

SURFACE USE AND OPERATIONS PLAN

FOR

TXO PRODUCTION CORP.
WELL NO. 1 BURTON FLAT FEDERAL

SURFACE LOCATION
900'FSL & 1815'FWL SEC.11, T.20 S., R.29 E.

PROPOSED BOTTOM LOCATION
825'FNL & 1815'FWL SEC.14, T.20 S., R.29 E.

EDDY COUNTY, NEW MEXICO

This proposed well is to be vertically drilled from the surface location in Section 11 to a point below the potash bearing zones and then directionally drilled in a southerly direction to bottom at a point approximately 825 feet from the north line and 1815 feet from the west line of Section 14.

LOCATED: 15 miles northeast of Carlsbad, New Mexico.

FEDERAL LEASE NUMBER: NM-0506771 (Bottom Hole)
NM-15881 (Surface)

RECORD LESSEE: TXO Production Corp.

ACRES IN LEASE: NM-0506771 is comprised of 160 acres.

SURFACE OWNERSHIP: Federal.

GRAZING PERMITTEE: Snyder Ranches (c/o Larry Squires)
P.O. Box 726
Lovington, New Mexico 88260

POOL: South Parkway Strawn.

POOL RULES: Statewide. 40 acre spacing for oil.

EXHIBITS: A. Road Map
B. Plat Showing Existing Wells and Existing Roads
C. Drilling Rig Layout
D. Topo Plat