

**NEARBURG PRODUCING COMPANY
SURFACE USE AND OPERATIONS PLAN**

**LAGUNA 23 FEDERAL COM #2H
SL: 175' FSL & 660' FWL, UNIT M
BHL: 330' FNL & 660' FWL, UNIT D
Sec 23, T20S, R34E
Lea County, New Mexico**

HOBBS OCD

JUL 24 2012

RECEIVED

This plan is submitted with Form 3160-3, Application for Permit to Drill, 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.

1. EXISTING AND PLANNED ROADS

EXISTING ROADS:

- a. The well site and elevation plat for the proposed well are reflected on Exhibit A Form C-102: Well Location and Acreage Dedication Plat. The well was staked by John West Surveying Company.
- b. Exhibits C-1 -- C-2 are portions of a topo map and an aerial map showing the proposed well site and roads in the vicinity of the proposed location. Access to the proposed well location will be via existing lease roads.
- c. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

DIRECTIONS:

From the intersection of State Highway 176, and County Road H27 (Marathon Road), go North approximately 1.05 miles. Turn left and go West approximately 1 mile. Turn right and go North approximately 1 mile. Turn right and go East approximately 0.1 mile. The location stake is approximately 30' North.

PLANNED ACCESS ROAD:

Exhibit B is a portion of a section map showing a proposed temporary access road approximately 107', trending southeast from existing caliche lease road to southwest corner of well pad.

- a. The maximum width of the running surface will be 14'. The road will be crowned, ditched and constructed of 6" rolled and compacted caliche. Ditches will be at 3:1 slope and 4' wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and be consistent with local drainage patterns.
- b. The average grade will be less than 1%.
- c. No turnouts are planned.
- d. No culverts, cattle guards, gates, low water crossings, or fence cuts are necessary.
- e. Surfacing material will consist of native caliche which will be obtained from the actual well site if available. If not available on site, caliche will be hauled from the nearest BLM caliche pit.

2. LOCATION OF EXISTING WELLS

Exhibit D shows all existing wells within a one-mile radius of the proposed well site.

3. LOCATION OF EXISTING/PROPOSED FACILITIES

If the well is productive:

- a. Pumping equipment and tank battery facilities including all flowlines and piping will be installed on the well pad according to API specifications (see Exhibit F).
- b. Exhibit H is a survey plat depicting approximately 1816' of proposed electric line. Power will be obtained from Xcel Electric.

JUL 26 2012

- c. Original topsoil from the well site will be returned to the location, and the site will be re-contoured as close as possible to the original state.

4. **LOCATION AND TYPE OF WATER SUPPLY**

The well will be drilled using a combination of water mud systems as outlined in the Drilling Program. The water will be obtained from commercial water stations in the area and hauled to the location by transport truck using the existing and proposed roads shown in Exhibits C-1 and C-2. If a commercial fresh water source is nearby, fast line may be laid along existing road ROWs and fresh water pumped to the well. No water well will be drilled on the location.

5. **SOURCE OF CONSTRUCTION MATERIALS**

All caliche utilized for the drilling pad will be obtained from an existing BLM-approved pit or from prevailing deposits found under the location.

6. **METHODS OF HANDLING WASTE MATERIAL**

The well will be drilled using a closed loop system. All waste (i.e., drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations will be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid will be disposed of on the well location or surrounding area. Porto-johns and trash containers will be on location during fracturing operations or any other crew-intensive operations. Trash will be contained in a trash trailer and removed from the well site within 30 days after drilling/completion activities.

7. **ANCILLARY FACILITIES**

No campsite or other facilities will be constructed as a result of this well.

8. **WELL SITE LAYOUT**

- a. Exhibit E shows the proposed well site layout with dimensions of the pad layout.
- b. The ground surface at the well site is essentially flat.
- c. V Door direction is east.
- d. Topsoil, if available, will be stockpiled on the north side of the location until it is needed for reclamation.
- e. Exhibit E shows the proposed orientation of the closed loop system. No permanent living facilities are planned, but a temporary foreman/tool pusher's trailer will be on location during the drilling operations.

9. **PLANS FOR SURFACE RECLAMATION**

- a. If the well is productive, no interim reclamation is planned after the well is completed, because a tank battery will be located on the pad.
- b. Final reclamation will take place if the well is not productive. Upon plugging and abandoning the well, all caliche will be removed from the well pad and access road, and surface will be contoured to match the original topography as much as possible. Caliche will be recycled for road repair or reused for another well pad on the same lease. If any topsoil remains, it will be spread out and reseeded with a BLM-approved seed mixture.

10. **SURFACE OWNERSHIP**

- a. The surface is owned by the U.S. Government and is administered by the Bureau of Land Management. The surface has multiple uses, primarily grazing of livestock and oil and gas production.
- b. The surface tenant for this site is: Kenneth Smith, Inc., 267 Smith Ranch Road, Hobbs, New Mexico 88240.

11. **OTHER INFORMATION**

- a. The project site is relatively flat with small mounding of blow sand around mesquites. Vegetation is dominated by shinnery oak, some mesquite, soap weed yucca and desert

grasses. Local soils are Pyote and maljamar fine sands. No wildlife was observed. This area of Lea County is an active, working ranch with both cattle and horses grazing.

- b. There are no known permanent water sources nearby; the Pecos River is 40 miles west.
- c. There are no dwellings within two miles of this location.
- d. A Cultural Resources Examination was conducted by Rebecca Hill, Boone Archaeological Services, on February 11, 2012.

12. **BOND COVERAGE:** NM 2163 B 000753 *BA*

13. **OPERATOR'S REPRESENTATIVE:**

A. Through APD Approval:

Vicki Johnston, Regulatory Specialist
Gray Surface Specialties, Agent for
Nearburg Producing Company
3106 N. Big Spring, Suite 100
Midland, TX 79705
Phone: (281) 265-6874
Cell: (281) 468-2448

B. Through Drilling Operations:

Matt Lee, Operations
Nearburg Producing Company
Artesia, NM
Phone: (575) 746-0422
Cell: (575) 365-6662

Wes Stinson, Drilling
Cell: (575) 365-6500

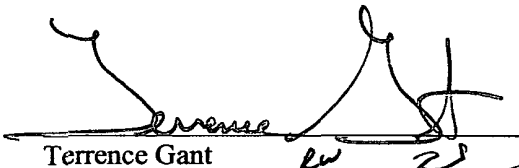
EXHIBITS


- A Form C-102 Well Location & Acreage Dedication Map
- B Proposed Access Road and Well Site
- C-1 – C-2 Vicinity and Location Verification Maps
- D One-Mile Radius Map
- E Proposed Well Pad Layout Map
- F Production Facilities Diagram
- G-1 – G-3 BOPE and Choke Manifold Schematics
- H Electric Line Survey

**Nearburg Producing Company
Laguna 23 Federal Com #2H
SHL: 175' FSL & 660' FWL, Unit M
BHL: 330' FNL & 660' FWL, Unit D
Sec 23 T-20S R-34E
Lea County, New Mexico**

OPERATOR CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Nearburg Producing Company and its contractors and subcontractors in conformity with this plan and the 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.

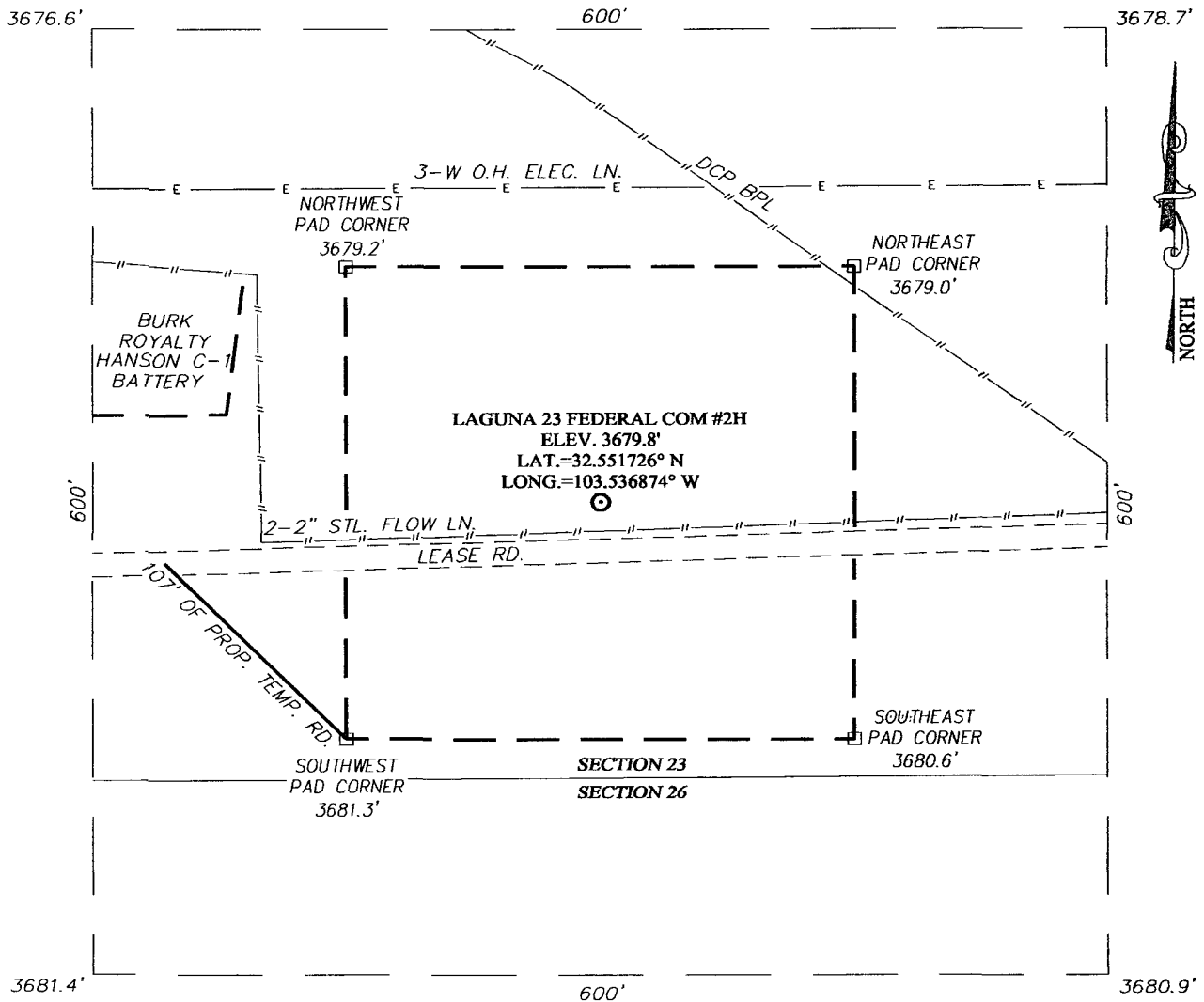

Terrence Gant
Midland Manager
Nearburg Producing Company – OGRID #15742


Date 3/7/2012

Office Phone: (432) 818-2901
Cell Phone: (432) 528-1121
E-mail: tgant@nearburg.com

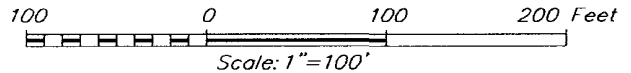
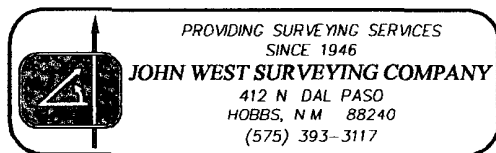
EXHIBIT B

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M. LEA COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #176 AND CO RD. #H27 (MARATHON RD.), GO NORTH APPROX. 1.05 MILES. TURN LEFT AND GO WEST APPROX. 1.0 MILE. TURN RIGHT AND GO NORTH APPROX. 1.0 MILE. TURN RIGHT AND GO EAST APPROX. 0.1 MILE. THIS LOCATION STAKE IS APPROX. 30 FEET NORTH.



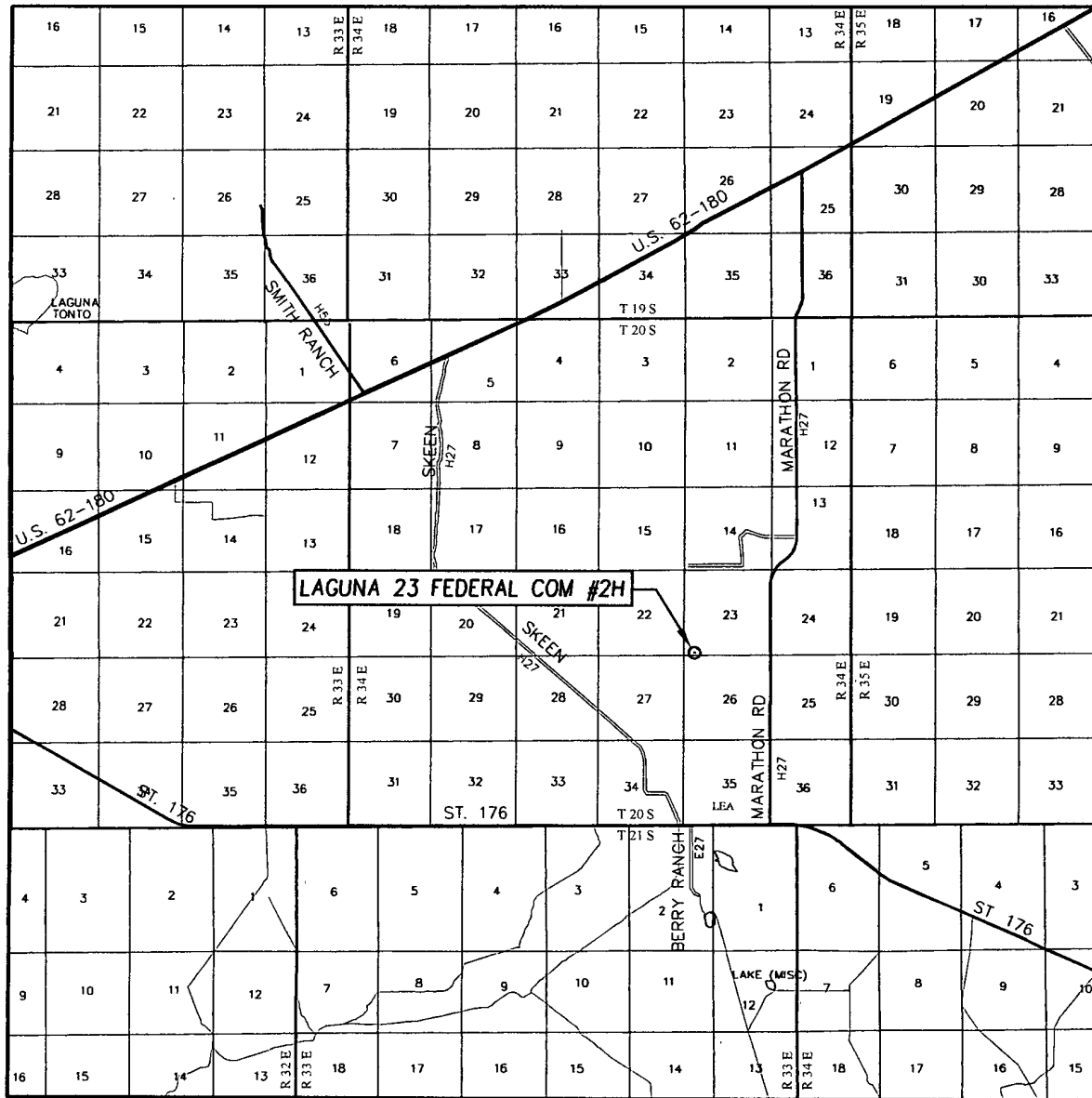
NEARBURG PRODUCING COMPANY

LAGUNA 23 FEDERAL COM #2H WELL
LOCATED 175 FEET FROM THE SOUTH LINE
AND 660 FEET FROM THE WEST LINE OF SECTION 23,
TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Survey Date: 12/07/11	Sheet 1 of 1 Sheets
W.O. Number: 11.11.2543	Dr. By: ACR Rev 1:
Date: 12/20/11	Rel. W.O.: 11112543 Scale: 1"=100'

EXHIBIT C-1

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 23 TWP. 20-S RGE. 34-E

SURVEY _____ N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 175' FSL & 660' FWL

ELEVATION 3680'

OPERATOR NEARBURG PRODUCING COMPANY

LEASE LAGUNA 23 FEDERAL COM

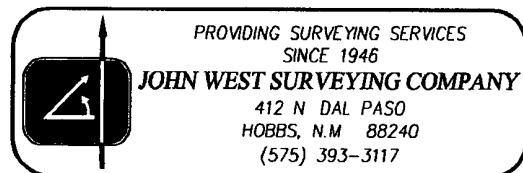
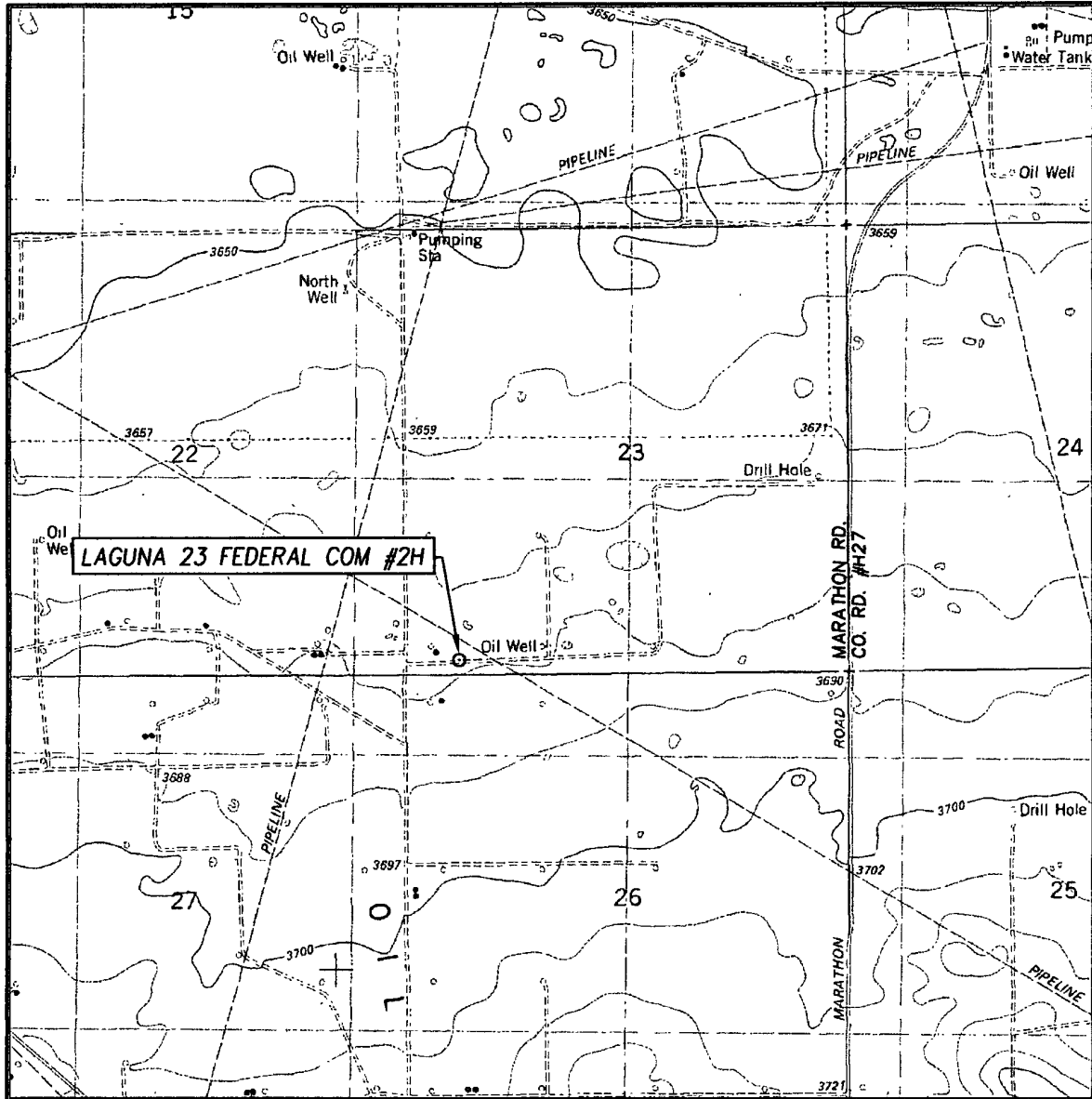


EXHIBIT C-2

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
LEA, N.M. - 10'

SEC. 23 TWP. 20-S RGE. 34-E

SURVEY N.M.P.M.

COUNTY LEA STATE NEW MEXICO

DESCRIPTION 175' FSL & 660' FWL

ELEVATION 3680'

OPERATOR NEARBURG
PRODUCING COMPANY

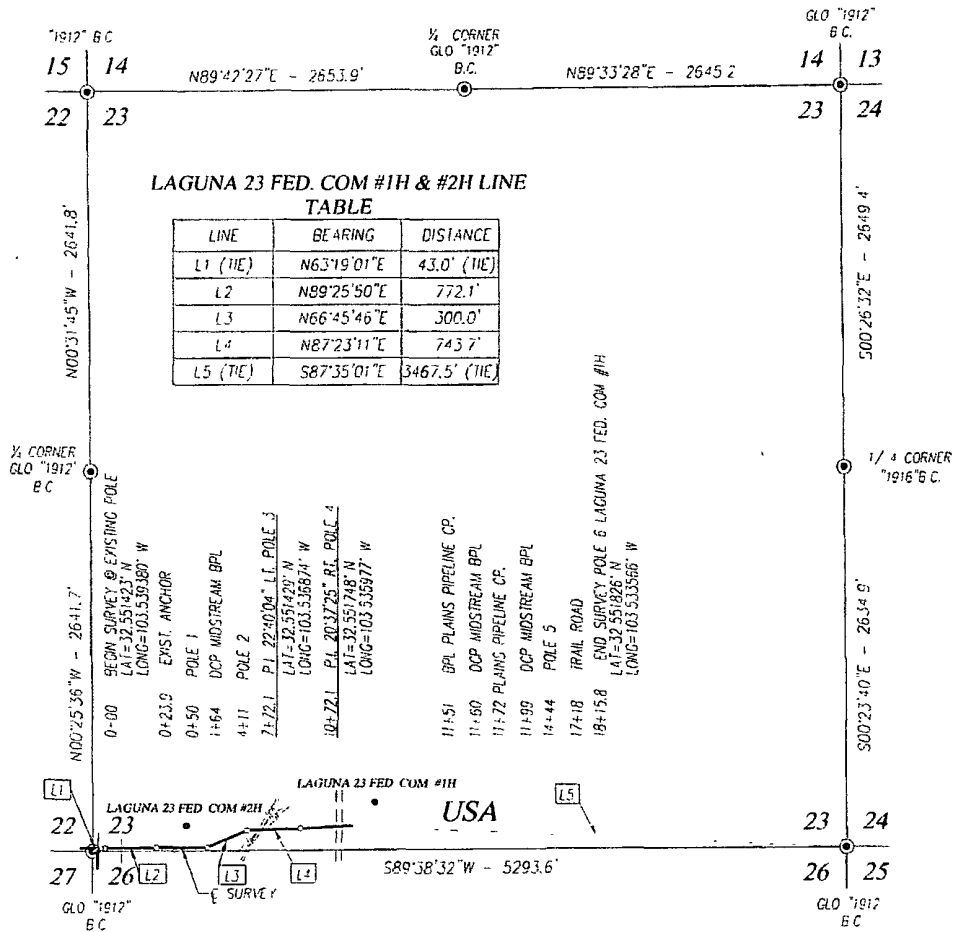
LEASE LAGUNA 23 FEDERAL COM

U.S.G.S. TOPOGRAPHIC MAP
LEA, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

EXHIBIT H

SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY NEW MEXICO



DESCRIPTION

SURVEY OF A STRIP OF LAND 50.0 WIDE AND 1915.8 FEET OR 0.344 MILES IN LENGTH CROSSING USA LAND IN SECTION 23, TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO, AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE CENTERLINE SURVEY

NOTE

BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983 DISTANCES ARE SURFACE VALUES

I, RONALD J. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 3232, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY, THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO, AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

RONALD J. EIDSON

DATE

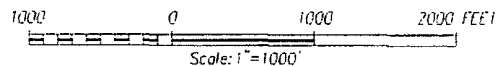
03/01/2012



PROFESSIONAL SURVEYING SERVICES
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

LEGEND

- DENOTES FOUND CORNER AS NOTED
- ⊗ DENOTES CALCULATED CORNER



NEARBURG PRODUCING COMPANY

SURVEY OF A ELECTRIC LINE
CROSSING SECTION 23,
TOWNSHIP 20 SOUTH, RANGE 34 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

Survey Date: 1/5/12	CAD Date: 1/16/12	Drawn By: AF
WO No.: 11112614	Rev: 3/1/12	Rel: WO
		Sheet 1 of 1

LEASE BOUNDARY MAP
LAGUNA 23 FED COM #1H AND #2H

10

12

15

14

13

BHL Laguna 23
X
Fed Com #2H
NM078273

BHL Laguna 23
X
Fed Com #1H
NM078273

NM124662

NM028880

T20S
R34E

22

23

24

NM0066126

SH Laguna 23
X
Fed Com #2H

SH Laguna 23
X
Fed Com #1H

27

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