

Penroc Oil Corporation  
Ross Draw Unit #5  
Eddy County, New Mexico

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U. S. GEOLOGICAL SURVEY  
ARTESIA, NEW MEXICO

SURFACE USE AND OPERATIONS PLAN

1. Existing Roads:

The proposed route to the location that will normally be used during operations is to be seen on Exhibit "A". Commencing from the town of Malaga, New Mexico, proceed south on U. S. Highway 285 approximately 12 miles then turn left, or east-northeast, and go 3 miles to El Paso Natural Gas Company plant on all weather road. Go on through the plant area, cross the Pecos River at a low water crossing and proceed due east along a wide caliche road for approximately 2-3/4 miles. (The access road from U. S. 285 is shown in red.) Turn south onto a county maintained, generally all-weather road at a small sign that indicates Gulf Federal No. 1. Proceed generally south-southeast for approximately 6 miles to the south line of Section 31, T-26-S, R-30-E. (This road is also shown in red color.) At this point turn due east down an old pipeline right-of-way road for approximately 2.7 miles and arrive at the site of Delaware producing wells drilled by Williamson, et al. The proposed location is to be midway between Williamson's No. 1 and 4 wells. (The pipeline road is noted in blue color.)

Necessary improvements to the access road indicated in blue will be discussed under Item No. 2.

2. Planned Access Roads:

Please refer to Exhibit "B" which is a compilation of portions of USGS topographic maps designated as Ross Ranch and Phantom Banks in New Mexico and Red Bluff and Orla NE in Texas. The roads indicated by the red and blue colors correspond to the same color scheme as seen on Exhibit "A".

Improvement and partial reconstruction of the road running east-west and to the well location will be necessary. It is planned to grade the total length, cut a drainage ditch along one side with required diversion drainage to keep water off the road as much as possible. Road will be kept to the normal 12 foot width with no more than three turnouts made.

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Along the south line of Section 28, there exists a bad washout from existing drainage cut and previous washing rains. The approaches from each side will have to be beveled with removed dirt placed over a probable 36 inch diameter tin culvert. Gravel to be placed on each approach and over the roadbed crossing the tin culvert. Approximate location of the tin culvert is noted on Exhibit "B" by the pink color.

A new barbed wire fence has recently been constructed either immediately east or west of the above discussed tin culvert area. It traverses in a north-south direction. It will probably require a wide battleguard on one side or the other of the swinging gate that will adequately carry anticipated loads.

3. Location of Existing Wells:

Refer to Exhibit "C". All wells within the prescribed two-mile radius are shown.

4. Location of Tank Batteries, Production Facilities, and Production, Gathering, and Service Lines:

This Operator does not own or control any facilities of any nature at this proposed location.

However there exists a pump jack on Williamson et al No. 4 well in the NW/4 Section 27 and a 210 barrel oil tank is positioned immediately west of the wellhead on the west edge of the pad. Line heaters and separators are located on the pads of wells No. 1 (SW/4 Section 27); No. 2 (W/2 of Section 34); and No. 4 (NW/4 Section 27). All flow lines are on the surface.

El Paso Natural Gas Company has gathering facilities for the three Williamson wells which primarily are located between wells No. 1 and 2 and are fenced. A buried gas gathering line is indicated in orange on Exhibit "C".

After the proposed well is drilled, all pits will be cut, covered and leveled and all debris removed. If a dry-hole is encountered, the pad and roads will be restored according to prescribed regulations.

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5. Location and Type of Water Supply:

Fresh water to be obtained from a water well drilled by Williamson on the northwest corner of the No. 4 well pad provided it will produce sufficient water. At this writing it is untested. Otherwise all fresh and brine water will be hauled by tank truck from nearest commercial source. (The above mentioned water well is indicated by a blue circle adjacent to the No. 4 well.) See Exhibit "C".

6. Source of Construction Materials:

If memory serves correctly, there is a source of gravel in the SW/4 Section 27 in an existing pit which can be used on the pad and culvert crossing. If not, there exists several gravel pits approximately 4 miles northwest. Necessary arrangements will be made.

7. Methods for Handling Waste Disposal:

In addition to reserve pits, disposal pits will be dug adequately deep in order that all waste and garbage can be covered by not less than 24 inches of overburden.

Reusable drilling fluids will be tanked and sold or used in other wells. Test tank facilities will be utilized to catch and store any oil produced.

8. Ancillary Facilities:

No camps or landing strips planned.

9. Well Site Layout:

Refer to Exhibit "D".

10. Plans for Restoration of the Surface:

If a producing well, the procedure as mentioned in Item 4 will be followed to cut, cover, and level all pits and carefully remove all debris.