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103-09699

CHAPARRAL RESOURCES, INC.
 Lease #C-03961, SDC #32
 NE1/4 SW1/4 , Section 2, T4S, R102W
 Rio Blanco County, Colorado

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

1. **EXISTING ROADS** - Refer to Maps "A" and "B" (shown in orange)
 - A. The proposed well site is staked as shown on Plat #1 and Plat #1A and is a twin offset to Barker SDC #10.
 - B. To reach the location from the town of Rangely, Colorado; proceed generally south approximately 27.1 miles on Colorado Highway 139 (a paved state highway), thenced generally southeast approximately 1.5 mile on an existing, upgraded oilfield road (crowned & ditched with a native soil surface), to the proposed SDC #32 well location.
 - C. Access roads - refer to Maps "A" and "B".
 - D. Access roads within one (1) mile radius - refer to Map "B".
 - E. The existing roads will be maintained in the same or better condition as existed prior to the commencement of operations and said maintenance will continue until final abandonment and reclamation of the SDC #32 well location.

2. **PLANNED NEW ACCESS ROADS** - None
3. **LOCATION OF EXISTING WELLS WITHIN A ONE-MILE RADIUS:**refer to Map "B"
 - A. Water wells - none known.
 - B. Abandoned wells - SW1/4NE1/4 Section 2, T4S, R102W.
- NW1/4NW1/4 Section 12, T4S, R102W.
 - C. Temporarily abandoned wells -SW1/4NE1/4 Section 2, T4S, R102W.
 - D. Disposal wells - none known
 - E. Drilling wells - none known
 - F. Producing wells - SE1/4NW1/4, Section 1, T4S, R102W.
- NE1/4NE1/4, Section 2, T4S, R102W.
- NE1/4SW1/4, Section 2, T4S, R102W.
- NE1/4SE1/4, Section 2, T4S, R102W.
- SE1/4NE1/4, Section11, T4S, R102W.
- SW1/4NW1/4, Section 1, T4S, R102W.
- SE1/4SW1/4 Section 1, T4S, R102W.
- SW1/4SE1/4, Section 34, T3S, R102W.
 - G. Shut-in wells - none known.
 - H. Injection wells - none known
 - I. Monitoring wells - none known

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES OWNED BY CHAPARRAL RESOURCES, INC. WITHIN A ONE-MILE RADIUS

A. Existing

1. Tank batteries - none
2. Production facilities - SW1/4NW1/4, Section 1, T4S, R102W.
- SE1/4,SW1/4, Section 1, T4S, R102W.
- SW1/4,SE1/4, Section 1, T4S, R102W.
3. Oil gathering lines - none
4. Gas gathering lines - E1/2 Section 1, T4S, R102W.

B. New Facilities Contemplated

1. All production facilities will be located on the disturbed portion of the well pad and at a minimum of fifteen (15) feet from the toe of the backslope or top of the fill slope.

Figure #1 shows the proposed location of the buried gas pipeline which will service the SDC #32 well location from the Barker SDC #10 location. Distance to gas line is 150' on SDC #32 and Barker SDC #10 Locations.

2. Should drilling result in the establishment of commercial production from the SDC #32 well location, the subsequent production facilities will require an area approximately 150' X 150'. A diagram showing the proposed production facility layout will be submitted to the Authorized Officer via "Sundry Notice" (Form #3160 - 5) for approval **prior** to commencement of installation operations.
3. Production facilities will be accommodated on the well pad. Construction materials needed for installation of the production facilities will be obtained from the site; any additional materials needed will be purchased from a local supplier having a permitted source of materials in the area.

4. **LOCATION OF EXISTING AND/OR PROPOSED FACILITIES OWNED BY CHAPARRAL RESOURCES, INC. WITHIN A ONE-MILE RADIUS**

B. **New Facilities Contemplated - Continued**

A dike will be constructed completely around any production facilities which may contain liquid hydrocarbons (production tanks, produced water tanks and/or heater/treater).

These dikes will be constructed of compacted subsoil, be impervious, hold 110% of the capacity of the largest tank, and be independent of the back cut.

All permanent [on-site for six (6) months or longer] above-the-ground structures constructed or installed on the well location (including pumping units, tank batteries, etc.) will be painted **Shale Green** (Munsell standard color #5Y 4/2. The exception being that *Colorado Occupational Health and Safety act* Rules and Regulations will be complied with where special safety colors are required

- C. The production (emergency) pit will be fenced "sheep-tight" with woven wire mesh having two (2) top strands of barbed wire held in place by metal side posts and wooden corner "H" braces in order to protect livestock and wildlife (refer to Item #9E, Page #7).
- D. During drilling and subsequent operations, all equipment and vehicles will be confined to the access road and any additional areas which may be specified in the approval Application for Permit to Drill.
- E. Reclamation of disturbed areas no longer needed for operations will be accomplished by grading, leveling and seeding as recommended by the Authorized Officer, Bureau of Land Management.

5. LOCATION AND TYPE OF WATER SUPPLY

- A. Water for drilling will be obtained from the municipal water supply of the town of Rangely, Colorado.
- B. Water will be transported over existing roads via tank truck from Rangely to the proposed SDC #32 well location. No new road construction will be required on/along the proposed water haul route.

Access across off-lease Federal lands which may be crossed on/along the proposed water haul route will be secured under a separate right-of-way grant, if required by the Authorized Officer, Bureau of Land Management.

- C. No water well will be drilled on this location.

6. SOURCE OF CONSTRUCTION MATERIALS

- A. No construction materials will be needed for well pad construction; surface and sub-surface soils will be sufficient.
- B. No construction materials will be taken from Federal or Indian Lands without prior approval from the appropriate Surface Management Agency.
- C. If production is established, any construction materials which may be required for surfacing of the access road and/or installation of production facilities will be purchased from a local supplier having a permitted source of materials within the area.
- D. No new access roads will be required for transportation of these construction materials.

7. METHODS OF HANDLING WASTE MATERIALS

- A. Cuttings - the drilled cuttings will be deposited in the reserve pit.
- B. Drilling fluids - if any including salts and chemicals will be contained in the reserve pit.

7. METHODS OF HANDLING WASTE MATERIALS - Continued

The reserve pit will be designed to prevent the collection of surface runoff and will be constructed with a minimum of one-half (1/2) the total depth below the original ground level at the lowest point within the pit.

- C. Produced fluids - liquid hydrocarbons produced during completion operations will be placed in test tanks on the location.

Produced water will be placed in the reserve pit for a period not to exceed ninety (90) days after initial production. During this ninety (90) day period, in accordance with NTL-2B, an application for approval of permanent disposal method and location, along with the required water analysis, shall be submitted to the Authorized Officer for approval. Failure to file an application within the time frame allowed will be considered as an incidence of non-compliance.

Produced fluids - any spills of oil, gas, salt water or any other potentially hazardous substance will be cleaned up and immediately removed to an approved disposal site.

- D. Sewage - portable, self-contained chemical toilets will be provided for human waste disposal. Upon completion of operations, or as required, the toilet holding tanks will be pumped and the contents thereof disposed of in an approved sewage disposal facility.

Sewage disposal will be in strict accordance with Colorado Department of Environmental Quality (DEQ) rules and regulations regarding sewage treatment and disposal.

- E. Garbage and other waste material - all garbage and non-flammable waste materials will be contained in a self contained, portable dumpster or trash cage. Upon completion of operations, or as needed, the accumulated trash will be hauled off-site to an approved sanitary landfill. No trash will be placed in the reserve pit.

7. METHODS OF HANDLING WASTE MATERIALS - Continued

- F. Immediately after removal of the drilling rig, all debris and other waste materials not contained in the trash cage will be cleaned up and removed from the well location. No potentially adverse materials or substances will be left on the location.

8. ANCILLARY FACILITIES

None anticipated

9. WELLSITE LAYOUT

- A. Figure #1 shows the drill site layout as staked. Cross sections have been drafted to visualize the planned cuts and fills across the location. A minimum of six (6) inches of topsoil will be stripped from the undisturbed part of the location off of Barker SDC #10 (including areas of cut, fill, and/or subsoil storage) and stockpiled for future reclamation of the well site. Refer to figure #1 for the location of the topsoil and subsoil stockpiles.
- B. Figure #1 is a diagram showing the location layout. No permanent living facilities are planned. There will be approximately one (1) trailer on location during drilling operations; one for the geologist and toolpusher.
- C. A diagram showing the proposed production facility layout will be submitted to the Authorized Officer via *Sundry Notice* (Form #3160-5) for approval **prior** to the commencement of installation operations. Please refer to Item #4B2 (page #2) for additional information in this regard.
- D. If porous subsoil materials (i.e., gravel, scoria, sand, faulted rock structures, etc.) are encountered during reserve pit construction, an impervious liner will be installed in order to prevent drilling water loss through seepage. We do not anticipate the need for a pit liner at this time.

9. WELLSITE LAYOUT - Continued

- E Prior to the commencement of drilling operations, the reserve pit will be fenced "sheep tight" on three (3) sides according to the following minimum standards:
1. 32-inch net wire shall be used with two (2) strands of barbed wire on top of the net wire (barbed wire is not necessary if pipe or some type of reinforcement rod is attached to the top of the entire fence).
 2. The net wire shall be no more than two (2) inches above the ground. The first strand of barbed wire shall be three (3) inches above the net wire. Total height of the fence shall be at least forty-two (42) inches.
 3. Corner posts shall be cemented and/or braced in such a manner to keep the fence tight at all times.
 4. Standard Steel, wood, or pipe posts shall be used between the corner braces. Maximum distance between any two (2) posts shall be no greater than sixteen (16) feet.
 5. All wire shall be stretched, by using a stretching device, before it is attached to the corner posts.

The fourth (4) side of the reserve pit will be fenced immediately upon removal of the drilling rig and the fencing will be maintained until the pit is backfilled.

- F. Any hydrocarbons on the pit will be removed as soon as possible after drilling operations are completed.

10. PLANS FOR RECLAMATION OF THE SURFACE

- A. Rat and mouse holes will be backfilled and compacted from bottom to top immediately upon release of the completion rig from the location.

10. PLANS FOR RECLAMATION OF THE SURFACE - Continued

- B. If any oil is on the pits and is not immediately removed after operations cease, the pit containing the oil or other adverse substance(s) will be flagged overhead or covered with wire mesh to protect migrating waterfowl.

- C. Producing Operations:

Backfilling, leveling and re-contouring are planned as soon as possible after cessation of drilling and completion operations. Waste and spoil materials will be disposed of immediately upon cessation of drilling and completion activities.

For production, the fill slopes will be reduced from a 1.5:1 slope to a 3:1 slope and the cut slopes will be reduced from a 2.5:1 slope to a 3:1 slope by pushing the fill material back up into the cut. Upon completion of backfilling and recontouring, the stockpiled topsoil will be evenly spread over the reclaimed area(s).

Prior to commencement of seeding operations, the seedbed will be prepared by disking or ripping on the contour to a depth of four (4) to six (6) inches, leaving no depressions that would trap water or form ponds.

All disturbed surfaces (including the access road and well pad areas) will be reseeded with a seed mixture to be recommended by the Authorized Officer, Bureau of Land Management. Re-seeding activities are considered best in the Spring of 1995, unless requested otherwise by the Authorized Officer.

Seed will be drilled on the contour with a seed drill equipped with a depths of planting not to exceed one-half (1/2) inch. Fall seeding will be completed after September 1st and prior to ground frost. If applicable, spring seeding will be completed after the frost has left the ground and prior to June 15th. The seeding will be repeated until a satisfactory stand, as determined by the Authorized Officer, is achieved.

10. PLANS FOR RECLAMATION OF THE SURFACE -Continued

D. Abandoned Well Location:

Upon final abandonment of the well location, gravel will be removed from the access road surface and well location (as directed by the Authorized Officer), water diversion installed as needed, and both the access road diversion installed as needed, and both the access road and location restored to approximately the original ground contour(s) by pushing the fill material back into the cut and up over the backslope. No depressions will be left that would trap water or form ponds. All disturbed surfaces (including the access road and well pad areas) will be reseeded as recommended in Item #10C, above.

11. SURFACE OWNERSHIP

The well site and proposed access road are situated on federal surface estate administered by:

Area Manager
White River Resource Area Office
Bureau of Land Management
P.O. Box 928
Meeker, Colorado 81641
Telephone: (303) 878-3601

12. OTHER INFORMATION

A. GENERAL DESCRIPTION OF THE PROJECT AREA:

The project area is generally located along the Douglas Creek Arch west of the Piceance Basin. More specifically, the SDC #32 well location is situated in the uplands east of West Douglas Creek, west of Brushy Point, north of Red Rock Canyon and south of Rope Canyon.

A. GENERAL DESCRIPTION OF THE PROJECT AREA: - Continued

This area may be classified within the Transition Life Zone and is characterized by severely undulating upland terrain typical of the semi-mountainous areas within the Piceance Basin area of northwestern Colorado. This area exhibits a sparse to moderate vegetation density which is typical of semi-arid areas at higher elevations (6500-7500').

Local flora consists primarily of wheatgrasses, bluegrasses, Indian ricegrass, sedges, sagebrush, mountain mahogany, oakbrush, juniper and pinyon pine. Local fauna consists primarily of elk, mule deer, black bear, coyotes, badgers, skunks, rabbits, raptors, and various smaller vertebrate and invertebrate species.

There are no known threatened or endangered species that would be potentially impacted by construction, drilling and/or production operations on the proposed SDC #32 well location.

B. Surface Use Activities:

The primary surface use is for livestock grazing.

C. Proximity of Water, Occupied Dwellings, Archaeological, Historical or Cultural Sites:

1. The closest sources of semi-permanent water is Douglas Creek, located approximately one (1) mile to the East of the proposed well location.
2. The closest occupied dwellings are located three (3) miles South on Colorado Highway #139 of the proposed well location.
3. If any cultural values are observed during construction and/or operations, Chaparral Resources, Inc. will leave them intact and will immediately notify the Authorized Officer, Bureau of Land Management.

12. OTHER INFORMATION

C. Proximity of Water, Occupied Dwellings, Archaeological, Historical or Cultural Sites: - Continued

Chaparral Resources, Inc. will be responsible for informing all persons in the area who are associated with this project that they will be subject to prosecution for knowingly disturbing historic or archaeological materials are uncovered, Chaparral Resources, Inc., will suspend all operations that might further disturb such materials and immediately contact the Authorized Officer (AO).

Within five (5) working days the Authorized Officer will inform Chaparral Resources, Inc. as to:

- whether the materials appear eligible for the National Register of Historic Places;
- the mitigation measures the operator will likely have to undertake before the site can be used (assuming in site preservation is not necessary); and
- a time frame for the Authorized Officer to complete an expedited review under 35 CFR 800.11 to confirm, through the State Historic Preservation Officer (SHPO), that the findings of the Authorized Officer are correct and that mitigation is appropriate.

If Chaparral Resources, Inc. wishes, at any time, to relocate activities to avoid the expense of mitigation and/or the delays associated with this process, the Authorized Officer will assume responsibility for whatever recordation and stabilization of the exposed materials may be required. Otherwise, Chaparral Resources, Inc. will be responsible for mitigation costs.

13. LESSEE'S OR OPERATOR'S REPRESENTATIVE AND CERTIFICATION

Representative

Chaparral Resources, Inc.
Paul V. Hoovler, President
621-17th Street, Suite 1301
Denver, Colorado 80293
Telephone: (303) 293-2340

Hayes Petroleum Co., Inc.*
Gerald A. Hayes
226 1/2 East Main St.
Rangely, Colorado 81648
Telephone (303) 675-8491

- * Contact for any additional information which may be required for approval of this Application for Permit to Drill (APD).

Certification

All lease and/or unit operations will be conducted in such a manner that full compliance is made with all applicable laws, regulations, *Onshore Oil & Gas Orders*, the approved plan of operations, and any applicable Notice to Lessees.


Chaparral Resources, Inc. will be fully responsible for the actions of their subcontractors. A copy of these conditions will be furnished to the field representative(s) to ensure compliance. The dirt contractor will be provided with a copy of the Surface Use Plan from the approved APD.

This drilling permit will be valid for a period of one year from the date of approval. After permit termination, a new application will be filed for approval of future operations.

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Surface Use & Operations Plan
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I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions which currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed by Chaparral Resources, Inc., their contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

5/18/94
Date


Mathew R. Hoover/Authorized Agent
Chaparral Resources, Inc.