

ONSHORE OIL & GAS ORDER NO. 1
Approval of Operations on Onshore
Federal and Indian Oil and Gas Leases

HOBBS OCD

JUN 20 2014

Brininstool 24-23-33 USA #2H

150' FNL and 1,980' FWL

Section 24, Township 23 South, Range 33 East
Lea County, New Mexico

RECEIVED

1. EXISTING ROADS/LEASE ROADS

Driving directions are from Jal NM. West on HWY 128 approximately 18.5 miles to CR 21. Turn right (north) and go approximately 6 miles to an existing caliche road and turn left (west). Then proceed west through the first cattle guard and turn left (south) and cross another cattle guard and follow this road around to the well.

This lease road is approximately 20' in travel way width and 1 mile in length with a maximum disturbance area of 30' has been used, and in accordance with guidelines set forth in the BLM Onshore Orders. No turnouts are expected.

Existing county and lease roads will be used to enter proposed access road.

Surface disturbance and vehicular travel will be limited to the approved location and approved access route. Any additional area needed will be approved in advance.

Location, access, and vicinity plats attached hereto. **See Exhibits A-1 to A-4.**

2. NEW OR RECONSTRUCTED ACCESS ROADS

The access road has been constructed.

The new access road has been upgraded to a crowned and ditched road and has been graveled as needed for drilling. If requested by the surface owner, upgrading of this portion of the road will be kept to a minimum.

All existing roads (previously improved) will be used "as is" with the exception of minor blading as needed.

Surface disturbance and vehicular travel will be limited to the approved access route. Any additional area will be approved in advance.

Road Width: 14 – 20 feet traveling surface.

Maximum Grade: Road gradient less than 8%

JUN 24 2014

Crown Design: 2%

Turnouts will be installed along the access route as needed.

Ditch design: Drainage, interception and outlet.

Erosion Control: 6" rock under road.

Re-vegetation of Disturbed Area: All disturbed areas will be seeded by Broadcast or Drill and Crimp. Ground conditions will determine the method used.

Cattle guard(s) will be installed as needed.

Major Cuts and Fills: 2:1 Slope.

Surfacing material (road base derived from caliche or river rock) has been placed on the access road during construction. All surface disturbing activities will be discussed with and agreed to with the surface owner.

3. LOCATION OF EXISTING WELLS

All wells located within a 1-mile radius of the proposed location. **See Exhibit B.**

4. LOCATION OF PRODUCTION FACILITIES

Production facilities are located on the East side of the Brininstool USA 23-23-33 1H (Located in Section 23, T23S, R33E) well pad and all oil to be sold at that tank battery. The E/2 of Section 23 and all of Section 24 are the same oil and gas lease.

The production line will be buried 3 1/2" Fiberglass Pipe with a working pressure greater than 100 psi ran along existing disturbances.

Oil and gas measurement will be installed on this well location.

5. LOCATION AND TYPES OF WATER SUPPLY

Water will be obtained from a private water source.

Chevron will utilize the frac pond in section 23-23-33 for fresh water.

A temporary 4" poly pipe transfer line will run approx. 1.25 miles from the water well in NW corner of section 14 to the frac pond in section 23. All transfer lines will be laid on a disturbed area.

6. CONSTRUCTION MATERIALS

All construction materials will be used from the nearest Private, BLM, or State pit. All material (i.e. shale) will be acquired from private or commercial sources.

No construction material will be needed for well pad construction; subsurface spoil material will be utilized.

Surfacing material (caliche) will be purchased from a supplier having a permitted source of materials.

The entire location will be fenced with barb/woven wire and bermed with spoil dirt or gravel.

7. METHODS FOR HANDLING WASTE DISPOSAL

A closed system will be utilized consisting of above ground steel tanks.

All wastes accumulated during drilling operations will be contained in a portable trash cage and removed from location and deposited in a state approved facility.

Disposal of cuttings:

8. ANCILLARY FACILITIES

None

9. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Ensign Rig #153 orientation and equipment location. **See Exhibit D.**

In order to level the location, cut and fill will be required. Please see attached Well Location and Acreage Dedication Plat – Exhibits A-1 to A-4.

A locking gate will be installed at the site entrance.

Any fences cut will be repaired. Cattle guards will be installed, if needed.

10. PLANS FOR RECLAMATION OF THE SURFACE

In the Event of Production

Interim reclamation will consist of reclaiming the pad to 50 feet outside the anchors or approximately 200 x 200 feet.

In the Event of a Dry Hole/Final Reclamation

Upon final abandonment of the well, caliche material from the well pad and access road will be removed and utilized to re-contour to a final contour that blends with the surrounding topography as much as possible. Any caliche material not used will be utilized to repair roads within the lease. Topsoil will be distributed over the reclamation area and cross ripped to control erosion; the site will be seeded with an approved BLM mixture.

The location will be restored to as near as original condition as possible. Reclamation of the surface shall be done in strict compliance with the existing New Mexico Oil Conservation Division regulations and BLM regulations.

- 11. SURFACE TENANT**
Brininstool XL Ranch, LLC
P.O. Box 940
Jal, New Mexico 88252

ROAD OWNERSHIP

All access roads are located on Private, Federal & State lands.

12. ADDITIONAL INFORMATION

Class III cultural resource inventory report was prepared by Boone Archaeological Services, Carlsbad, New Mexico for the proposed location. A copy of the report has been sent to the BLM office under separate cover and is also attached for reference.

13. Chevron REPRESENTATIVES

Project Manager Fred Verner 1400 Smith Street, 40039 Houston, TX 77002 Office: 713-372-6149 fredverner@chevron.com	Drilling Engineer Kyle Johnson 1400 Smith Street, 43104 Houston, TX 77002 Office: 713-372-6514 kyle.johnson@chevron.com
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Geologist Ryan Jensen 1400 Smith Street, 40029 Houston, TX 77002 Office: 713-372-0553 ryanjensen@chevron.com	Land Representative Jason Levine 1400 Smith Street, 45004 Houston, TX 77002 Office: 713-372-5313 jlevine@Chevron.com
Regulatory Specialist Denise Pinkerton 15 Smith Road, 4229 Claydesta Plaza Midland, TX 79705 Office: 432-687-7375 leakejd@Chevron.com	

APD Deficiencies

Well Name: Brininstool 24-23-33 USA 2H

Operator: Chevron U.S.A. Inc.

Date: 03/26/2014

Deficiencies:

Attached

1. Existing Roads:

- a. Please provide a legible map for the "existing road route" that shows and identifies the access route to the proposed well from a state or county maintained road. See attached drawing in email.
- b. Please also supply plans for improvement and/or maintenance of existing roads planned to access the well site.

The operator will improve or maintain existing roads in a condition the same as or better than before operations begin. The operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattle guards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. We will prevent and abate fugitive dust as needed, whether created by vehicular traffic, equipment operations, or wind events. BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

2. Location of Production Facilities:

- a. Please provide the location of the Brininstool 23-23-33 USA #1H well that contains the tank battery. On attached diagram.
- b. Please provide an aerial map of the proposed pipeline planned for the well. Please reference the map in the surface use plan. On the map, please depict the proposed well site, tank battery location, the proposed pipeline, and road that the pipeline is following. On attached diagram.

3. Water Supply:

- a. Please provide an aerial map of the proposed water pipeline planned for the well. Please reference the map in the surface use plan. The map should depict the proposed well, the existing frac pond, the proposed pipeline, and road that the pipeline is following.

4. Waste Disposal:

- a. Describe methods for safe containment and proper disposal of each type of waste material at a state approved facility (e.g. cuttings, garbage, salts, chemicals, sewage, grey-water etc.) that results from drilling and completing the proposed well.

- b. "Disposal of drill cuttings:" needs something after it.

5. Well Site Layout:

- a. Exhibit D needs revised. Please depict the entrance on the southeast corner
- b. The H2S Plan diagram needs revised. Please depict the entrance the same way as corrected Exhibit D. Please also correct the north arrow.

6. Plans for Surface Reclamation:

- a. Please provide an interim reclamation layout that depicts the following:
 - i. Name of Well
 - ii. North Arrow
 - iii. Road Entry Point into the initial pad and into the downsized pad.
 - iv. Dimensions of the Area of Pad to be Reclaimed
 - v. Final Pad Dimensions
- b. Please describe interim reclamation plans. Plan should include:
 - i. Removal of surfacing material
 - ii. Configuration of the reshaped topography (contouring)
 - 1. This shouldn't include using caliche or surfacing material
 - iii. Redistribution of topsoil
 - iv. Seeding
 - v. Weed Control
- c. Please revise the final reclamation plans. Plan should include:
 - i. Removal of surfacing material
 - ii. Configuration of the reshaped topography (contouring)
 - 1. This shouldn't include using caliche or surfacing material
 - iii. Redistribution of topsoil
 - iv. Seeding
 - v. Weed Control

7. Surface Ownership:

- a. The surface ownership is a private land owner. Please provide the following:
 - i. Name
 - ii. Address
 - iii. Phone Number
- b. The operator must certify that they have provided a copy of the Surface Use Plan of Operations of the APD to the private surface owner or that they made a good faith effort if unable to provide the document to the surface owner.
- c. The operator must certify that a surface use agreement with the surface owner was reached or a good faith effort to reach an agreement had failed.

For any questions or if you need any help, please contact Tanner Nygren (575-234-5975)

APD DEFICIENCIES

Well Name: Brininstool 24-23-33 USA #2H

Operator: Chevron U.S.A. Inc.

Date: 04/23/2014

Deficiencies:

1. Existing Roads SEE ATTACHED SCHEMATIC – exhibit 1

Chevron U.S.A. Inc. will improve or maintain existing roads in a condition the same as or better than before operations begin. Chevron will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattle guards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. Chevron will prevent and abate fugitive dust as needed, whether created by vehicular traffic, equipment operations, or wind events. BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

New Roads: New roads will not be constructed.

Location of Production Facilities: SEE ATTACHED SCHEMATIC-exhibit 1

Water Supply: SEE ATTACHED SCHEMATIC – exhibit 1

Waste Disposal: SEE ATTACHED PLAN

Well Site Layout: Corrected & sent in 03/27/2014

Plans for Surface Reclamation: Due to private deeded surface, reclamation is not required.

Surface Ownership: Brininstool XL Ranch, LLC

P.O. Box 940, Jal, NM 88252 (325-234-8306)

SOPA Regulations were followed & a Surface Use Agreement has been executed

Waste Management Plan

Chevron Mid-Continent Business Unit Drilling and Completions

This Waste Management Plan provides guidance for managing routine waste streams generated by Chevron MCBU's drilling and completions operations. It is applicable to drilling, completions, well services/workovers, and their associated activities. This plan is aligned with the Chevron Environmental Stewardship Standards and meets the state and federal regulatory requirements.

On-Site Waste Segregation and Storage

- All waste must be stored in designated areas with no public access or sufficient surveillance
- Containers must be labeled, have lids, and shall be closed when not adding or removing waste
- Containers should be of sufficient size to prevent overflow and reasonably protected from inclement weather
- Secondary containment must be in place for hazardous wastes and materials that are in liquid form. Stormwater should not accumulate in the containment.

Summary of Waste Types and Handling Guidelines

Waste	Examples	Proper Handling	Disposal/ Reuse/Recycle	Tracking Document
E&P Exempt Waste (solids)	Formation cuttings/drill cuttings and mud (oil and water-based), contaminated soil from oil/fluid spills (excludes chemicals spills), workover solids, produced sands, excess cement slurries, cement cuttings, etc.	Cutting bin, mud tank, circulation tank, drum, stockpile, dump truck	Transport to selected-for-use disposal facilities	Non-Hazardous Waste Manifest
E&P Exempt Waste (fluids)	Flowback/drilling/workover/stimulation fluids, downhole freeze-protection fluids, brine, KCl, etc.	Vacuum truck, frac/flowback tank, circulation tank, portable tank	Transport to selected-for-use disposal facilities	Trucking/shipping ticket
Reused/ Recycled Fluids	Flowback fluids stored in reserve pits, portable tanks, etc.	Vacuum truck, flowback tank, portable tank, reserve pit	Reuse/Recycle	No document needed
Oily Waste	Oily debris, sorbents, rags, liner, spill cleanup materials, PPE, empty mud sacks, cans, buckets, bottles, pails, drums, paper, plastic, Styrofoam, food waste, office trash, metal strips, wiring, hoses (no free liquids), broken pallet, miscellaneous wood, RCRA-empty chemical containers, water filters, empty aerosol cans, spent alkaline batteries, etc.	Dispose in trash trailer. Containers must be empty. Double bag material if dripping. No free liquids.	Transport to selected-for-use disposal facilities	Non-Hazardous Waste Manifest
Small Bags of Non-Oily Waste	Paper, plastics, Styrofoam, food waste, office trash, water filters, spent alkaline batteries, etc.	Line trash can with trash bag, tightly wrap bag before transfer/transportation	<u>Option 1:</u> Transport to local FMT office waste bin <u>Option 2:</u> Place in trash trailer	<u>Option 1:</u> No document needed <u>Option 2:</u> Use non-haz waste manifest as part of Oily Waste
Small Bags of Oily Waste	Oily debris, sorbents, rags, liner, spill cleanup materials, PPE, empty mud sacks, cans, buckets, bottles, pails, paper, plastic, Styrofoam, food waste, office trash, metal strips, wiring, hoses (no free liquids), miscellaneous wood, RCRA-empty chemical containers, water filters, empty aerosol cans, spent alkaline batteries, etc.	Line trash can with trash bag, tightly wrap bag before transfer/transportation	<u>Option 1:</u> Transport to local FMT industrial/oily waste bin <u>Option 2:</u> Place in trash trailer	<u>Option 1:</u> No document needed <u>Option 2:</u> Use non-haz waste manifest as part of Oily Waste

Waste	Examples	Proper Handling	Disposal/ Reuse/Recycle	Tracking Document
Empty Containers	Mud sacks, plastic pails, metal buckets, cans, drums, bottles that are RCRA-empty	Dispose in trash trailer with oily waste, use up content in containers, no free liquids, crush containers if possible	Transport to selected-for-use disposal facilities	Use non-haz waste manifest as part of Oily Waste
Aerosol Cans	Paint cans, WD-40 cans, Lysol/air freshener, etc.	Use up the content and retest the cans before disposal	<u>Option 1:</u> Transport to FMT to be punctured. If puncturing not practiced, place cans in waste bins. <u>Option 2:</u> Dispose in trash trailer	<u>Option 1:</u> No document needed <u>Option 2:</u> Use non-haz waste manifest as part of Oily Waste
Contaminated Soil – Crude Oil or E&P Exempt Fluids	Contaminated soil generated from cleanups of a spill or release of hydrocarbon fluids or E&P Exempt fluids	<u>Spills < 1 bbl:</u> Accumulate in 55-gal drum(s) <u>Spills > 1 bbl:</u> Stockpile, schedule disposal as soon as possible	Transport to selected-for-use disposal facilities	Non-Hazardous Waste Manifest
Contaminated Soil – Non Hazardous Chemicals	Contaminated soil generated from cleanups of a spill or release of non-hazardous chemicals	Double bag or place it in drum(s), label properly, place in designated area	Transport to selected-for-use disposal facilities	Non-Hazardous Waste Manifest
Contaminated Soil – Hazardous Chemicals	Contaminated soil generated from cleanups of a spill or release of hazardous chemicals	Double bag or place it in drum(s), label properly, place in designated area. Contact D&C Waste and Water Specialist.	Transport to selected-for-use disposal facilities	Hazardous Waste Manifest
Hazardous Waste	Discarded pure hazardous chemicals, contaminated-soil from hazardous chemical spills, non-empty container holding hazardous chemicals	Place in closed containers, label properly with a hazardous waste sticker	Contact D&C Waste and Water Specialist for disposal instructions	Hazardous waste manifest
NORM Waste	NORM-contaminated equipment (radiation > 50 µR/hr), tested material (radiation > 30 pCi/g)	Keep it wet, separate from other materials and people	Truck to cleaning facilities before recycling/reuse or transport to NORM-approved disposal facilities	Non-hazardous waste manifest with DOT document
Sewer Water	Water from restrooms, portable potty, showers, washing dishes and clothes	Collect on site, do not release on ground even if treated	Managed and disposed of by contractor at a POTW	Trucking/shipping ticket
Universal Waste	Used batteries (Ni-Cd, mercury, lithium, rechargeable batteries), lamps (fluorescent bulbs, incandescent bulbs), mercury-containing equipment (switches, temperature and pressure gauges, thermostats, manometers), Paint and Paint Related Waste (applies to Texas only - unused paint, paint-contaminated rags, paint-contaminated solvent, paint spills) <u>Excludes alkaline and lead-acid batteries</u>	If receptacles are provided, place in proper receptacles for each type of waste	Place in appropriate receptacles at local FMT. <u>Alkaline/lead-acid batteries go in trash trailer.</u>	No document needed to transport to FMT. Use Bill of Lading for onsite receptacles.
Thread Protectors	Used thread protectors	Reuse if possible. If discarded, collect in separate bins on site.	<u>Workover:</u> Transported to FMT for recycling <u>Drilling:</u> Collected by contractor for re-use	No document needed
Unused Chemical	Expired or unused acid/caustic solutions, paints, cleaning chemicals, drilling mud, concrete, etc.	Use proper handling to prevent spills	Return to vendors	No document needed