

BC Operating, Inc.
Surface Use and Plan

Rusty Anchor 7 Federal Com #4H

SHL: 609' FNL & 2440' FEL of Unit Letter 'B', Section 18, T-20S, R-33E

BHL: 240' FNL & 960' FEL of Unit Letter '1', Section 6, T-20S, R-33E

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 – Attached 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 Northwest on West Carlsbad Highway for 0.8 miles to County Road 55 on the left. Travel Northwest on County Road 55 for 1.5 miles to Tonto Road on the right. Travel East on Tonto Road for 0.6 miles to lease road on the left. Travel North on lease road or 0.1 miles to lease road on the right. Travel Southeast on lease road for 0.3 miles to proposed well pad.

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 use an existing lease road and will come into the North side of the drill pad. There will not be any new road construction. The well pad will be adjacent to an existing lease road to the North. 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 no irregular shaped as depicted on the Well Pad Topo Map. It is being built this way because of a well pad to the East and an abandoned caliche pit to the West. In lieu of an archeological survey, we will pay the PA fee for the area that encompasses the drill pad. See attached well pad topo map for additional information.

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 adjacent to the existing lease road and run 166' to the North, then 181' to the Northeast, then 137' to the East, then 173' to the Southeast, then 106' to the South and then 360' to the West (see Surface Use Plan attachments and maps) and will require approximately 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 South side of the location.

c. Location of Existing Wells:

Surface Use Plan one mile map 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, we will run flowlines that will be utilized for the Rusty Anchor 7 Federal Com #1H and Rusty Anchor 7 Federal Com #2H that will consist of 750 bbl oil storage tanks, two 750 bbls fiberglass water tanks, a 750 bbl gun barrel, a separator, one heater treater, two FWKOs/testers and a gas sales meter (see Surface Use Plan attachment).

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. We will apply for a ROW with the BLM for the flowlines. There will be approximately 1462' of flowline coming from the wellhead to the separator. The flowline will be 3" O.D. SDR 7 polyline with 50 psi.
 4. We are working with XCEL Energy on the route of the electric lines. However, we will use a generator at the well until power is brought in. We will file a sundry notice when the route is established. We will obtain the necessary ROW from the BLM and any other necessary parties.
- e. Erosion Control Methods:
Straw wattles and erosion control structures that prohibit off-site migration of unstabilized soils will be implemented. However, at this time, the exact layout of such structures is not known. Once the COA is received BC will meet all standards of the BLM.
- f. 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.
- g. 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.
- h. 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.

- i. Ancillary Facilities:
 - 1. No campsite or other facilities will be constructed as a result of this well.

- j. 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.

- k. Plans for Surface Reclamation:
 - 1. If the well is productive, we will reclaim approximately 10' on the North, 10' on the South and 10' on the West side of the drill pad.
 - 2. Topsoil will be stockpiled on the South side of the location and 100% of this material will be used for the reclamation after the well is drilled and completed and production facilities are installed. When the well is P&A'd, we will restore the surface to its natural state.
 - 3. Interim reclamation consists of minimizing the footprint of disturbance by reclaiming all portions of the well site not needed for production operations. Topsoil is respread over areas not needed for production operations and recontoured to the surrounding area and reseeded. All interim reclamation will be complete within 6 months of completion activities.
 - 4. 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. Seed mixture will be to BLM specifications. All work will be complete within 6 months of final abandonment of the wellbore.

- l. The surface is owned by the BLM and is administered by their office. The address is 620 E. Greene Street, Carlsbad, New Mexico 88220. The phone number is 575-234-5972.

m. Other Information:

1. The area surrounding the well site is flat. The topsoil is loamy sand. The vegetation is natural grass and mesquite. No wildlife was observed but it is likely that deer, rabbits, coyotes and rodents traverse the area.
2. The Laguna Gatuna is located approximately 840' to the East.
3. The closest dwelling to this location is over 2 miles away.
4. An onsite inspection was conducted on October 22, 2014 with Trisha Badbear and Cassie Brooks.

BC Operating, Inc.

Statement of Certification

Rusty Anchor 7 Federal Com #4H

SHL: 609' FNL & 2440' FEL of Unit Letter 'B', Section 18, T-20S, R-33E

BHL: 240' FNL & 960' FEL of Unit Letter '1', Section 6, T-20S, R-33E

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 15th day of August, 2015.



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

Rusty Anchor 7 Federal Com #4H

SHL: 609' FNL & 2440' FEL of Unit Letter 'B', Section 18, T-20S, R-33E

BHL: 240' FNL & 960' FEL of Unit Letter '1', Section 6, T-20S, R-33E

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