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30-025-40214 JUL 28 2011

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SURFACE USE PLAN OF OPERATION

SHL: 210' FSL & 2160' FWL, Lot 3, Section 35, T26S-R33E, N.M.P.M., Lea, NM BHL: 330' FNL & 1760' FEL, Unit C, Section 26, T26S-R33E, N.M.P.M., Lea, NM

1. **EXISTING ROADS:**

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- a. The well site and elevation plat for the proposed well are reflected on the well site layout: Form C-102. The well was staked by Terry Asel, RPL 15079.
- b. All roads into the location are depicted on Exhibits 2, 2a and 5.
- c. Directions to Locations: Beginning in Jal, NM at the intersection of N.M. State Hwy 128 and Hwy 18, go west on Hwy 128 for 14.1 miles to County Road #2 (Battle Ax Road), turn left and go south/southwest on County Road #2 for 13.6 miles, turn left on Lea County J2 (Dinwiddie Road) and go southeast for 0.8 miles, turn left and go south and east on lease road for 1.4 miles, turn right and go south for 4.5 miles, turn right and go west on proposed road for 0.7 miles to location.

2. NEW OR RECONSTRUCTED ACCESS ROAD:

- a. The well site layout, Exhibit 2a shows the layout. A new access road will be constructed a distance of (3,529') of compact caliche as depicted per Exhibit 5. A Right of Way Grant shall be secured from the State of New Mexico for that portion of the road located on State Lands. Applicant shall construct 2,948.7'of new road on the Federal Lease to the southeast corner of well pad.
- b. The maximum width of the road will be 15'. It will be crowned and made of 6" of rolled and compacted caliche. Water will be deflected, as necessary, to avoid accumulation and prevent soil 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 cattleguards, gates or fence cuts will be required. No turnouts are planned.

3. LOCATION OF EXISTING WELLS:

Exhibit #3 shows all existing wells within a one-mile radius of this well.

4. LOCATION OF EXISTING AND/OR PROPOSED PRODUCTION FACILITIES:

a. In the event the well is found to be productive, the necessary production equipment will be installed on location as depicted by the Production Facility Layout. This well location will serve as the Central Tank Battery for both the Fram 35 Fed Com 1H & 2H well locations.

- b. As a proposed oil well, operator shall construct a over head power line as depicted by Exhibit 5. A Right of Way Grant shall be secured from the State of New Mexico for that portion of the power line located on State Lands. Applicant shall construct 2,948.7' of new power line on Lease to the southeast corner of well pad.
- c. All Pipelines will adhere to API standards. Applicant will lay a 4" surface poly Gas Sales Pipeline (2,948.7'), a 4"surface poly Gas Lift Pipeline (2,948.7') and two (2) 4" surface poly SWD pipelines (5,897.4') as depicted on Exhibit 5. A Right of Way Grant shall be secured from the State of New Mexico for that portion of the Gas Sales Pipeline, Gas Lift Pipeline and SWD Pipelines located on State Lands.
- d. Refer to b above.

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- e. If the well is productive, rehabilitation plans are as follows:
 - i. The location shall be reduced on the North and West Sides of the location as depicted by the Production Facilities Layout. The interim reclamation will be performed when optimal conditions exist during the growing season as per the interim reclamation guidelines of the BLM.
 - ii. The original topsoil from the well site will be returned to the location. The location will be contoured as close as possible to match the original topography.

5. LOCATION AND TYPE OF WATER SUPPLY:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). The water will be obtained from commercial water stations in the area and transported by 4" poly pipeline to location by following alongside existing roads or established utility corridors. Haul trucks may also be used. If poly pipeline is used to transport fresh water to the location, proper authorization will be secured by the contractor.

6. CONSTRUCTION MATERIALS

Obtaining Mineral Material – Caliche utilized for the drilling pad and proposed access road will be obtained either from an existing approved pit, or by benching into a hill which will allow the pad to level with existing caliche from cut, or extracted by "flipping" the location. A caliche permit shall be obtained from the BLM prior to excavating any caliche on Federal Lands. Amount will vary for each pad. The procedure for "flipping" the location is as follows:

- 1. An adequate amount of topsoil for final reclamation will be stripped from the well location surface and stockpiled along the edge of the location as shown in the well site layout.
- 2. An area will be used within the proposed well site to excavate caliche.

- 3. The subsoil will then be removed and stockpiled within the footages of the well location.
- 4. Once caliche/mineral material is found, the material will be excavated and stockpiled within the footages of the well location.
- 5. The subsoil will then be placed back in the excavated hole.
- 6. Caliche/mineral material will then be placed over the entire pad and/or road to be compacted.

In the event that caliche is not found on site, a permit will be acquired if caliche is obtained from a BLM approved caliche pit

7. METHODS OF HANDLING WASTE MATERIALS

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a. Drill cuttings shall be disposed of in a steel cuttings bin (catch tanks) on the drilling pad (behind the steel mud tanks). The bin and cuttings shall be hauled to an approved cuttings dumpsite.

At the site, the cuttings shall be removed from the bin & the bin shall be returned to the drilling site for reuse.

- b. All trash, junk, and other waste material shall be contained in trash cages or trash bins to prevent scattering. When a job is completed, all contents shall be removed and disposed of in an approved landfill.
- c. The supplier, including broken sacks, shall pick up salts remaining after completion of well.
- d. If necessary, a porto-john shall be provided for the rig crews. This equipment shall be properly maintained during the drilling and completion operations and shall be removed when all operations are complete.
- e. Remaining drilling fluids shall be hauled off by transports to a state approved disposal site. Water produced during completion shall be put in storage tanks and disposed of in a state approved disposal. Oil and condensate produced shall be put in a storage tank and sold.
- f. Disposal of fluids to be transported by the following companies:
 - i. RGB TRUCKING
 - ii. LOBO TRUCKING
 - iii. I & W TRUCKING
 - iv. CRANE HOT OIL & TRANSPORT
 - v. JWS
 - vi. QUALITY TRUCKING

8. ANCILLARY FACILITIES:

a. No airstrip, campsite, or other facilities will be built.

9. WELL SITE LAYOUT:

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- a. Exhibit 4 shows the proposed location of reserve and sump pits, living facilities and well site layout with dimensions of the pad layout.
- b. Mud pits in the active circulating system shall be steel pits and the catch tanks shall be steel tanks set in shallow sumps behind the steel circulating tanks and sumps.
- c. The area where the catch tanks are placed shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.

10. PLANS FOR SURFACE RECLAMATION:

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche shall be removed from the pad and transported to the original caliche pit or used for other drilling locations and roads. The road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations. The catch tank area shall be broken out and leveled after drying to a condition where these are feasible. The original topsoil shall again be returned to the pad and contoured, as close as possible, to the original topography.
- b. After the well is plugged and abandoned, the location and road shall be reclaimed and the surface vegetation restored to as or near the same condition that existed prior to operations.
- c. If the well is deemed commercially productive, the catch tank area shall be restored as described in 4(e)(i). Caliche from areas of the pad site not required for operations shall be reclaimed. The original topsoil shall be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad shall be contoured, as close as possible, to match the original topography.

11. SURFACE OWNERSHIP

The surface is owned by Kiehne Ranch and Cattle Company LLC Att: Mr. Zane Kiehne 2107 Cactus Street Pecos, TX 79772 432-448-3355

Applicant shall negotiate a Surface Use Agreement with surface owner and will advise the BLM in writing when said Agreement is secured.

12. OTHER INFORMATION:

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- a. The area surrounding the well is mesquite and tar brush. The topsoil is sandy in nature. The vegetation is moderately sparse with native prairie grass, cactus and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, coyotes, birds and rodents transverse the area.
- b. There are not dwellings within 2 miles of location.
- c. Applicant will participate in the MOA.

13. BOND COVERAGE:

a. Bond Coverage is Nationwide; Bond No. NM 2308

COMPANY REPRESENTATIVES:

Representatives responsible for ensuring compliance of the surface use plan are listed below:

Land and Right of Way

Mr. Donny G. Glanton Senior Lease Operations ROW Representative EOG Resources, Inc. P.O. Box 2267 Midland, TX 79702 (432) 686-3642 Office (432) 770-0602 Cell

Drilling

Mr. Steve Munsell Drilling Engineer EOG Resources, Inc. P.O. Box 2267 Midland, TX 79702 (432) 686-3609 Office (432) 894-1256 Cell

Operations

Mr. Howard Kemp Production Manager EOG Resources, Inc P.O. Box 2267 Midland, TX 79702 (432) 686-3704 Office (432) 634-1001 Cell

Regulatory

Mr. Stan Wagner Regulatory Analyst EOG Resources, Inc. P.O. Box 2267 Midland, TX 79702 (432) 686-3689 Office

OPERATOR CERTIFICATION

I 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 22nd day of November 2010.

Name: <u>Donny G. Glanton</u> Position: <u>Sr. Lease Operations ROW Representative</u> Address: <u>P.O. Box 2267 Midland, TX 79705</u> Telephone: <u>432-686-3642</u> Email: <u>donny_glanton@eogresources.com</u>

Signed: ____ J. Mitte



T265-R33E

Fram 35 Fed Com IH 236.32ac

Fram 35 Fed Con 2H 236.38 ac

945.20

Exhibit 2

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VICINITY MAP

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OPERATOR EOG RESOURCES, INC. P.O. BOX 393 – 310 W. TAYLOR HOBBS, NEW MEXICO – 575–393–9146													
LEASE <u>FRAM "35" FED. COM #1H</u> DIRECTIONS BEGINNING IN JAL AT THE INTERSECTION OF N.M. STATE HWY. #18 AND N.M. STATE HWY. #128, GO WEST ON N.M. STATE HWY. #128 FOR 14.1 MILES TO COUNTY ROAD #2 (BATTLE AXE ROAD), TURN LEFT AND GO SOUTH/SOUTHWEST FOR 13.6 MILES, TURN LEFT ON LEA CO. ROAD #J2													
(DINWIDDIE ROAD) AND GO SOUTH/SOUTHWEST FOR 15.8 MILES, TORN LEFT ON LEA CO. ROAD #52 (DINWIDDIE ROAD) AND GO SOUTHEAST FOR 0.8 MILES, TURN LEFT AND GO SOUTH AND EAST ON													
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EXHIBIT 3 Fram 35 Fed Com 1H 210' FSL & 2160' FWL, U/L F, (SHL) Sec 35, T26S, R33E 330' FNL & 1760' FWL, U/L C, (BHL) Sec 26, T26S, R33E Lea County, NM IEMerker EDG Res 19 20	Chevron M.I. Sharp Chevron M.I. Sharp Anadorko 1 2007 (2009) Chevron M.I. Kimberly Sharp Chevron M.I. Kimberly Sharp 21	Anadarka 11 1 2007 (2007) 8 1 2009 S.Neerukonda A 12 32	Six Cross Ld & Cat Othersopeake 9 30 2009 Anador Ko 111 2007 (2007) 8 1 5005 Six Cross Ld E/Cat. D.McPherson 2 3	Chesoprake 9 30 2009 AnaJarka 1 2007 (2003) 8 1 - 2009 A-1230 J. E/I
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EXHIBIT 4

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340'

6/30/2008



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Not to Scale











LOCATION VERIFICATION MAP



SEC. <u>35</u> TWP <u>26-S</u> RGE. <u>33-E</u> SURVEY <u>N.M.P.M.</u> COUNTY <u>LEA</u> DESCRIPTION <u>210' FSL & 2160' FWL</u> ELEVATION <u>3319.2'</u> OPERATOR <u>EOG RESOURCES, INC.</u> LEASE FRAM "35" FED. COM #1H U.S.G.S. TOPOGRAPHIC MAP PADUCA BREAKS EAST, N.M.

