

3. LOCATION OF EXISTING WELLS

A. Existing wells on the Lease and in the immediate area are shown on Exhibit "A".

4. LOCATION OF EXISTING AND PROPOSED FACILITIES

A. The purpose of this well is the disposal of the salt water which is a offshoot/by-product of the oil and gas produced on this lease and others in the Livingston Ridge Pool by Texaco and other producers.

B. A 20x50 foot building, located on the East side of the pad will house two 125 HP electric driven triplex plunger pumps and plant control equipment. The plant capacity will be 4000 barrels per day at max. of 2500 pounds per square inch. See Exhibit "B" for the general location of this building.

C. Several tanks, as listed below, will be required for this operation. The general location of these tanks on the East side of the pad is shown on Exhibit "B".

- 1 - 500 bbl Suction Tank
- 2 - 500 bbl Skim Oil Tanks
- 1 - 2000 bbl Emergency Overflow Tank
- 1 - 750 bbl Skim Tank

D. An electric power line will be built to service this site in the near future. It is presently in the planning stages and its location and route will be determined at that time.

5. LOCATION AND TYPE OF WATER SUPPLY

A. It is not contemplated that a water well would be drilled. Water necessary for drilling operations will be purchased and trucked to the well site or will be transported to the well site by a temporary pipeline laid on the ground alongside existing and proposed roads.

6. SOURCE OF CONSTRUCTION MATERIALS

A. Caliche needed for the road and well pad will be taken from an existing pit in the SW/4, NW/4 of Section 1, T23S, R31E, Eddy County, New Mexico. It will be transported to the proposed road and well site by Eddy County Road 798 and the existing resource roads.

7. METHOD OF HANDLING WASTE DISPOSAL

A. Drill cuttings will be disposed of in the drilling pits.

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.