

Surface Use Plan
Nadel and Gussman Permian, LLC
Sun McKay Federal #3H
Section 10, T19S, R32E
330' FNL & 1980' FWL
Lea County, New Mexico

HOBBS OCD
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1. Existing Roads:

Exhibit 1 contains the surveys and a map with proposed location and lease roads. The location is approximately 20 miles West of Hobbs, NM. From Intersection of St Hwy 529 and County Road 126A, Go south on County Road 126 approx. 8 miles. Turn left on Lease road east approx. 1.7 miles east. Turn right and go south approx. 62 mile, then left on lease road for .5 miles to Sun McKay #1, follow road around north of Sun McKay #1 location north to new Location Sun McKay Federal #3H. Nadel and Gussman Permian, LLC will improve or maintain existing roads in a condition the same as or better than before operations began. Nadel and Gussman Permian will repair pot holes, clear ditches, etc. All existing structures on the entire access route will be repaired or replaced if they are damaged or have deteriorated beyond practical use, BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

2. Planned Access Roads:

Road will be constructed to access Sun McKay Federal #3H from the Sun McKay #1 North to the well, Drilling pad (approximately 340' x 270' location) will be constructed. See road plat. The maximum width of the driving service will be 14 feet. The maximum width of surface disturbance needed to construct the road will be 25 feet. The road will be crowned and ditched with a 2 % slope from the tip of the crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. The driving surface will be made of 6" rolled and compacted caliche.

3. Location of Existing Wells:

See 1 mile radius map, existing wells within 1 mile.

4. Location of Tank Batteries, Electric Lines, Etc.:

- a. In the event the well is found productive, the tank battery would be utilized and the necessary production equipment (tanks, separator) would be built on location see battery diagram.
- b. NGP will tie onto existing power lines that service the Sun McKay #1, lines will follow road to well.

5. Location and Types of Water Supply:

This location will be drilled using a combination of water mud systems (outlined in the drilling program). Water will be obtained from commercial water stations in the area and hauled in by transport truck using the existing and proposed roads shown in the C-102.

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10. Plan for Restoration of the Surface:

- a. After drilling and completion operations are completed, all equipment and other materials not needed for further operations will be removed. The location cleaned of all trash to leave the wellsite as pleasant in appearance as possible.
- b. If the proposed operation is nonproductive, all restoration and/or vegetation requirements of the BLM will be complied with, and will be accomplished as quickly as possible.
- c. 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

11. Surface Ownership:

- a. The surface owner of the well pad and road is The United States of America.

12. Other Information:

- a. The mineral and surface owner is the Federal Government, Grazing lease owner is Kenneth Smith Inc., they will be contacted
- b. The topography consists of sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.
- c. There are no ponds, lakes, or rivers in this area.
- d. An Archaeological Survey has been completed and a copy will be sent to the Carlsbad BLM office by Boone Archelological Services. There is no evidence of any significant archaeological, historical, or cultural sites in the area. Further, there are no occupied dwellings or windmills in the area.
- e. Should any incidental oil be recovered during testing of this well, this oil will be considered waste oil and not sellable due to contamination by drilling and/or completion fluids.

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13. Operator's Representative:

The Nadel and Gussman Permian, LLC Company representatives responsible for ensuring compliance of the Surface Use plan are listed below.

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Kurt Hood, Production Foreman

December 11, 2013