

SURFACE USE AND OPERATIONS PLAN - HANSON OIL CORPORATION H-M FEDERAL #1

The following information and plan is submitted for the subject well by Hanson Oil Corporation:

1. Existing roads in the vicinity of planned well are shown on the attached Exhibit #1. As shown, the planned well is approximately 19 miles South of Carlsbad, New Mexico. To reach subject well from Carlsbad, New Mexico, go South on Old Cavern Road. Follow this road due South until pavement ends; continue on caliche road across Black River; continue South on caliche road approximately 7 miles; turn West on unimproved road 1/4 mile; continue North on same unimproved road 1/4 mile; continue West on same unimproved road 1/4 mile to location.
2. The planned access road is shown on attached Exhibits #1 and #6. Only grading will be necessary on existing lease road. Terrain where the road is planned is rolling hills. No culverts will be necessary as only insignificant widely dispersed drainage could occur across the proposed route.
3. Location of existing wells in a three-mile radius are shown on attached Exhibit #2.
4. There is no production equipment on this lease at present. If production is established, we will build a tank battery on the drilling pad.
5. It is planned to drill the proposed well with a fresh water system. The water will be trucked over the access road as shown on Exhibit #1.
6. All construction materials will be of local origin and no surface materials will be disturbed except those necessary for the actual grading of the road and drilling site.
7. Drill cuttings will be accumulated in the earthen reserve pit and after the pit has dried will be bladed into the bottom of the pit and buried. Trash and garbage will be contained in an earthen pit and be buried following drilling operations. The drilling fluid will be left in the reserve pit and allowed to evaporate after any oil accumulation on the pit has been removed and hauled to the production facility for recovery. Drilling fluid residue (bentonite, drill solids, etc.) will be buried in the reserve pit after drilling operation and evaporation of water in the drilling fluid. Sewage will be collected in a pit at least 6' deep below an outside latrine, suitable chemical will be added to aid decomposition of the waste material and then back filled following completion of the well.
8. No ancillary facilities will be constructed.
9. Rig layout and cross section of the planned drilling site are shown on attached Exhibits #3 and #4. There are no plans to line the earthen reserve pit although it should seal quite rapidly with drill solids and bentonite. Water used for drilling is of discharge quality.

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O. G. C.
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