 2008)

United States Department of the Interior  
Bureau of Land Management  
New Mexico State Office

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 Memorandum of Agreement (MOA) 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: OXY USA Inc.  
Address: ATTN: David Stewart  
P.O. Box 50250  
Midland, TX 79710

Project description: Hanley 17 Federal #1th

Pad/Road \$1599<sup>00</sup>

Pipeline \$1476<sup>00</sup>

Electric \$ 739<sup>00</sup>

S-360 FSL 550 FEL SESE(P)

T. 255, R. 33E, Section 17 NMPM, Lea County, New Mexico

Amount of contribution: \$ 3814<sup>00</sup>