

**BC Operating, Inc.**  
**Surface Use and Plan**

HOBBS OCD

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**Topaz 30 Federal Com #4H**

**SHL: 240' FSL & 1980' FEL of Unit Letter 'B', Section 31, T-20S, R-34E**

**BHL: 240' FNL & 660' FEL of Unit Letter 'A', Section 30, T-20S, R-34E**

**Lea County, New Mexico**

This Surface Use Plan is submitted with Form 3160-3, Application for Permit to Drill, in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.4., 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.

- a. Existing Roads:
1. The well site and elevation plat for the proposed well are attached to Form 3160-3 and reflect the proposed well site layout (NMOCD Form C-102). The well was staked by Lloyd P. Short.
  2. Surface Use Plan – Exhibit 1 is a Vicinity map showing the well and roads in the vicinity of the proposed location. There are existing roads that provide access to other wells in the area that will be utilized for access to this new location. These roads are in good condition and will not require any improvements for this well.

**Directions:**

From the intersection of West Carlsbad Highway and Highway 176, travel Northeast on West Carlsbad Highway for 8.9 miles to County Road 27 on the right. Travel Southeast on County Road 27 for 4.0 miles to lease road on the right. Travel West on lease road for 1.2 miles to lease road on the left. Travel Southwest on lease road for 0.6 miles to proposed lease road on the left. Travel Southeast on proposed lease road for 0.3 miles to proposed drill island and proposed well pad 342' to the Southwest

JUN 11 2015

3. Right of Way using the proposed route is hereby being requested, if necessary.
4. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition in the same or better condition than before operations began for as long as any operations continue on this lease.

b. New Access Road and Drill Pad:

1. We will be building a new access road approximately 1749' in length south of the existing Topaz 30 Federal Com #1 well to get down to the drilling island and will come into the Northeast side of the drill island. We will also add an approximately 350' access road to the Topaz 30 Federal Com #3H and #4H pad. The proposed well site and the access route to the well site are shown on Surface Use Plan attachments and maps.

The drill pad will be a 500' x 300' location. We will do an archeological survey that will encompass the drill pad and be an area 800' x 600'. We will also build a 300' x 300' pad to the south of the 500' x 300' pad for all surface facilities/battery. We will also have an archeological survey completed on the facilities pad that will be 600' x 600'.

2. Surface Use Plan attachment also is a plat showing the well site layout and drill pad dimensions for a rig utilizing a closed loop system. This well will be drilled with a closed loop system so no reserve pits will be constructed.
3. The drill pad will be 500' x 300' (see Surface Use Plan attachments and maps) and will require less than 5' of cut and fill from the East side of the pad to the West side of the pad. The drill pad will be surfaced with 4-6 inches of compacted caliche. The average grade will be approximately 1%. Topsoil will be stockpiled on the west side of the location.

c. Location of Existing Wells:

Surface Use Plan-Exhibit 3 shows all wells within a one mile radius of the proposed well.

d. Location of Existing and/or Proposed Production Facilities:

1. In the event the well is found productive, a tank battery will be constructed at the facilities pad located immediately South of the Topaz 30 Federal Com #3H and #4H with the four wells commingled with four 750 bbl oil storage tanks, a 1000 bbl gun barrel, two 750 bbls fiberglass water tanks, 4 test separators, a heater treaters, a gas scrubber and a gas sales meter (see Surface Use Plan attachments and maps).

2. The well should be a producing oil well and will be produced initially with a submersible pump and then with a conventional pumping unit.
  3. All flowlines will adhere to API standards.
  4. We will work with Xcel Energy to provide power to our wells. Xcel will get all the necessary permits, surveys and studies.
- e. Location and Types of Water Supply:  
This location will be drilled using a combination of water mud systems (outlined in the Section f of the Drilling Plan). The water will be obtained from commercial water stations in the area and hauled to location by transport truck using the existing and proposed roads shown. Temporary flowlines will be used for drilling and fracing activities.
- f. Construction Materials:  
Surface material will be native caliche. Construction materials will be obtained from the nearest approved BLM, Fee or State pit or from existing deposits found under the location.
- g. Methods of Handling Waste:
1. All trash, junk and other waste material, including broken sacks and/or pallets, will be removed from the well site within 30 days after finishing drilling and/or completion operations. All waste material will be contained in trash cages or trash bins to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill.
  2. All drilling fluids and cuttings will be trucked to an approved disposal facility.
  3. A Porto-John will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete. Any trailer houses and/or temporary living quarters on the well site will be plumbed into a sanitary septic system.
  4. Disposal of fluids to be transported by an approved disposal company.
- h. Ancillary Facilities:
1. No campsite or other facilities will be constructed as a result of this well.
- i. Well Site Layout:
1. Surface Use Plan attachment shows the proposed well site layout with dimensions of the pad layout.

2. Surface Use Plan attachment is a schematic showing the rig equipment on the well pad.
  3. Surface Use Plan attachment shows the proposed location of the topsoil stockpile.
  4. Mud pits in the active circulating system will be steel pits and a closed loop system will be utilized.
- j. Plans for Surface Reclamation:
1. If the well is productive, there will be no interim reclamation plans because this is going to be the only drilling island given by the BLM in this area. Multiple wells will be drilled from this same pad to develop multiple sections and formations.
  2. Topsoil will be stockpiled on the west side of the location and 100% of this material will be used when the well is P&A'd. We will restore the surface to its natural state.
  3. If the well is not productive, a dry hole marker will be installed, all caliche will be removed from the location, the topsoil returned to the location and be re-contoured as close as is practical to the original contour. The location will then be ripped and seeded.
- k. The surface is owned by Bureau of Land Management and is administered by their office. The address is 620 E. Greene Street, Carlsbad, New Mexico 88220-6292. The phone number is 575-234-5972.
- l. Other Information:
1. The area surrounding the well site is relatively flat with small rolling hills to the East. The topsoil is sand. The vegetation is moderately sparse with native prairie grass, some mesquite bushes, yuccas and shinnery oak. No wildlife was observed but it is likely that deer, rabbits, migratory birds, coyotes and rodents traverse the area. There is a wildlife habitat 1 mile northwest of the proposed location.
  2. There is no permanent or live water in the general proximity of the location.
  3. There are no dwellings within +2 miles of location.
  4. Onsite inspection was conducted with Trisha Badbear and John Chopp on Thursday, October 23, 2014.



QUALITY CONTROL	No.: QC-DB- 89 / 2011
	Page : 1 / 54
Hose No.: 60313, 60314, 60315, 60316	Revision : 0
	Date: 07. March 2011.
	Prepared by: <i>[Signature]</i>
	Appr. by: <i>[Signature]</i>

# CHOKE AND KILL HOSES

id.: 3" 68,9 MPa x ( 25 ft ) 7,62 m 1 pc  
x ( 45 ft ) 13,72 m 3 pcs

# DATA BOOK

Purchaser:

Purchaser Order No.:

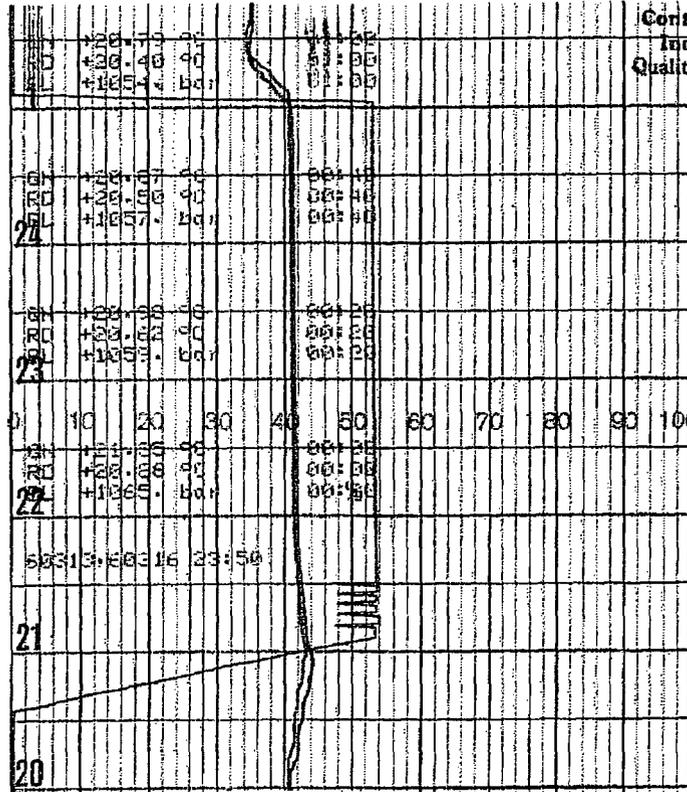
ContiTech Rubber Order No.: 493934

ContiTech Beattie Co. Order No.: 004795

ASSET 66-0638, 66-0639, 66-0640, 66-0641

QUALITY CONTROL INSPECTION AND TEST CERTIFICATE				CERT. N°: 246	
PURCHASER: ContiTech Beattie Co.			P.O. N°: 004795		
CONTITECH ORDER N°: 493934		HOSE TYPE: 3" ID Choke and Kill Hose			
HOSE SERIAL N°: 60313		NOMINAL / ACTUAL LENGTH: 7,62 m / 7,63 m			
W.P. 68,9 MPa 10000 psi		T.P. 103,4 MPa 15000 psi		Duration: 60 min.	
<p>Pressure test with water at ambient temperature</p> <p style="text-align: center;">See attachment. ( 1 page )</p> <p>↑ 10 mm = 10 Min. → 10 mm = 20 MPa</p>					
COUPLINGS Type	Serial N°		Quality	Heat N°	
3" coupling with 4 1/16" Swivel Flange end Hub	324	320	AISI 4130	H0434	
			AISI 4130	31742	
			AISI 4130	B2297A	
<b>ASSET NO.: 66-0638</b>			<b>API Spec 16 C Temperature rate: "B"</b>		
All metal parts are flawless					
WE CERTIFY THAT THE ABOVE HOSE HAS BEEN MANUFACTURED IN ACCORDANCE WITH THE TERMS OF THE ORDER INSPECTED AND PRESSURE TESTED AS ABOVE WITH SATISFACTORY RESULT.					
STATEMENT OF CONFORMITY: We hereby certify that the above items/equipment supplied by us are in conformity with the terms, conditions and specifications of the above Purchaser Order and that these items/equipment were fabricated inspected and tested in accordance with the referenced standards, codes and specifications and meet the relevant acceptance criteria and design requirements.					
COUNTRY OF ORIGIN HUNGARY/EU					
Date:  01. March 2011.	Inspector		Quality Control  ContiTech Rubber Industrial Kft. Quality Control Dept. <i>[Signature]</i> (1)		

*[Handwritten signature]*



Contech Rubber  
Industrial Kft.  
Quality Control Dept.  
(1)

CONTITECH RUBBER Industrial Kft.	No: QC-DB- 89 / 2011
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### Hose Data Sheet

CRI Order No.	493934
Customer	ContiTech Beattie Co.
Customer Order No	PO4795, PBC10685
Item No.	3
Hose Type	Flexible Hose
<b>Standard</b>	<b>API SPEC 16 C</b>
Inside dia in inches	3
Length	25 ft
Type of coupling one end	FLANGE 4.1/16" 10KPSI API SPEC 17D SV SWIVEL FLANGEC/W BX155 ST/ST INLAID RING GR
Type of coupling other end	FLANGE 4.1/16" 10KPSI API SPEC 17D SV SWIVEL FLANGE C/W BX155 ST/ST INLAID RING GR
H2S service NACE MR0175	Yes
Working Pressure	10 000 psi
Design Pressure	10 000 psi
Test Pressure	15 000 psi
Safety Factor	2,25
Marking	USUAL PHOENIX
Cover	NOT FIRE RESISTANT
Outside protection	St. steel outer wrap
Internal stripwound tube	No
Lining	OIL RESISTANT
Safety clamp	Yes
Lifting collar	Yes
Element C	Yes
Safety chain	No
Safety wire rope	Yes
Max. design temperature [°C]	100
Min. design temperature [°C]	-20
MBR operating [m]	1,60
MBR storage [m]	1,40
Type of packing	WOODEN CRATE ISPM-15

**BC Operating, Inc.**  
**Statement of Certification**

**Topaz 30 Federal Com #4H**

**SHL: 240' FSL & 1980' FEL of Unit Letter 'B', Section 31, T-20S, R-34E**

**BHL: 240' FNL & 660' FEL of Unit Letter 'A', Section 30, T-20S, R-34E**

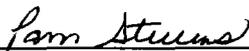
**Lea County, New Mexico**

This Statement of Certification is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.6., covering the above described well.

**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 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 20<sup>th</sup> day of November, 2014.

  
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Pam Stevens

Name: Pam Stevens  
Position Title: Regulatory Analyst, BC Operating, Inc.  
Address: P.O. Box 50820 – Midland, Texas 79710  
Telephone: 432-684-9696

**BC Operating, Inc.**

**Statement of Bond Coverage**

**Topaz 30 Federal Com #4H**

**SHL: 240' FSL & 1980' FEL of Unit Letter 'B', Section 31, T-20S, R-34E**

**BHL: 240' FNL & 660' FEL of Unit Letter 'A', Section 30, T-20S, R-34E**

**Lea County, New Mexico**

This Statement of Bond Coverage is submitted with Form 3160-3, Application for Permit to Drill in accordance with BLM Onshore Oil and Gas Order Number 1 Section III.D.5., covering the above described well.

Bond Coverage:       Statewide  
BLM Bond File #:     NM-2572

BC Operating, Inc.



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Pam Stevens  
Regulatory Analyst