

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

**LAGUNA 23 FEDERAL COM #1H
SL: 330' FSL & 1980' FWL, UNIT N
BHL: 330' FNL & 1980' FWL, UNIT C
Sec 23, T20S, R34E
Lea County, New Mexico**

**HOBBS OCD
SEP 06 2012**

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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 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 0.4 miles. The location stake is approximately 130' North of the lease road.

PLANNED ACCESS ROAD:

No new access road is planned. The existing lease road provides access to the well site (see Exhibit B).

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 according to API specifications as shown on Exhibit F-2. Production facilities will be installed on the well pad of the Laguna 23 Fed Com #1H or #2H, whichever is drilled first. If a tank battery is installed on the Laguna 23 Fed Com #2H well pad, no tank battery facility will be needed on the proposed site for the Laguna 23 Fed Com #1H. Nearburg Producing Company will notify the BLM and receive approval (via Form 3160-5) before constructing production facilities.
- b. Exhibit F-1 is a survey plat depicting approximately 1019.7' (61.8 rods) of proposed pipeline to the tank battery located on the pad of the Laguna 23 Fed Com #2H. If the tank battery is located on the proposed #1H well site, the pipeline will be modified to flow from the #2H to the tank battery. Nearburg Producing Company will notify the BLM and receive approval (via Form 3160-5) before constructing pipeline facilities.

- c. Exhibit H is a survey plat depicting approximately 1816' of proposed electric line. Power will be obtained from Xcel Electric. This electric line was also included in the APD for the Laguna 23 Fed Com #2H.
- d. 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 – 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

- a. The well will be drilled using a closed loop system – see Exhibit H.
- b. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.
- c. Water produced during tests will be disposed of in the drilling pits.
- d. Oil produced during testing will be stored in test tanks.
- e. Trash will be contained in a trash trailer and removed from well site.
- f. All trash and debris will be removed from well site within 30 days after finishing drilling and/or 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. If production facilities are not located on the pad, interim reclamation will take place after the well is completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions that are not needed for production operations will be re-contoured to the original state as much as possible. The caliche that is removed will be reused to either build another pad site or for road repairs within the lease. Any stockpiled topsoil will be spread over reclaimed area and reseeded with a BLM-approved seed mixture. Nearburg Producing Company will notify the BLM and receive approval (via Form 3160-5) before initiating interim reclamation.
- 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 know 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: NM2163

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 Well Site, Existing Access Road
C-1 – C-2	Vicinity Map (Topographical), Location Verification Map
D	One-Mile Radius Map
E	Proposed Well Pad Layout Map
F-1—F-2	Location of Existing and Proposed Facilities
G-1 – G-3	BOPE and Choke Manifold Schematics
H	Electric Line Survey

Nearburg Producing Company

Exploration and Production
3300 North "A" Street
Building 2, Suite 120
Midland, TX 79705-5421
432-686-8235
FAX 432-686-7806

March 1, 2012

DESIGNATION OF AGENT

Bureau of Land Management
ATTN: BETTY HILL
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220

Re: Agent Authorization

Dear Ms. Hill:

Please be informed that Vicki Johnston is an Agent employed by Gray Surface Specialties. She is authorized to prepare and submit APDs, Sundry Notices, Right-of-Way applications, and other BLM-required forms on behalf of Nearburg Producing Company.

Vicki can be contacted as follows:

- Telephone: (281) 265-6874 or (281) 468-2448
- Email: vjohnston1@gmail.com
- Mailing Address: 1631 Berkoff Drive, Sugar Land, TX 77479

Sincerely,

Nearburg Producing Company


Terrence Gant

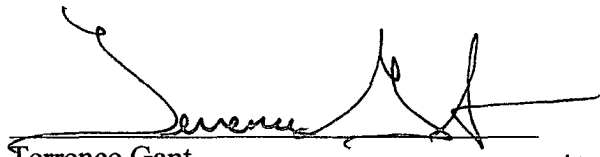
Midland Manager *RW* *Ze*

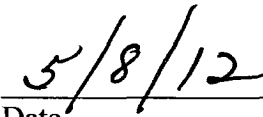
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Sec 23 T-20S R-34E
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COPY

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

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