

Surface Use Plan  
COG Operating LLC  
Picasso Federal Com #4H  
SL: 190' FSL & 990' FWL      UL D  
Section 9, T24S, R34E  
BHL: 330' FNL & 660' FWL      UL M  
Section 9, T24S, R34E  
Lea County, New Mexico

30-025-41734

HOBBS OCD

MAR 14 2014

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# Surface Use & Operating Plan

## Picasso Federal Com #4H

- Surface Owner: Rupert Madera, 524 Antelope Ridge, Jal, NM 88252.
- New Road: 3801'
- Flow Line: Will follow road to proposed facility at the Picasso Federal Com #3H.
- Facilities: Will utilize facilities at the Picasso Federal Com #3H well site.

### Well Site Information

V Door: East

Topsoil: North

Interim Reclamation: North and West

### Notes

**Onsite:** On-site was done by Tanner Nygren (BLM); Rand French (COG) on June 25, 2013.

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## **SURFACE USE AND OPERATING PLAN**

### **1. Existing & Proposed Access Roads**

- A. The well site survey and elevation plat for the proposed well is attached with this application. It was staked by Harcrow Surveying, Artesia, NM.
- B. All roads to the location are shown on the Location Verification Map Exhibit 2. The existing lease roads are illustrated and are adequate for travel during drilling and production operations. Upgrading existing roads prior to drilling the well will be done where necessary. The road route to the well site is depicted in Exhibit #2. The road shown in Exhibit #2 will be used to access the well.
- C. Directions to location: See 600 x 600 plat
- D. 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. Roads will be maintained according to specifications in section 2A of this Surface Use and Operating Plan.

### **2. Proposed Access Road:**

The Location Verification Map shows that 3801' of new access road will be required for this location. If any road is required it will be constructed as follows:

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 feet wide. Water will be diverted where necessary to avoid ponding, prevent erosion, maintain good drainage, and to be consistent with local drainage patterns.

- A. The average grade will be less than 1%.
- B. No turnouts are planned.
- C. No culverts, cattleguard, gates, low water crossings or fence cuts are necessary.
- D. Surfacing material will consist of native caliche. Caliche will be obtained from the actual well site if available. If not available onsite, caliche will be hauled from the nearest BLM approved caliche pit.

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### **3. Location of Existing Well:**

The One-Mile Radius Map shows existing wells within a one-mile radius of surface hole location and the bottom hole location.

### **4. Location of Existing and/or Proposed Facilities:**

- A. If the well is productive, contemplated facilities will be as follows:
- 1) A tank battery and facilities proposed at the Picasso Federal Com #3H location.
  - 2) Production will be sent to the Picasso Federal Com #3H facility. A surface flow line of approximately 650' of 2 7/8" steel pipe carrying oil, gas and water under a maximum pressure of 125 psi will follow the access road to the Picasso Federal Com #3H. The flow line is be layed a safe distance, estimated at 5-10' from the road.
  - 3) The tank battery and facilities including all flow lines and piping will be installed according to API specifications.
  - 4) Any additional caliche will be obtained from the actual well site. If caliche does not exist or is not plentiful from the well site, the caliche will be hauled from a BLM approved caliche pit. Any additional construction materials will be purchased from contractors.
  - 5) It will be necessary to run electric power if this well is productive. Power will be provided by Xcel Energy and they will submit a separate plan and ROW for service to the well location.
  - 6) If the well is productive, rehabilitation plans will include the following:
    - The 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 site.

### **5. Location and Type of Water Supply:**

The well will be drilled with combination brine and fresh water mud system as outlined in the drilling program. The water will be obtained from commercial water stations in the area and hauled to location by transport truck over the existing and proposed access roads shown in Exhibit #2. If a commercial fresh water source is nearby, fast line may be laid along existing road ROW's and fresh water pumped to the well. No water well will be drilled on the location.

**6. Source of Construction Materials and Location “Turn-Over” Procedure:**

Obtaining caliche: One primary way of obtaining caliche to build locations and roads will be by “turning over” the location. This means, caliche will be obtained from the actual well site. A caliche permit will be obtained from BLM prior to obtaining caliche. 2400 cubic yards is the maximum amount of caliche needed for pad and roads. Amount will vary for each pad. The procedure below has been approved by BLM personnel:

- A. The top 6 inches of topsoil is pushed off and stockpiled along the side of the location.
- B. An approximate 160' X 160' area is used within the proposed well site to remove caliche.
- C. Subsoil is removed and stockpiled within the surveyed well pad.
- D. When caliche is found, material will be stock piled within the pad site to build the location and road.
- E. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
- F. Once well is drilled, the stock piled top soil will be used for interim reclamation and spread along areas where caliche is picked up and the location size is reduced.
- G. Neither caliche, nor subsoil will be stock piled outside of the well pad. Topsoil will be stockpiled along the edge of the pad as depicted in the Well Site Layout or survey plat.

In the event that no caliche is found onsite, caliche will be hauled in from a BLM approved caliche pit or other established mineral pit. A BLM mineral material permit will be acquired prior to obtaining any mineral material from BLM pits or land.

**7. Methods of Handling Water Disposal:**

- A. The well will be drilled utilizing a closed loop mud system. Drill cuttings will be held in roll-off style mud boxes and taken to an NMOCD approved disposal site.
- B. Drilling fluids will be contained in steel mud pits.
- C. Water produced from the well during completion will be held temporarily in steel tanks and then taken to an NMOCD approved commercial disposal facility.

- D. Garbage and trash produced during drilling or completion operations will be collected in a trash bin and hauled to an approved landfill. No toxic waste or hazardous chemicals will be produced by this operation.
- E. Human waste and grey water will need to be properly contained and disposed of. Proper disposal and elimination of waste and grey water may include but are not limited to portable septic systems and/or portable waste gathering systems (i.e. portable toilets).
- F. After the rig is moved out and the well is either completed or abandoned, all waste materials will be cleaned up within 30 days. In the event of a dry hole only a dry hole marker will remain.

**8. Ancillary Facilities:**

No airstrip, campsite or other facilities will be built as a result of the operation on this well.

**9. Well Site Layout:**

- A. The drill pad layout, with elevations staked by Harcrow Surveying, is shown in the Elevation Plat. Dimensions of the pad and pits are shown on the Rig Layout. V door direction is East. Topsoil, if available, will be stockpiled per BLM specifications. Because the pad is almost level no major cuts will be required.
- B. The Rig Layout Closed-Loop exhibit shows the proposed orientation of closed loop system and access road. No permanent living facilities are planned, but a temporary foreman/toolpusher's trailer will be on location during the drilling operations.

**10. Plans for Restoration of the Surface:**

- A. Interim Reclamation will take place after the well has been completed. The pad will be downsized by reclaiming the areas not needed for production operations. The portions of the pad that are not needed for production operations will be re-contoured to its 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. The stockpiled topsoil will then be spread out reclaimed area and reseeded with a BLM approved seed mixture. In the event that the well must be worked over or maintained, it may be necessary to drive, park, and/or operate machinery on reclaimed land. This area will be repaired or reclaimed after work is complete.

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*COG Operating LLC*  
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*Lea County, New Mexico*

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- B. Final Reclamation: Upon plugging and abandoning the well all caliche for well pad and lease road will be removed and surface will be recountoured to reflect its surroundings as much as possible. Caliche will be recycled for road repair or reused for another well pad within the lease. If any topsoil remains, it will be spread out and the area will be re-seeded with a BLM approved mixture and re-vegetated as per BLM orders.

**11. Surface Ownership:**

- A. The surface is owned by Rupert Madera, 524 Antelope Ridge, Jal, NM 88252. A Surface Use Agreement has been executed between COG Operating LLC and Rupert Madera. The surface is multiple uses with the primary uses of the region for grazing of livestock and the production of oil and gas.
- B. COG Operating LLC's representative whose signature appears on the Operator's Certification attached hereby certifies that a copy of this Surface Use Plan has been mailed by certified mail, return receipt requested to the surface owner.
- C. The proposed road routes and surface location will be restored as directed by the BLM.

**12. Other Information:**

- A. The area around the well site is grassland and the topsoil is sandy. The vegetation is moderately sparse with native prairie grasses, some mesquite and shinnery oak. No wildlife was observed but it is likely that mule deer, rabbits, coyotes and rodents traverse the area.
- B. There is no permanent or live water in the immediate area.
- C. There are no dwellings within 2 miles of this location.
- D. If needed, a Cultural Resources Examination is being prepared by Boone Arch Services of NM, LLC., 2030 North Canal, Carlsbad, New Mexico, 88220, phone # 575-885-1352 and the results will be forwarded to your office in the near future. Otherwise, **COG will be participating in the Permian Basin MOA Program.**

**13. Bond Coverage:**

Bond Coverage is Statewide Bonds # NMB000215 and NMB000740

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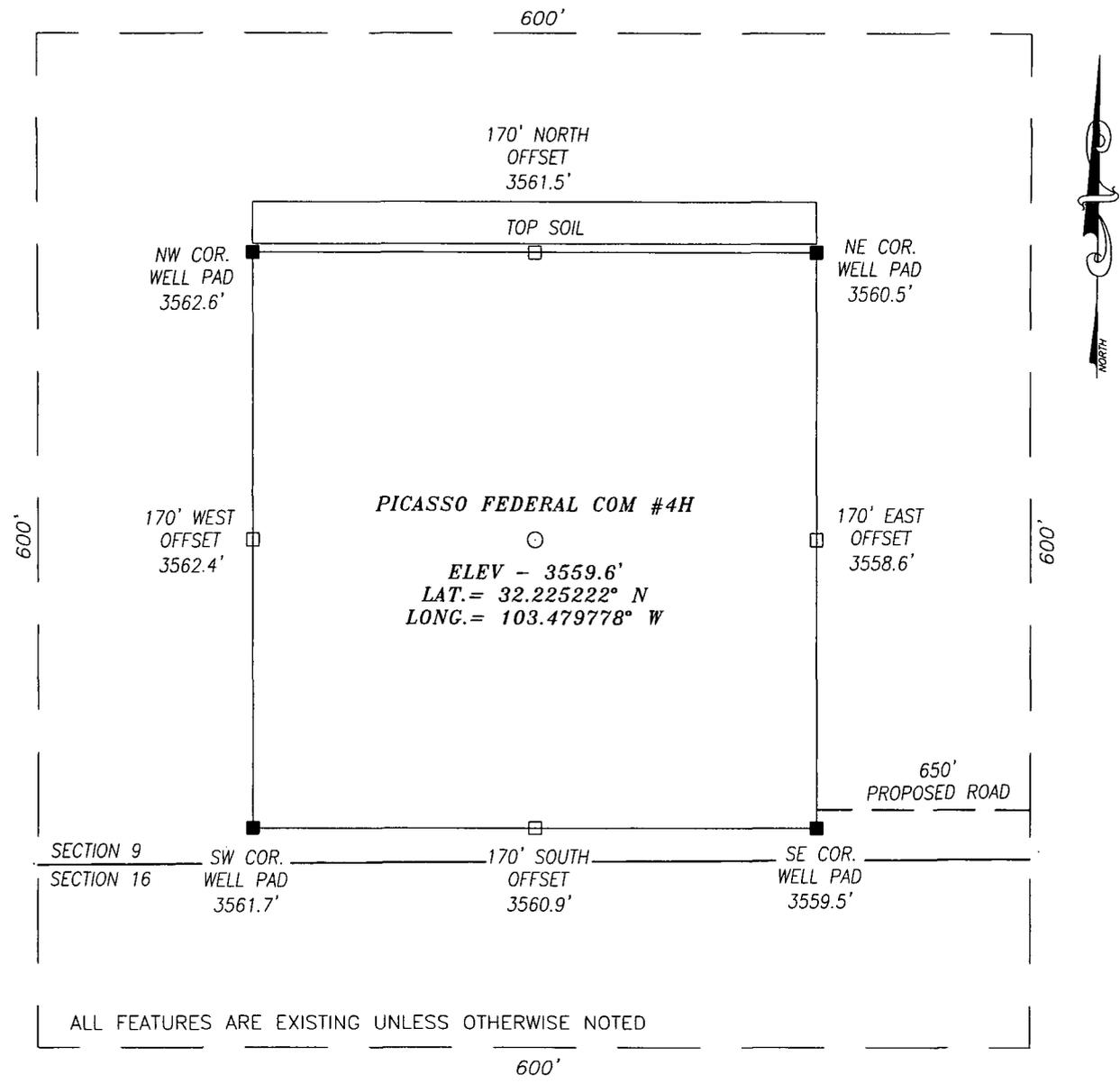
**14. Lessee's and Operator's Representative:**

The COG Operating LLC representative responsible for assuring compliance with the surface use plan is as follows:

Sheryl Baker  
Drilling Superintendent  
COG Operating LLC  
2208 West Main Street  
Artesia, NM 88210  
Phone (575) 748-6940 (office)  
(432) 934-1873 (cell)

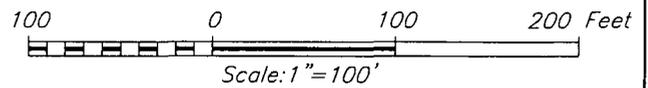
Ray Peterson  
Drilling Manager  
COG Operating LLC  
One Concho Center  
600 W Illinois Ave  
Midland, TX 79701  
Phone (432) 685-4304 (office)  
(432) 818-2254 (business)

SECTION 9, TOWNSHIP 24 SOUTH, RANGE 34 EAST, N.M.P.M.,  
LEA COUNTY NEW MEXICO



DIRECTIONS TO LOCATION

HEADING EAST ON HWY 128 TURN LEFT (NORTH) 0.4 MILES PAST MILE MARKER 34 ONTO A CALICHE RD., GO APPROX. 0.8 MILES TURN LEFT (WEST) AND GO APPROX. 0.2 MILES, THEN ROAD TURNS INTO A TWO TRACK. FOLLOW TWO TRACK .4 MILES WEST; THEN TURN RIGHT (NORTH) ON TWO TRACK AND GO .1 MILE; PROPOSED WELL IS APPROX. 935 FEET NORTHWEST.



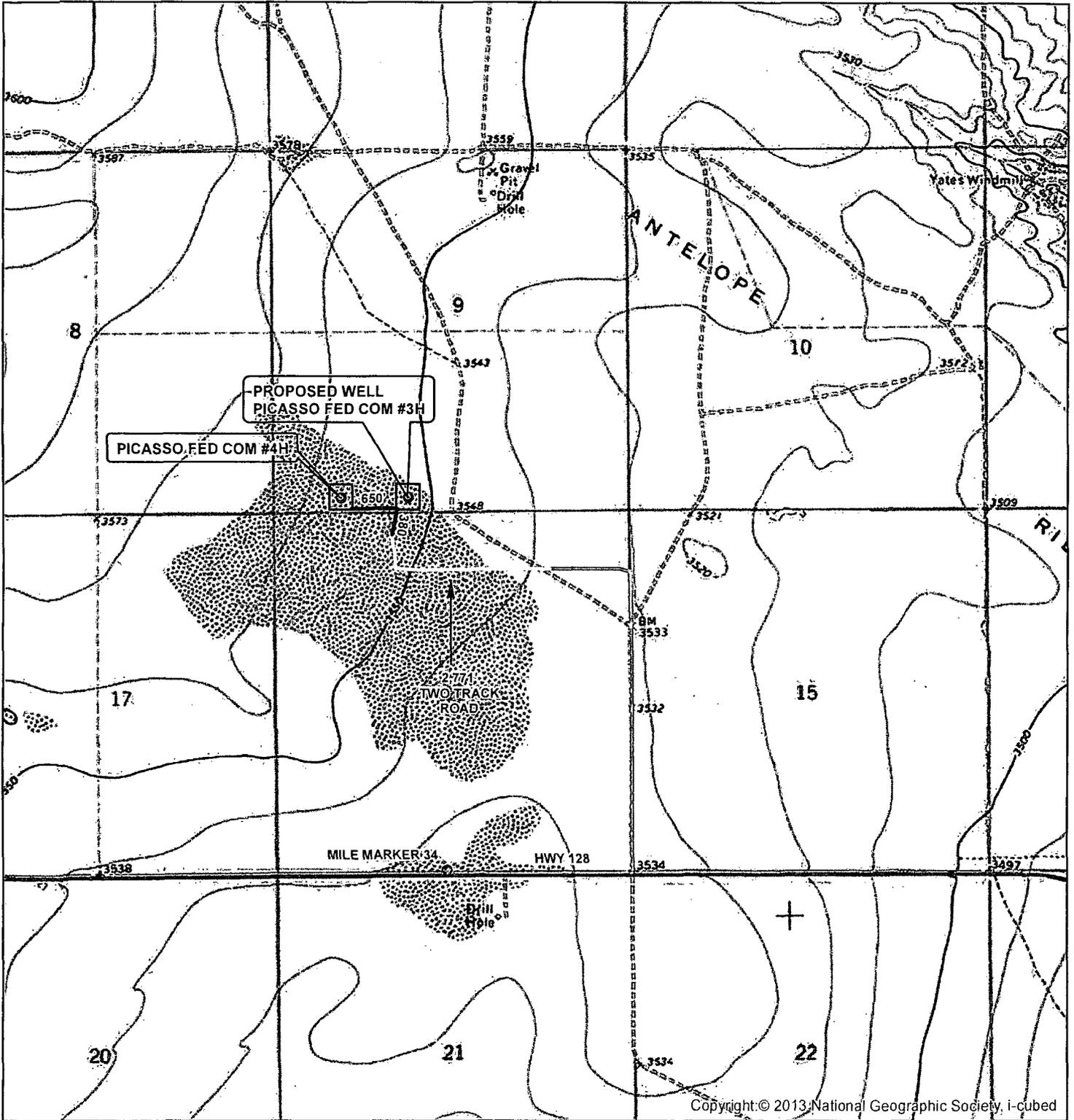
HARCROW SURVEYING, LLC  
1107 WATSON, ARTESIA, N.M. 88210  
PH: (575) 513-2570 FAX: (575) 746-2158  
chad\_harcrow77@yahoo.com



<b>COG OPERATING, LLC</b>	
PICASSO FEDERAL COM #4H WELL LOCATED 190 FEET FROM THE SOUTH LINE AND 990 FEET FROM THE WEST LINE OF SECTION 9, TOWNSHIP 24 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO	
SURVEY DATE: 06/26/2013	PAGE: 1 OF 1
DRAFTING DATE: 06/28/2013	
APPROVED BY: CH	DRAWN BY: VD FILE: 13-446

# EXHIBIT 2

## LOCATION VERIFICATION MAP



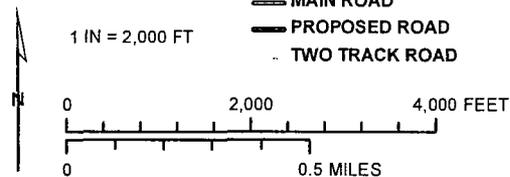
Copyright © 2013 National Geographic Society, i-cubed

SEC. 9, TWP. 24 S, RGE. 34E  
 SURVEY: N.M.P.M  
 COUNTY: LEA STATE: NEW MEXICO  
 DESCRIPTION: PICASSO FED COM #4H  
 190' FSL, 990' FWL

ELEVATION: 3559.6'  
 OPERATOR: COG OPERATING LLC  
 LEASE: PICASSO FED COM

W.O. # 13-446

- WELL
- WELL PAD
- MAIN ROAD
- PROPOSED ROAD
- TWO TRACK ROAD

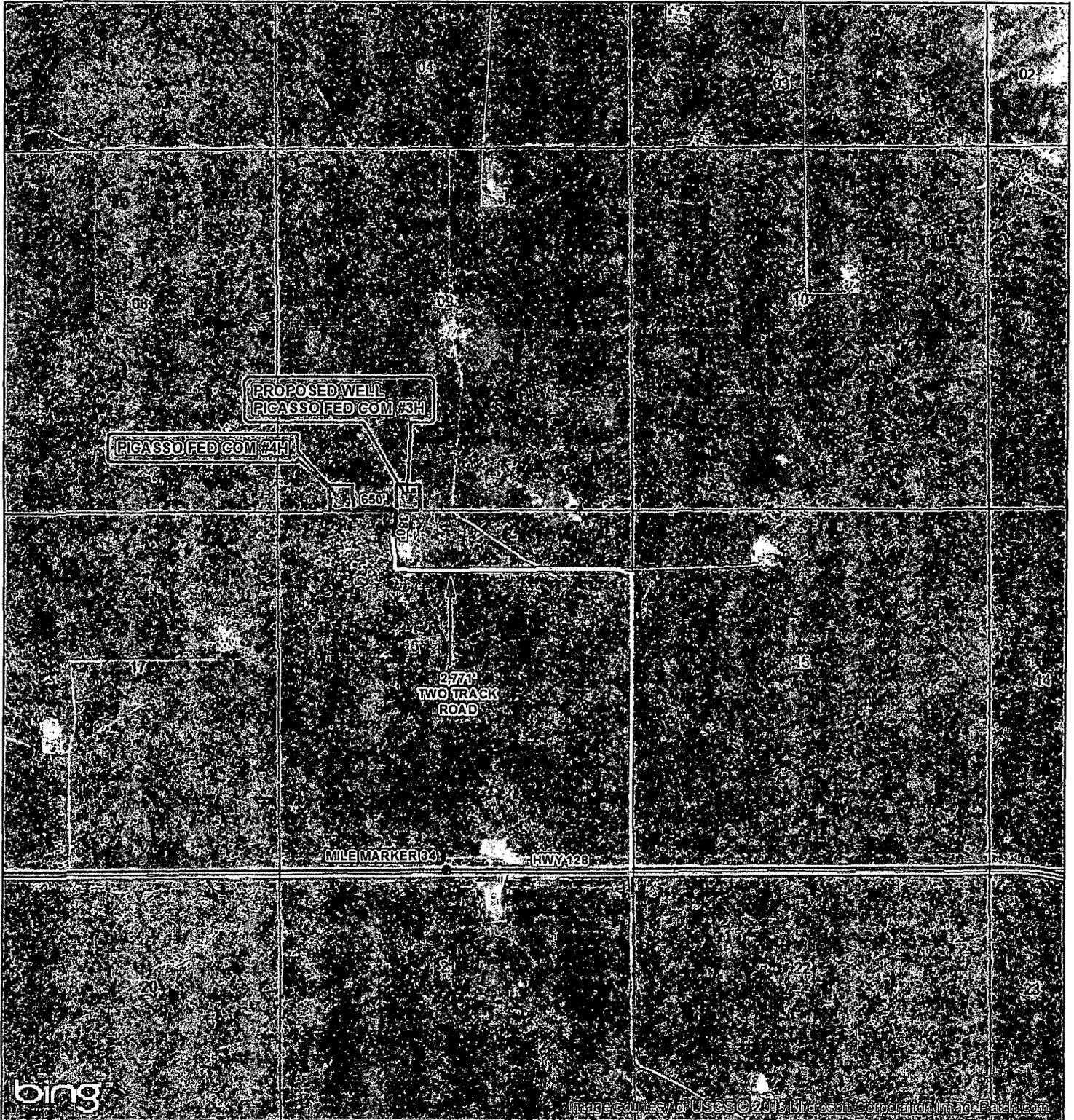


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 1107 WATSON, ARTESIA N.M. 88210  
 PH: (575) 513-2570 FAX: (575) 746-2158  
 chad\_harcrow77@yahoo.com



MAP DATE: 7/22/2013

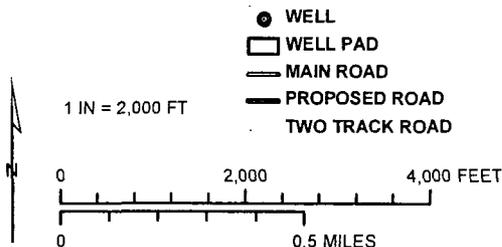
# LOCATION VERIFICATION MAP



SEC. 9, TWP. 24 S, RGE. 34E  
 SURVEY: N.M.P.M  
 COUNTY: LEA STATE: NEW MEXICO  
 DESCRIPTION: PICASSO FED COM #4H  
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ELEVATION: 3559.6'  
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 LEASE: PICASSO FED COM

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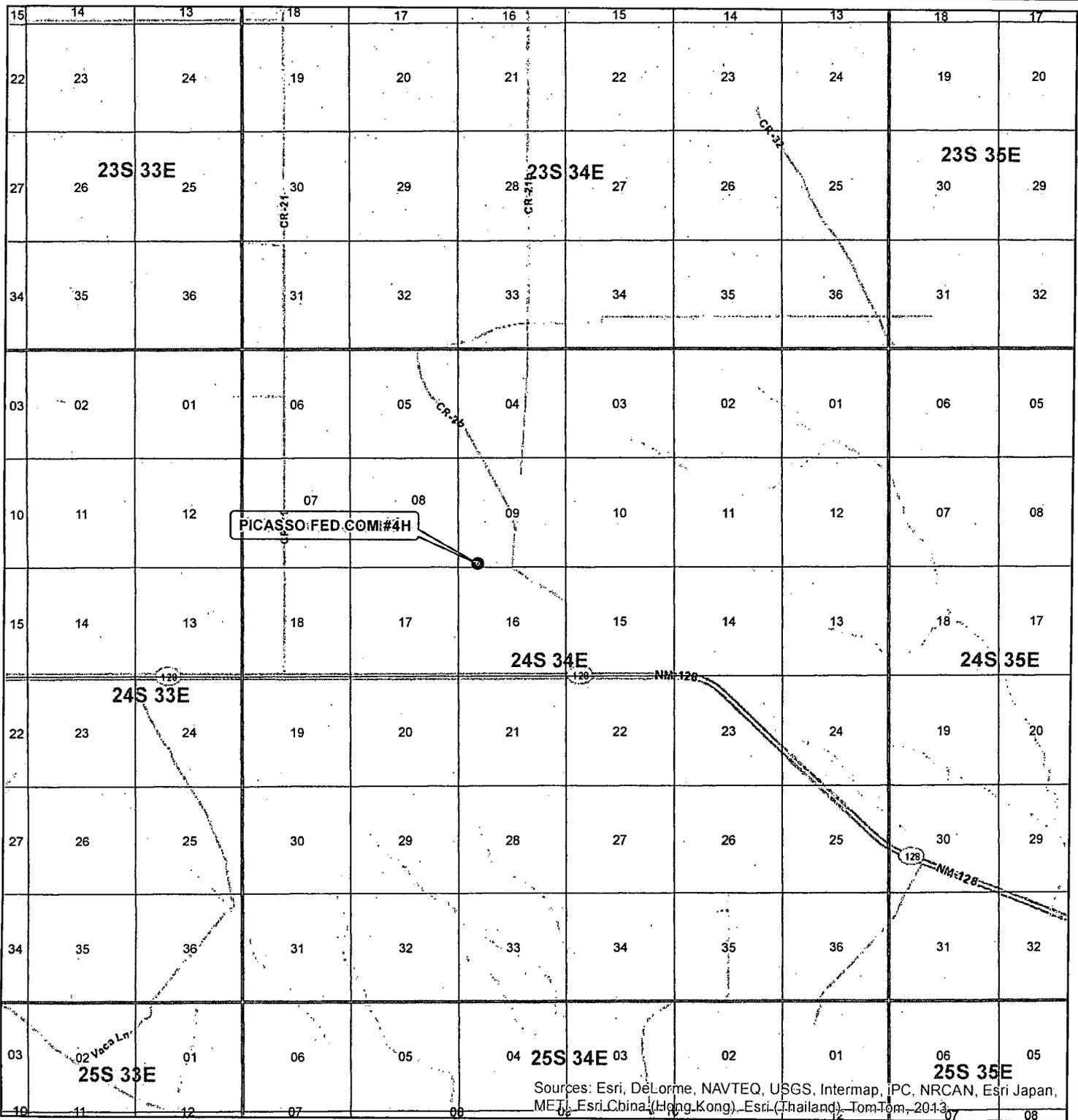


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MAP DATE: 7/22/2013

# VICINITY MAP



Sources: Esri, DeLorme, NAVTEQ, USGS, Intermap, iPC, NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom, 2013

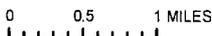
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 COUNTY: LEA STATE: NEW MEXICO  
 DESCRIPTION: PICASSO FED COM #4H  
 190' FSL, 990' FWL

ELEVATION: 3559.6'  
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1 IN = 6,600 FT

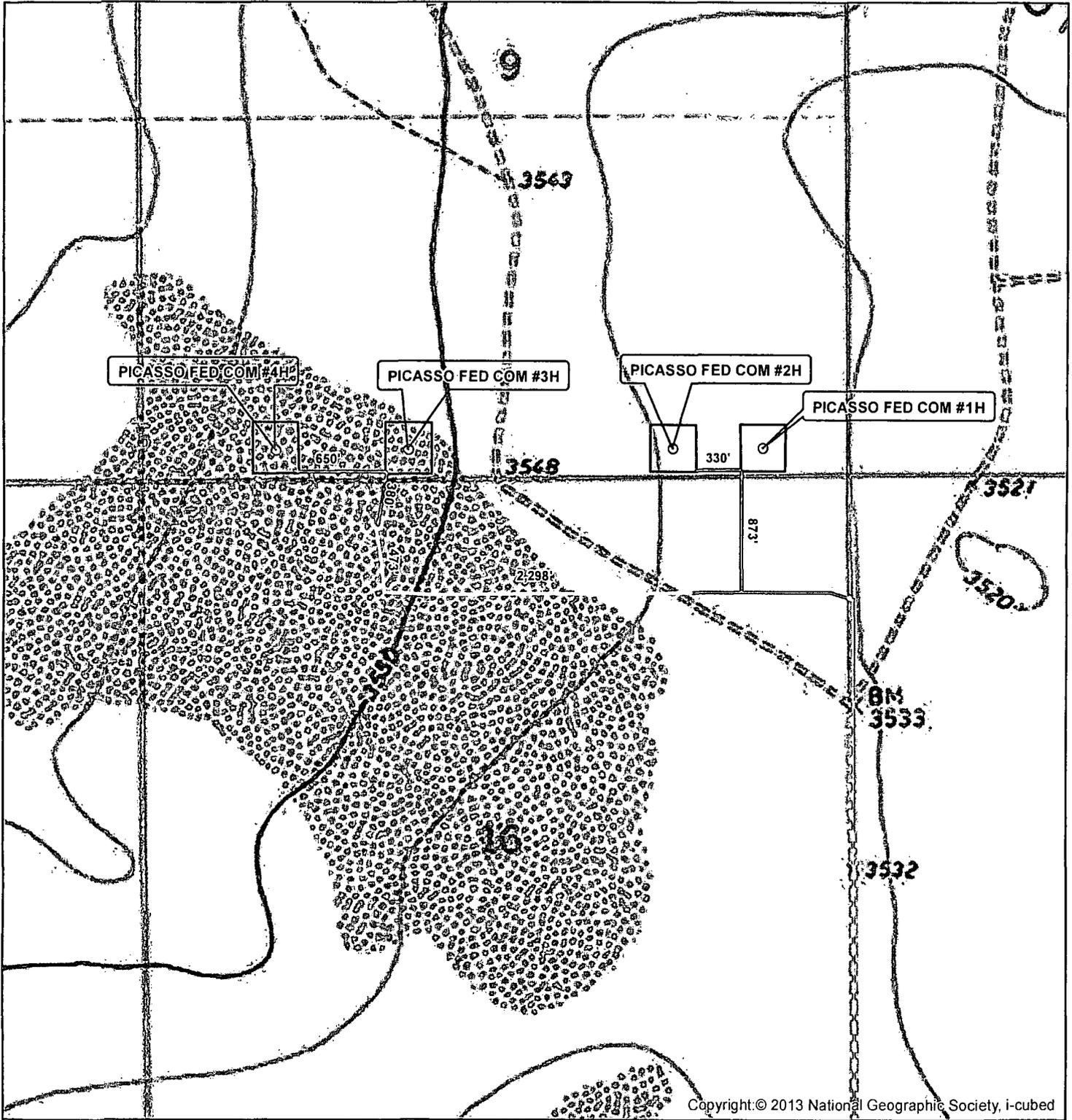


- WELL
- TOWNSHIP
- SECTION

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# ACCESS ROAD MAP

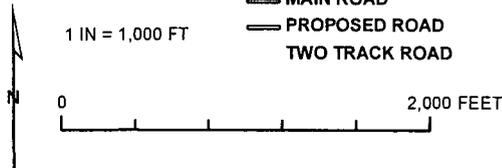


SEC. 9, TWP. 24 S, RGE. 34E  
 SURVEY: N.M.P.M  
 COUNTY: LEA STATE: NEW MEXICO  
 DESCRIPTION: PICASSO FED COM  
 #1H, #2H, #3H, & #4H

OPERATOR: COG OPERATING LLC  
 LEASE: PICASSO FED COM

W.O. # 13-446

- WELL
- WELL PAD
- MAIN ROAD
- - - PROPOSED ROAD
- TWO TRACK ROAD

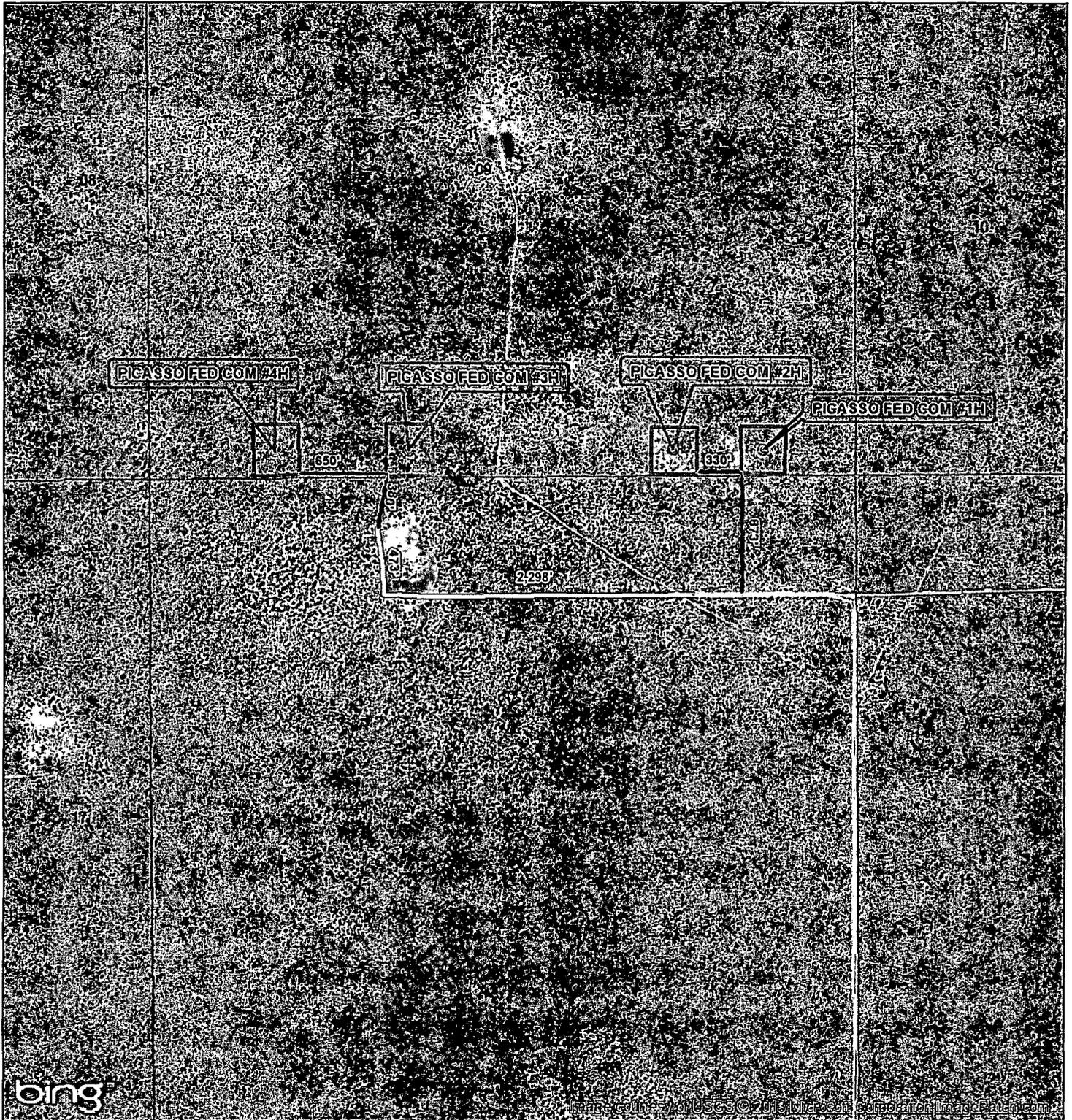


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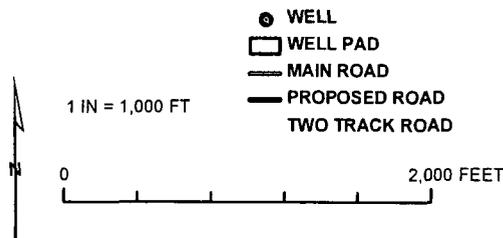
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Image courtesy of USGS © 2013 Microsoft Corporation ImageEarth.com

SEC. 9, TWP. 24 S, RGE. 34E  
 SURVEY: N.M.P.M  
 COUNTY: LEA STATE: NEW MEXICO  
 DESCRIPTION: PICASSO FED COM  
 #1H, #2H, #3H, & #4H

OPERATOR: COG OPERATING LLC  
 LEASE: PICASSO FED COM

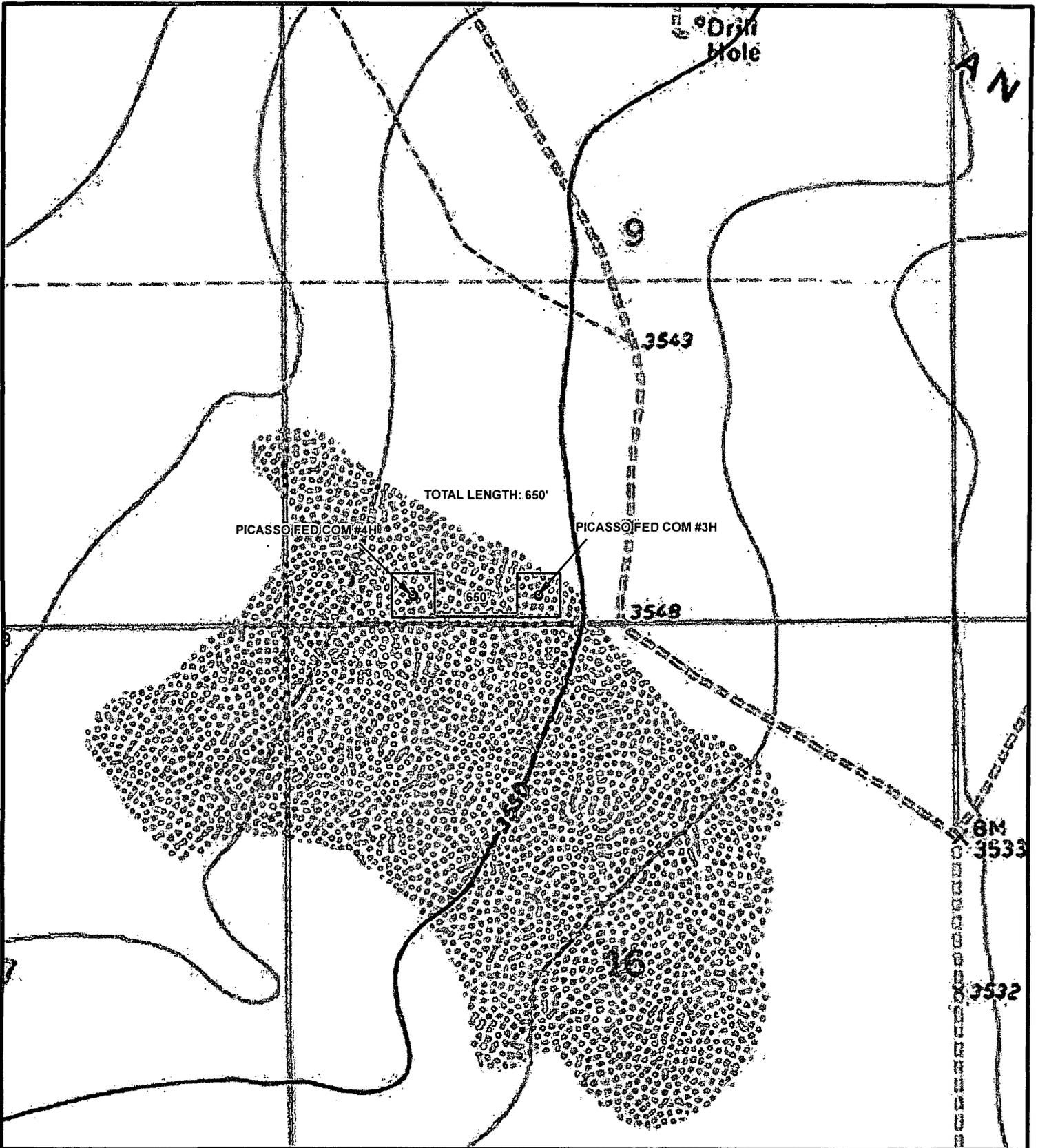
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MAP DATE: 7/22/2013



**LEGEND**

- WELL
- WELL PAD
- FLOWLINE
- PROPOSED ROAD

**FLOWLINE FROM PICASSO FED COM #4H TO #3H**

SEC: 9      TWP: 24 S.      RGE: 34 E.      LENGTH: 650'  
 STATE: NEW MEXICO      COUNTY: LEA  
 W.O. # 13-895      LEASE: PICASSO FED COM      SURVEY: N.M.P.M

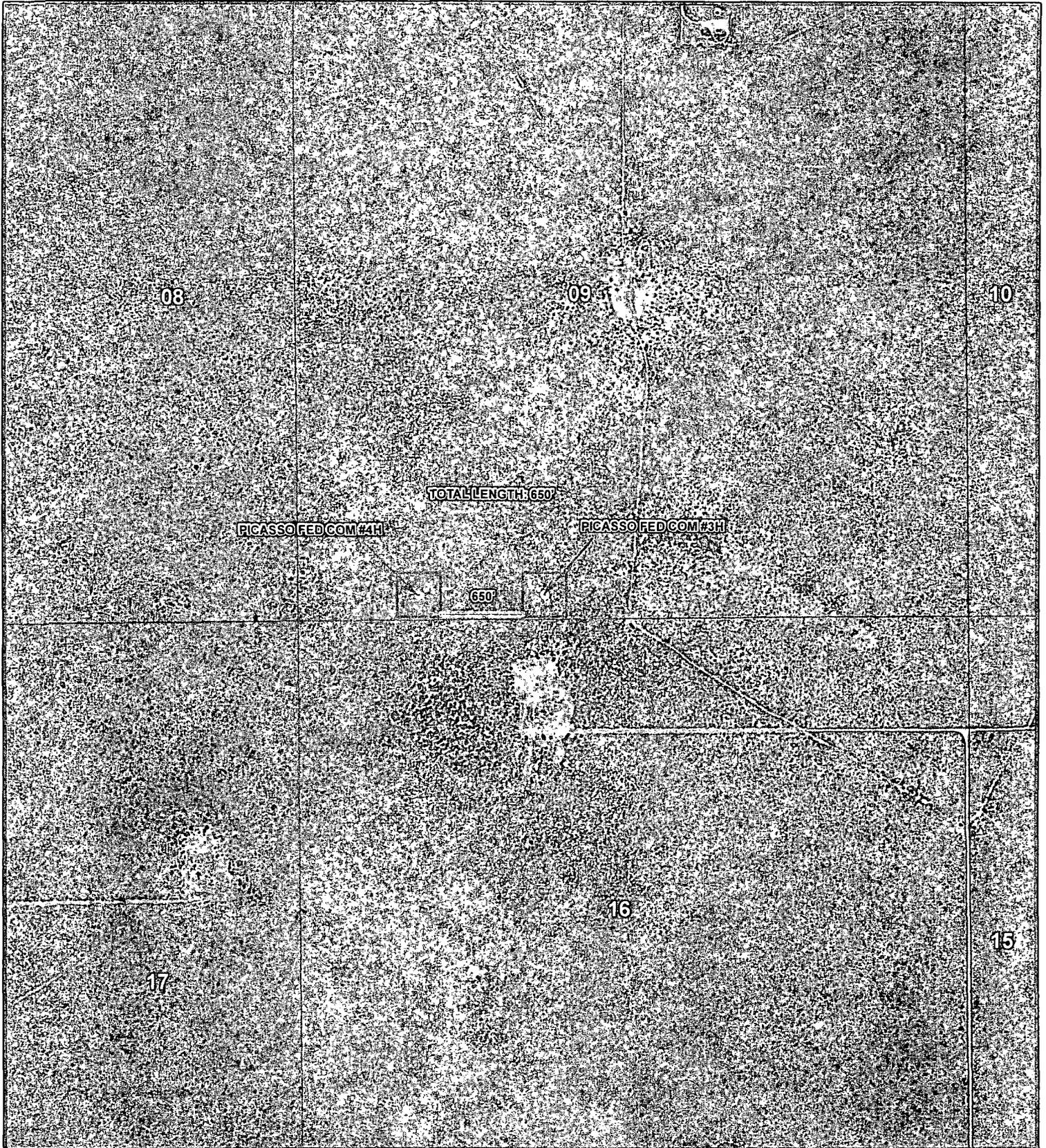


FLOWLINE MAP      TOPO      11/27/2013      KH

**CONCHO**  
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**LEGEND**

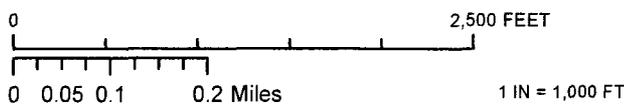
- WELL
- WELL PAD
- FLOWLINE
- PROPOSED ROAD

**FLOWLINE FROM PICASSO FED COM #4H TO #3H**

SEC: 9      TWP: 24 S.      RGE: 34 E.      LENGTH: 650'

STATE: NEW MEXICO      COUNTY: LEA

W.O. # 13-895      LEASE: PICASSO FED COM      SURVEY: N.M.P.M



FLOWLINE MAP      IMAGERY      11/27/2013      KHL

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Bold Ener. Kaiser-Francis Kaiser-Francis Bold Ener. Bold Ener. Bold Ener.  
E-5896 E-5896 HBP E-1937 K-280 K-280 K-280  
LAKE UT. NOCO(OPER.) Cont. Bell Lake Ut 32 HBU Shell Antelope Ridge TD 14238 MS-2-72 Chesapeake Keller St. 7-17-66 HBU Bold Ener. Strata Prangho St.  
Bold Ener. HBU Bold Ener. HBU Bold Ener. HBU Bold Ener. HBU  
E-8078 E-8078 E-8078 E-8078 E-8078 E-8078

Picasso Federal Com #4H  
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Section 9 - T24S - R34E

Strata Prod Ciguena State Shell (S) Bold Ener. HBU E-8078 State Antelope Ridge Ut State M.I. Jim Keller (S)

Kaiser-Francis Trip Oil HBP 02335 Kaiser-Francis HBU 105 State Morrow Ext. (Atoka Disc) (30 Mil) Bold Ener. Asher Ent. Bold Ener. HBU 021422 07135  
Kaiser-Francis (W) 061374 (Bold Ener.) 5 (Tex. West O&G Madera) Malsiek 4 Weblett Life Est. Marg. P. Warwick HBU 045332 05 Bold Ener 01-04(3)07199 U.S., MI R. Madera, et al E.S. Marrison Rubert Madera, et al  
D.T. Friddell Rubert Madera

Kaiser-Francis (P/B) 16 061374 Bell Lake Ut. 5' Kaiser-Francis 9-1-59(2) 061374 Kaiser-Francis 4-1-59(2) 066653 Three Rivers HBP 19642 U.S. M. Three Rivers (work) (Shell) 1364 Hall Fed TD 14212 (D/A 3-21-64) Yates Pet. 8-1-2015 123529 120.00 Leonard H. Alexander, Jr. R. Madera, et al  
R. Madera U.S., MI L. Dunnqvist Fed. Com. 9-1-2015 123529 120.00

EOG Res. 4-6-2003 Madera EOG Res. (Allar Co) 2-1-2015 113418 525.00 Chesapeake 1-25-2014 Stackelford 3-21-2014 Pure Res. (Allar Co) 2-1-2015 113418 525.00 Yates Pet. et al BHL VB-1179 \$609.00 Superior Govt TD 15.063 Colossal 9-9-2014 So'west Petr. Ld 3-1-2013  
Stackelford 2-24-2015 (S/2) Superior Govt TD 14.905 U.S. MI Rubert Madera, et al Alison Hughes, et al M.I. D.R. Roan M.I. Della Gibson M.I. R. Madera, et al  
Billie Forner & Mary Hale Rubert Madera, et al

MIDLAND MAP 24 34

Picasso Federal Com #4H  
SHL: 190' FSL & 990' FWL  
Section 9 - T24S - R34E

EOG Res. (Superior) Superior 1-1-83 172.41 HNG Oil Duff TD 15.525 DIA 3-12-03  
R. Miles 11-1-201 117125 12.6972 130.00 80 Ac. U.S. MI  
Rubert Madera, et al