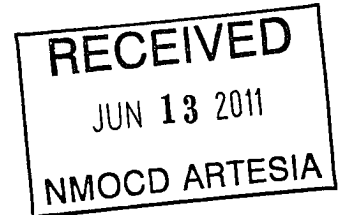


Fair Oil, Ltd.  
 Fair 18 Federal #1  
 2310' FNL & 840' FEL  
 Sec. 18, T. 17 S., R. 31 E.  
 Eddy County, New Mexico

### Surface Use Plan



#### 1. DIRECTIONS & EXISTING ROADS (See PAGES 11 - 14)

From the Loco Hills Post Office ...

Go East 3.9 miles on US 82 to the equivalent of Mile Post 135.95

Then turn left and go North 1.2 miles on paved County Road 221 (Skelly)

Then turn right and go East 0.8 mile on a caliche road

Then turn right and go Southeast 0.2 mile to LINN's Hudson Federal #6 well  
 Fair's proposed pad overlaps the east side of the Hudson pad

*This APD is also serving as a BLM road right-of-way application. Right-of-way will start at County Road 221 and end at the lease boundary. Right-of-way will cross Lot 2, SENW, & SWNE 18-17s-31e. Dimensions are 20' x 4,224' (0.8 mile) = 1.94 acre.*

Roads will be maintained to a standard at least equal to their present condition.

#### 2. ROAD TO BE BUILT OR UPGRADED

No new road will be built. The proposed pad overlaps an existing water injection well pad. No realignment or widening of the existing road is needed. Upgrading will consist of repairing potholes with caliche.

#### 3. EXISTING WELLS (See PAGE 13)

There are 169 oil, gas, injection, or disposal wells and 36 P & A wells within a one mile radius. There are no water wells within a mile.

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#### 4. PROPOSED PRODUCTION FACILITIES

A separator, two 300 barrel oil tanks, and two 400 barrel water tanks will be installed on the pad. Production equipment will be painted a flat Carlsbad tan. No off pad pipeline is planned. No power line is planned.

#### 5. WATER SUPPLY

Water will be trucked from private land in Maljamar or Loco Hills.

#### 6. CONSTRUCTION MATERIALS & METHODS

NM One Call (1-800-321-ALERT) and LINN Operating, Inc. (Allen Rambur @ (713) 470-8943 or (281) 840-1505) will be notified before construction starts. It appears two pipelines cross the pad. They will either be moved to the edge of the pad or buried deeper.

Southeast corner of the pad will be rounded off to avoid a wash. Southeast corner of the pad will extend no further than 120' from the center stake. North edge of the pad will be no more than 150' north of center stake. The top 6" of soil and brush will be stockpiled north of the pad. A closed loop drilling system will be used. Caliche will be bought and hauled from an existing approved caliche pit. Dirt contractor will be responsible for caliche.

#### 7. WASTE DISPOSAL

All trash will be placed in a portable trash cage. It will be hauled to a county landfill. There will be no trash burning. Contents of the mud tanks will be hauled to state approved disposal sites. Human waste will be disposed of in chemical toilets and hauled to an approved dump station.

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#### 8. ANCILLARY FACILITIES

There will be no air strip or camp. Camper trailers will be on location for the company man, tool pusher, or mud logger.

#### 9. WELL SITE LAYOUT

See Pages 14 and 15 for depictions of the well pad, reserve pit, trash cage, access onto the location, parking, living facilities, and rig orientation.

#### 10. RECLAMATION

Reclamation will consist of reducing the pad footprint to a tear drop shape around the pump, anchors, and production equipment; while leaving enough space for work overs. Disturbed areas will be contoured to a natural shape and no steeper than 3:1. Soil and brush will be evenly spread over disturbed areas. Seeded areas will be ripped or harrowed. A BLM approved seed mix will be sown in a BLM approved manner. Once the well is plugged, then the remainder of the pad will be similarly reclaimed.

#### 11. SURFACE OWNER

All construction will be on lease and on BLM.

#### 12. OTHER INFORMATION

The nearest hospital (Artesia General) is a  $\approx 1/2$  hour drive away in Artesia at 702 North 13th Street. Its phone number is (575) 748-3333.

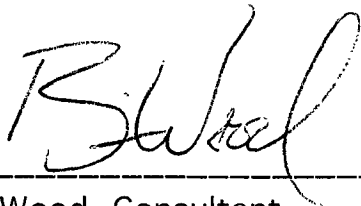
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Eddy County, New Mexico

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An on site inspection was conducted with Randy Rust (BLM) and Charlie Black (Permits West) on January 31, 2011.

### 13. REPRESENTATION

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 12th day of February, 2011.



-----  
Brian Wood, Consultant  
Permits West, Inc.

37 Verano Loop, Santa Fe, NM 87508

(505) 466-8120

FAX: (505) 466-9682

Cellular: (505) 699-2276

Field representative will be:

Rodney Thomson, Production Manager

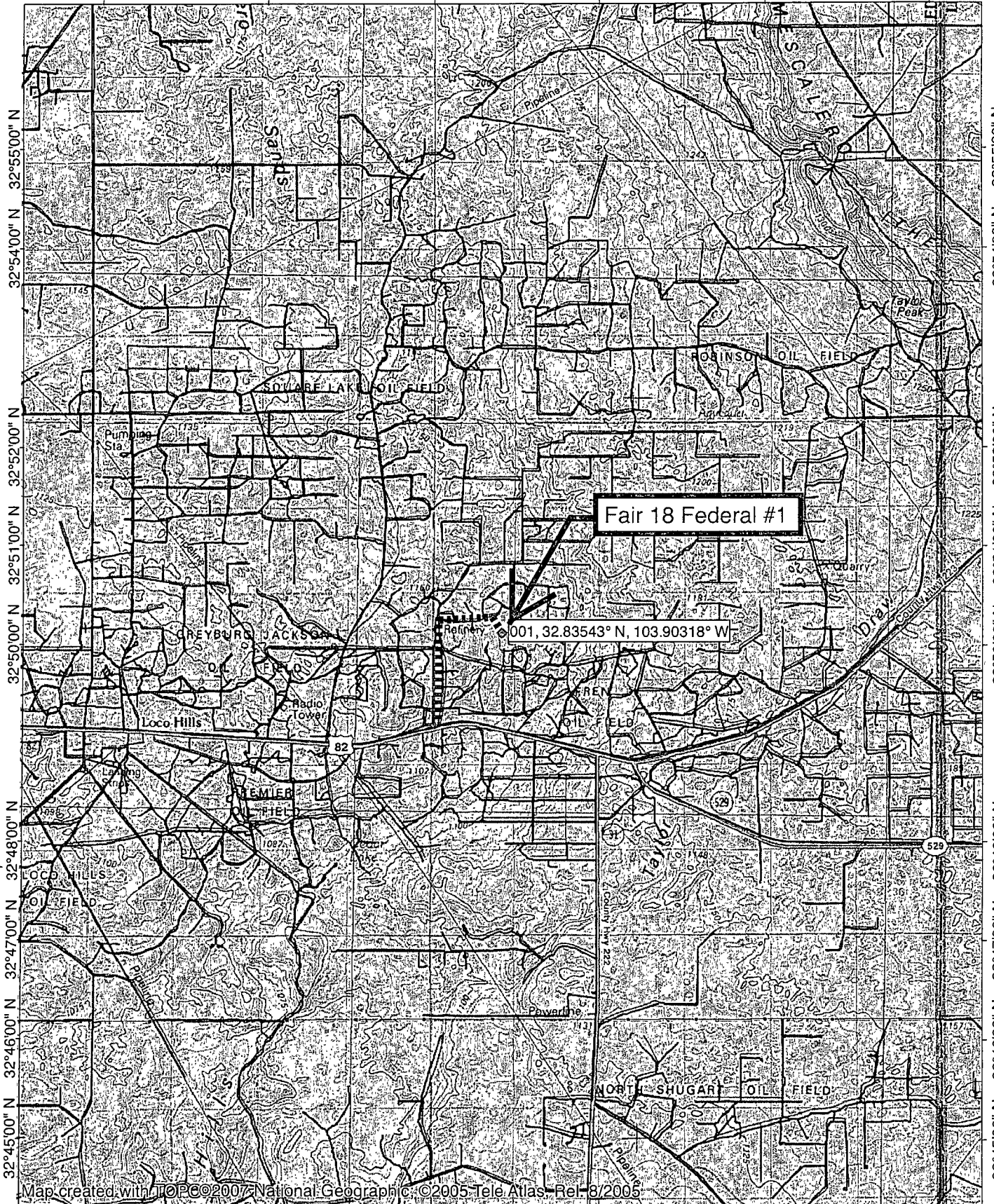
Fair Oil, Ltd.

225 South College Ave.

Tyler, TX 75702

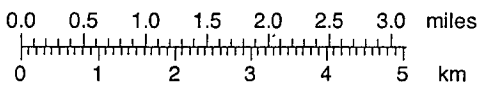
(903) 510-6527

103°59'00" W 103°57'00" W 103°55'00" W 103°53'00" W 103°51'00" W WGS84 103°49'00" W



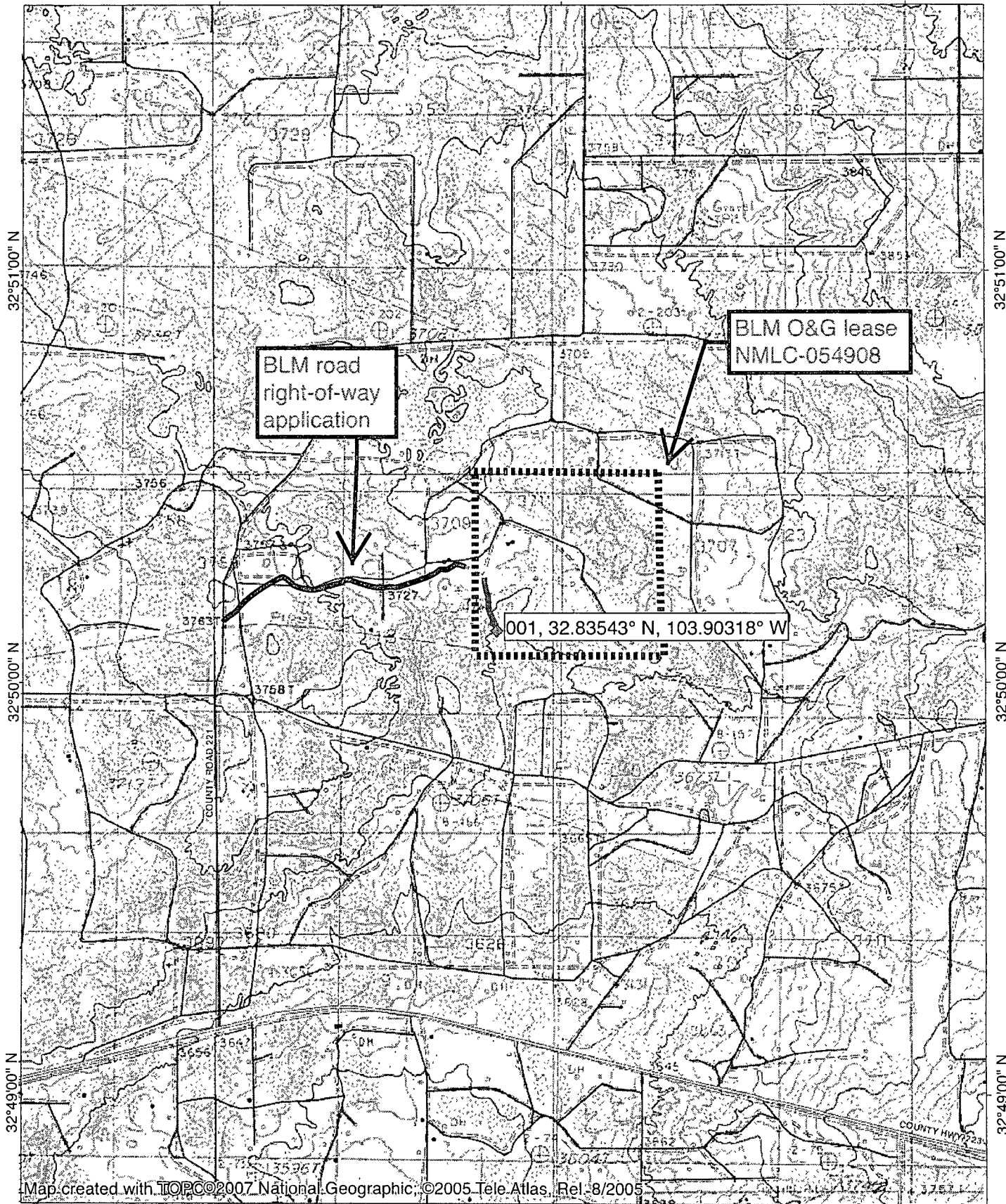
Map created with TOPO! ©2007 National Geographic, ©2005 Tele Atlas, Rel-8/2005

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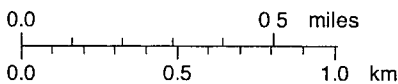


TN MN 8°

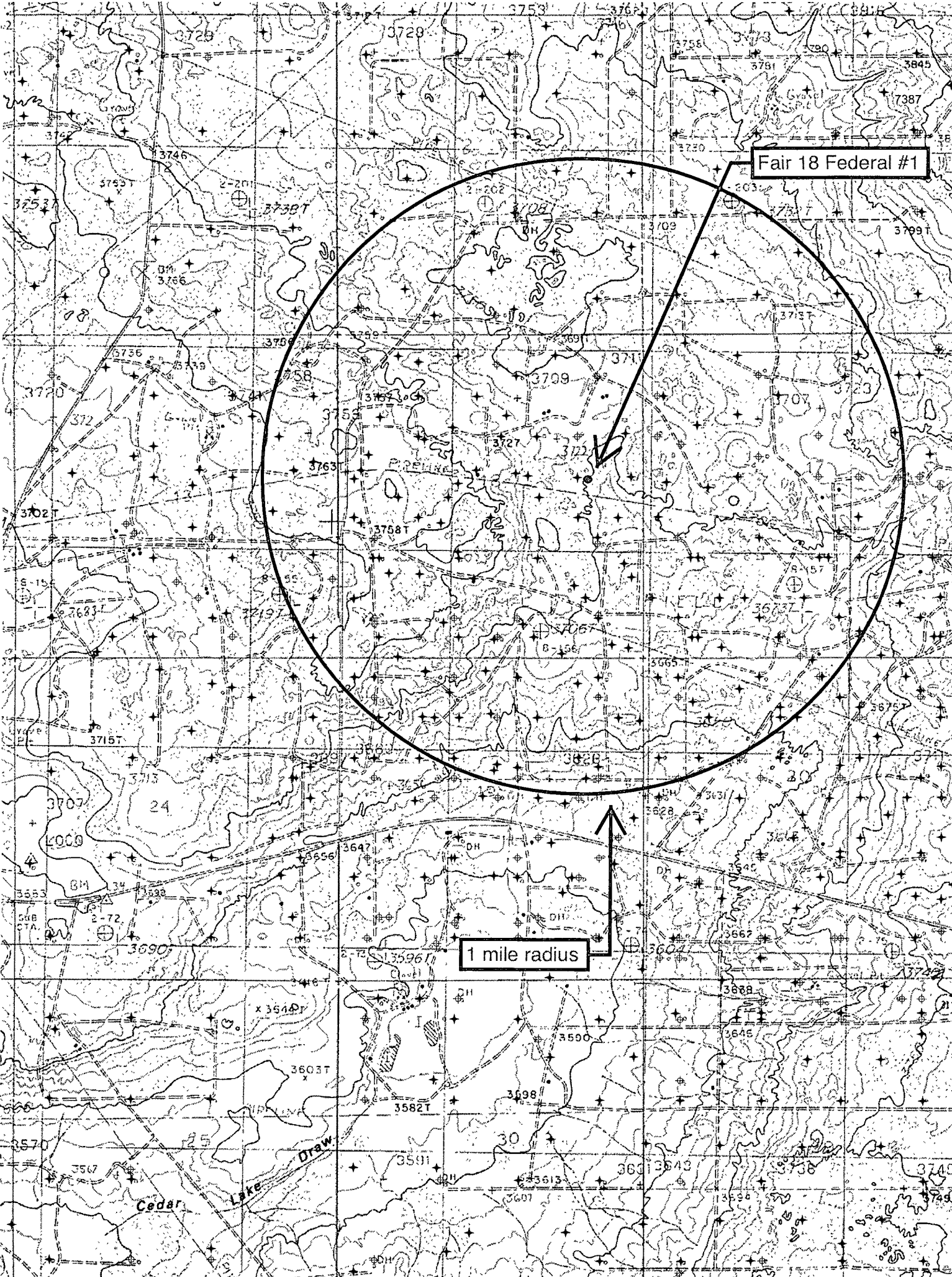
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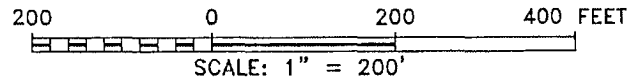
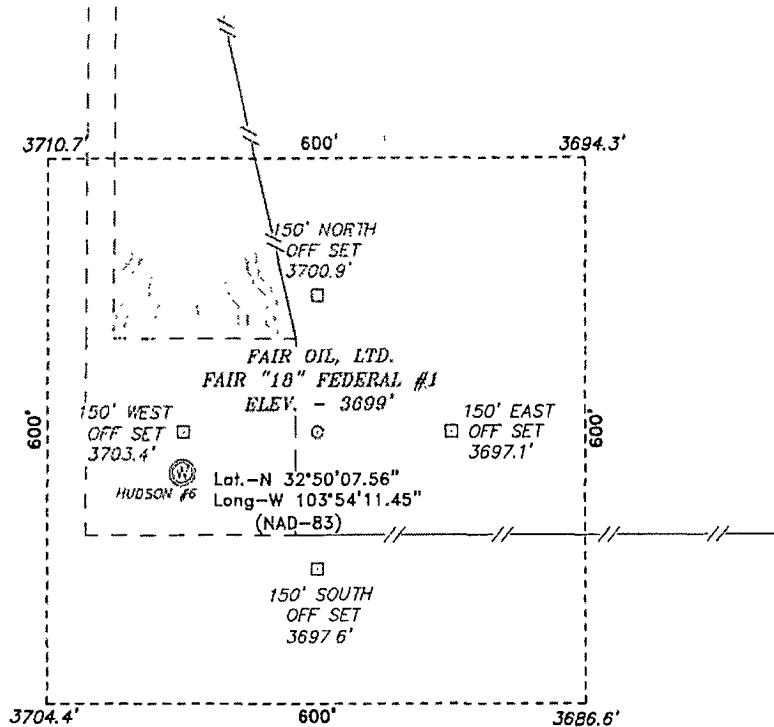




Fair 18 Federal #1

1 mile radius

SECTION 18, TOWNSHIP 17 SOUTH, RANGE 31 EAST, N.M.P.M.,  
 EDDY COUNTY, NEW MEXICO.



Directions to Location:

FROM THE JUNCTION OF HWY 82 AND CO. RD. 220,  
 GO NORTH 1.7 MILES TO CO. RD. 221 (SKELLY), GO  
 EAST 1.3 MILES TO LEASE ROAD, ON LEASE ROAD  
 GO EASTERLY 0.7 MILES THENCE SOUTH 0.1 MILES  
 TO MERIT HUDSON #6 PAD AND PROPOSED  
 LOCATION.

**FAIR OIL, LTD.**

REF: FAIR "18" FEDERAL #1 / WELL PAD TOPO

THE FAIR "18" FEDERAL #1 LOCATED 2310'  
 FROM THE NORTH LINE AND 840' FROM THE EAST LINE OF  
 SECTION 18, TOWNSHIP 17 SOUTH, RANGE 31 EAST,  
 N.M.P.M., EDDY COUNTY, NEW MEXICO.

**BASIN SURVEYS** P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 20666

Drawn By: J. SMALL

Date: 10-27-2008

Disk: JMS 20666

Survey Date: 10-23-2008

Sheet 1 of 1 Sheets