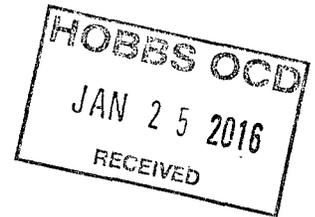


SURFACE USE PLAN OF OPERATION

KAISER-FRANCIS OIL COMPANY (KFOC)
NORTH BELL LAKE UNIT 6 2BSS 1H



1. Existing Roads:

- a. The well site and elevation plat for the proposed well are reflected on the "Site Map". The well was staked by John West Surveying Company, 412 N. Dal Paso, Hobbs, NM 88240, (575) 393-3117.
- b. All roads into the location are depicted on the "Vicinity Map". The operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattle guards, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use. BLM written approval will be secured before application of surfactants, binding agents, or other dust suppression chemicals on roadways.
- c. Directions to Location: Go 2.45 miles south of Eunice from the intersection of NM-207 S/ Main Street and Delaware basin road. Turn right and go west onto Delaware basin road approximately 8.67 miles, road bends left and go south approximately 3.56 miles. Road bends right and go west approximately 2.88 miles turn slight left and follow road southwest approximately 1.5 miles. Turn right and go west approximately 6.73 miles to dirt road, turn right and go north on dirt road for .4 miles.

2. New or Reconstructed Access Roads:

- a. The "Site Map" shows new constructed access road, which will be approximately 205 LF to North Bell Lake Unit 6 2BSS #1H.
- b. The maximum driving width of the access road will be 15 feet. The maximum width of surface disturbance when constructing the access road will not exceed 25 feet. The road will be crowned and ditched with 2% slope from the tip of the crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. The driving surface will be made of 6" rolled, wetted and compacted caliche.

3. Location of Existing Wells:

The attached "One Mile Radius Map" shows all existing and proposed wells within a one-mile radius of the proposed location.

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

- a. In the event the subject well is a commercial success, a tank battery would be utilized and the necessary production equipment will be installed at the well site. The tank battery would be located onsite the North Bell Lake DBSS #2H planned well site.
- b. If necessary, the well will be operated by means of an onsite source natural gas engine to power a down hole pump.
- c. All flow lines will adhere to API standards.
- d. If the well is productive, rehabilitation plans are as follows:
 - i. A closed mud system will be utilized
 - ii. The original topsoil from the well site will be returned to the location. The drill site will then be contoured as close as possible to the original state.

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- e. Pipeline construction and the securing of any and all regulatory approvals will be obtained from a third party that owns and operates the pipeline. The tie-in point will be within the perimeter of the subject drilling pad.
- f. There are no power line planned for this facility:

5. Location and Types of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the Drilling Procedure). 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 described and depicted on the "Vicinity Map". On occasion, water will be obtained from a pre-existing water well, running a pump directly to the drill rig. In cases where a poly pipeline is used, the size, distance, and map showing route will be provided to the BLM via sundry notice.

6. Construction Materials:

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. Actual amounts 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 west side of the location. (see "well site plan" plat).
 - b. Subsoil is removed and stockpiled within the surveyed well pad.
 - c. When caliche is found, material will be stock piled within the pad site to build the location and road.
 - d. Then subsoil is pushed back in the hole and caliche is spread accordingly across entire location and road.
 - e. 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.
 - f. Neither caliche, nor subsoil will be stock piled outside of the well pad perimeter. Topsoil will be stock piled along the edge of the pad as depicted in the Well Site plan 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 Waste Material:

- a. Drill cuttings will be safely contained in a closed loop system and disposed of properly at a NMOCD approved disposal site.
- b. All trash, junk and other 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.
- c. The supplier will pick up salts remaining after completion of well, including broken sacks.
- d. 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.
- e. Remaining drilling fluids will be sent to a closed loop system. Water produced during completion will be put into a closed loop system. Oil and condensate produced will be put into a storage tank and sold.
- f. Disposal of fluids to be transported by the following companies:
 - i. American Production Service Inc., Odessa TX

- ii. Gandy Corporation, Lovington NM
- iii. I & W Inc, Loco Hill NM
- iv. Jims Water Service of Co Inc., Denver Co
- v. Pitchfork Land Farm LLC, Jal NM

8. **Ancillary Facilities:** No campsite or other facilities will be constructed as a result of this well.

9. **Well Site Layout**

- a. The Rig Location Layout attachment shows the proposed well site layout and pad dimensions.
- b. The Rig Location layout attachment proposes location of sump pits and living facilities.
- c. Mud pits in the active circulating system will be steel pits.
- d. A closed loop system will be utilized.
- e. If a pit or closed loop system is utilized, KFOC will provide a copy of the Design Plan to the BLM. If additional state regulatory permits are needed, KFOC will secure them from NMOCD and provide authorized copies to BLM.

10. **Plans for Surface Reclamation:**

- a. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The road will be reclaimed as directed by BLM. The original top soil will again be returned to the pad and contoured, as close as possible, to the original topography.
- b. The location and road will be rehabilitated as recommended by the BLM.
- c. If the well is deemed a commercial success, the operator may drill a subsequent or additional wells at this site. Since KFOC's intent is to drill multiple wells from this subject drilling pad, KFOC requests BLM grant a one year extension from reclamation activities from the completion date of the subject well in order for KFOC to evaluate and drill additional wells on the subject drilling pad. Should the operator elect to not drill subsequent wells at this site, caliche from areas of the pad site not required for operations will be reclaimed. The original top soil will be returned to the area of the drill pad not necessary to operate the well. These unused areas of the drill pad will be contoured, as close as possible, to match the original topography.
- d. All disturbed areas not needed for active support of production operations will undergo interim reclamation. If after the interim evaluation period of drilling the first well on the surface pad the operator determines the subject well pad will support only one well, the drill pad will be reclaimed in size to a 200 feet by 200 feet perimeter. 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. Topsoil will be re-spread over areas not needed for all-weather operations.

11. **Surface Ownership**

- a. The surface is owned by the State of New Mexico. KFOC has been granted authority by the State of New Mexico to utilize the subject site for the purpose of developing oil and gas.

The surface is multiple use with the primary uses of the region for grazing of livestock and the production of oil and gas.

- b. The proposed road routes and the surface location will be restored as directed by the BLM.

12. Other Information:

- a. The area surrounding the well site is grassland. The topsoil is very sandy in nature. The vegetation is moderately sparse with native prairie grass, sage brush, yucca, and miscellaneous weeds. No wildlife was observed but it is likely that deer, rabbits, coyotes, and rodents traverse the area.
- b. There is no permanent or surface water in the general proximity of the location.
- c. There are no dwellings within 2 miles of the location.

13. Bond Coverage: KFOC bond Coverage is Nationwide; Bond# WYB000055

Operators Representatives

The Kaiser-Francis Oil Company, representatives responsible for ensuring compliance of the surface use plan are listed below.

Mark Carr – Drilling & Production Manager
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(918) 491-4369 Direct

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Trimanres@sbcglobal.net

COMMUNICATE ALL CORRESPONDENCE

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access road proposed herein; that I am familiar with the conditions that presently 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 am, or Kaiser-Francis Oil Company is 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.

I hereby also certify that I have, Kaiser-Francis Oil Company has made a good faith effort to provide the surface owner with a copy of the Surface Use Plan of Operation and any Conditions of Approval that are attached to the APD.

Executed this 6th day of November, 2015.

Printed Name: Steven A. Dowdy

Signed Name: 

Position Title: Consulting Engineer & Agent for KFOC

Address: 1530 SW 89th Street, Suite A-2, Oklahoma City, Oklahoma 73159

Telephone: (405) 692-1555