

BC Operating, Inc.
Surface Use and Plan

HOBBS OCD

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Topaz 30 Federal Com #1H

SHL: 10' FNL & 990' FWL of Unit Letter 'D', Section 31, T-20S, R-34E

BHL: 240' FNL & 890' FWL of Unit Letter 'D', 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 attachment 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 2,277' to the Southwest.

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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 access road to get down to the drilling island and will come into the Northeast side of the drill island. At this point, we will build a road off the proposed new access road West to the Topaz 30 Federal #1H location, approximately 2150' in length. The proposed well site and the access route to the well site are shown on Surface Use Plan attachments and maps. There will be multiple wells on this drilling island.

The approved drill island is a 500' x 2,433' island as illustrated on well pad topo map. We will do an archeological survey that will encompass the drill pad and be an area 600' x 600' around each well. We will also build a 300' x 300' pad to the south of the Topaz 30 Federal Com #3H and #4H 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 irregular shaped approximately 300' x 300' with a few corners cut short due to an existing pipeline (see Surface Use Plan attachments and maps) and will require less than 2' of cut and fill from the South side of the pad to the North 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 attachment 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 treater, 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 attachments show 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 attachments show 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. 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 approximately 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.

BC Operating, Inc.
Statement of Certification

Topaz 30 Federal Com #1H

SHL: 10' FNL & 990' FWL of Unit Letter 'D', Section 31, T-20S, R-34E

BHL: 240' FNL & 890' FWL of Unit Letter 'D', Section 30, T-20S, R-34E

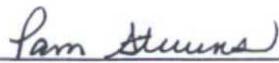
Lea County, New Mexico

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 20th day of November, 2014.



Pam Stevens

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BC Operating, Inc.
Statement of Bond Coverage

Topaz 30 Federal Com #1H

SHL: 10' FNL & 990' FWL of Unit Letter 'D', Section 31, T-20S, R-34E

BHL: 240' FNL & 890' FWL of Unit Letter 'D', 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.



Pam Stevens
Regulatory Analyst