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

Talco 25 Federal 25-25-35 #1H
280' FNL and 660' FWL
Section 25, Township 25S, Range 35E
Lea County, New Mexico

A. EXISTING ROADS/LEASE ROADS

Driving directions are from Jal, New Mexico. Proceed west from Jal, New Mexico on highway 128 approximately 7 miles, turn south or left and go approximately 2 1/2 miles south to the location. The location is approximately 11 miles from the nearest town, which is Jal, New Mexico.

The proposed access to the location is approximately 2 1/2 miles off of the Jal highway 128 being approximately 2 1/2 miles in length and 14' in travel way width with a maximum disturbance area of 20' will be used, and in accordance with guidelines set forth by the BLM. No turnouts are expected.

Existing ranch 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.
Note: Exhibit A-1 through A-4: C-102 plat, Vicinity plats, Surface Use Plat

Plans for improvement and/or maintenance of existing roads planned to access the well site: Chevron 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. 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.)

B. NEW OR RECONSTRUCTED ACCESS ROADS

There will be approximately 11/2 miles of existing road to be used, which will be upgraded and 1 ½ miles of new road to be constructed.

The new access road will be upgraded to a crowned and ditched road and will be 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%

Crown Design: 2%

Turnouts will be installed along the access route as needed.

Ditch design: Drainage, interception and outlet.

Erosion Control: Ditching on both sides of road with turnouts.

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: All slopes will be brought back to 3:1 or greater during the interim reclamation

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

C. LOCATION OF EXISTING WELLS

All wells located within a 1-mile radius of the Surface & Bottom Hole Location. **Exhibit B.**

D. LOCATION OF PRODUCTION FACILITIES

It is anticipated that production facilities will be located on the East side of the **Talco 25-25-35 #1H** well pad and oil to be sold at that tank battery.

The production line will be surface-laid 4" composite pipe with a working pressure less than 125 psig running along existing disturbances.

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

The permanent water disposal system will be determined prior to construction of any water transfer pipeline. Until permanent water takeaway is available, produced water will be hauled off location in trucks.

The permanent electrical supply route will be determined prior to construction of permanent distribution lines. A generator will be utilized until permanent power is connected.

E. LOCATION AND TYPES OF WATER SUPPLY

Water will be obtained from a private water source.

Chevron will utilize the fresh water holding pond in Section 25-T25S-R35E for fresh water. Such holding pond is located approximately 100' to the East of the Eastern edge of the drill location.

Water will be hauled into or piped from a private provider into Section 25-T25S-R35E.

A 10" black expanding water pipe transfer line will run approx. 6.5 miles from Section 30-T26-R35E to Section 25-T25S-R35E. All transfer lines will be laid on a **("pre-disturbed**) area.

F. CONSTRUCTION MATERIALS

If surface material is needed for construction of location, material will be purchased from the nearest private, state, or federal mineral pit.

G. 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: **Tervita, LLC**

Sewage and gray water before and after treatment are not allowed to be discharged to the ground. They are collected from storage tank(s) and portable potty at drilling and completions locations and transported by an approved transporter to be disposed of at a Chevron's select-for-use disposal facility.

H. ANCILLARY FACILITIES

None anticipated.

I. WELLSITE LAYOUT

The proposed site layout plat is attached showing the Ensign 767 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.**

An erosional cut will be placed upslope, right above the well pad to divert storm water from running onto the well pad.

Well pad will be bermed on the downslope sides to prevent erosion from run-off.

All major cuts and fills will be brought back to a 3:1 or greater during interim reclamation.

A locking gate will be installed at the site entrance.

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

J. PLANS FOR RECLAMATION OF THE SURFACE

Interim Reclamation will be completed within 6 months per Onshore Order 1. Best Management Practices from the BLM Gold Book will be used as guidance. A Sundry (3160-5) will be submitted with report showing work has been completed for approval.
In addition, the following procedures shall be followed:

i. Caliche will be removed from reclaimed areas to increase the success of revegetation if necessary. Removed caliche that is free of contaminants may be reused for future projects.
ii. The portions of the cleared well site not needed for operational and safety purposes will be re-contoured to a final or intermediate contour that blends with the surrounding topography as much as possible. Sufficient level area remains for setup of a workover rig and to park vehicles/equipment.
iii. All surface soil materials (topsoil) are to be removed from the entire cut and fill area and temporarily stockpiled for reuse during interim reclamation. Topsoil will be respread over areas not needed for all-weather operations to ensure successful revegetation. Any topsoil pile set aside should be revegetated to prevent it from eroding and to help maintain its biological viability.
iv. After all disturbed areas have been satisfactorily prepared, these areas will be be revegetated with the seed mixture advised by the BLM. The seed mix will be evenly and uniformly distributed over the disturbed area. Seeding will be accomplished by using a drilling or, when drilling is not available or necessary, by broadcasting the seed. When broadcasting the seed, the amount of seed shall be doubled.

v. Weed control will be used on disturbed land, including the roads, pads, associated pipeline corridor, and adjacent land affected by the operations. There shall be no primary or secondary noxious weeds in the seed mixture used for reseeding.

In the Event of a Dry Hole/Final Reclamation

Upon final abandonment of the well, a new reclamation plan will be submitted with the Notice of Intent to Abandon (NOI to P&A) or Subsequent Report to Plug and Abandon (SR to P&A) using the Sundry Notices and Reports on Wells Form 3160-5. 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.

In addition, the following procedures shall be followed:

i. 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.
ii. On sloped ground, the topsoil and interim vegetation will be restripped from portions of the site that are not at the original contour, the well pad recontoured, and the topsoil will be respread over the entire disturbed.
iii. Topsoil will be distributed over the reclamation area and cross ripped to control erosion
iv. After all disturbed areas have been satisfactorily prepared, these areas will be be revegetated with the seed mixture advised by the BLM. The seed mix will be evenly and uniformly distributed over the disturbed area. Seeding will be accomplished by using a drilling or, when drilling is not available, by broadcasting the seed. When broadcasting the seed, the amount of seed shall be doubled.
Weed control will be used on disturbed land, including the roads, pads, associated pipeline corridor, and adjacent land affected by the operations. There shall be no primary or secondary noxious weeds in the seed mixture used for reseeding.

K. SURFACE TENANT

Beckham Ranch Corporation
P.O. Box 1203
Jal, New Mexico 88252
575-441-3045

ROAD OWNERSHIP

All access roads are located on Dinwiddie Cattle Company and then onto the Beckham Ranch lands.

L. ADDITIONAL INFORMATION

Class III cultural resource inventory report was prepared by Boone Arch Services of NM, 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. **Exhibit F.**

M. CHEVRON REPRESENTATIVES

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CERTIFICATION

I hereby 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 which currently 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 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 a false statement.

Executed this 12th day of November, 2014

Name: Vaibhav Sharma

Vaibhav Sharma – Project Manager

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E-mail: Sharma@chevron.com

TALCO 25 25 35 Federal #1H

PRIVATE OWNER AGREEMENT STATEMENT

The surface is owned by BECKHAM RANCH CORPORATION, P.O. Box 1203

Jal, New Mexico, 88252.

Chevron has a surface use agreement with a surface damage schedule in place with Beckham Ranch Corporation.

CERTIFIED BY:

Denise Pinkerton

Regulatory Specialist

Chevron U.S.A. Inc.