

## Surface Use Plan of Operations

### Introduction

The following surface use plan of operations will be followed and carried out once the APD is approved. No other disturbance will be created other than what was submitted in this surface use plan. If any other surface disturbance is needed after the APD is approved, a BLM approved sundry notice or right of way application will be acquired prior to any new surface disturbance.

Before any surface disturbance is created, stakes or flagging will be installed to mark boundaries of permitted areas of disturbance, including soils storage areas. As necessary, slope, grade, and other construction control stakes will be placed to ensure construction in accordance with the surface use plan. All boundary markers will be maintained in place until final construction cleanup is completed. If disturbance boundary markers are disturbed or knocked down, they will be replaced before construction proceeds.

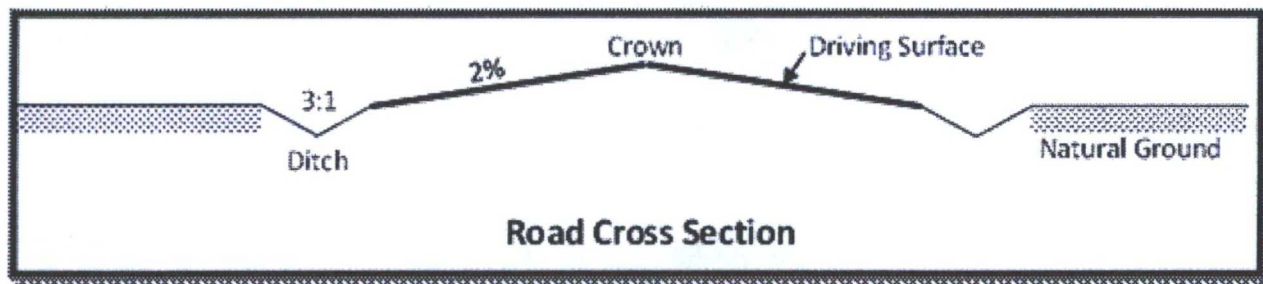
If terms and conditions are attached to the approved APD and amend any of the proposed actions in this surface use plan, we will adhere to the terms and conditions.

### 1. Existing Roads

- a. The existing access road route to the proposed project is depicted on Aerial Map, Sheet 7 of 10. Improvements to the driving surface will be done where necessary. No new surface disturbance will be done, unless otherwise noted in the New or Reconstructed Access Roads section of this surface use plan..
- b. The existing access road route to the proposed project does not cross lease or unit boundaries, so a BLM right-of-way grant will not be acquired for this proposed road route.
- c. The operator will improve or maintain existing roads in a condition the same as or better than before operations begin. The operator will repair pot holes, clear ditches, repair the crown, etc. All existing structures on the entire access route such as cattleguards, other range improvement projects, culverts, etc. will be properly repaired or replaced if they are damaged or have deteriorated beyond practical use.
- d. We will prevent and abate fugitive dust as needed, whether created by vehicular traffic, equipment operations, or wind events. BLM written approval will be acquired before application of surfactants, binding agents, or other dust suppression chemicals on roadways.

### 2. New or Reconstructed Access Roads

- a. An access road will be needed for this proposed project. See the survey plat for the location of the access road.
- b. The length of access road needed to be constructed for this proposed project is about 571 feet.
- c. The maximum driving width of the access road will be 20 feet. The maximum width of surface disturbance when constructing the access road will not exceed 25 feet. All areas outside of the driving surface will be revegetated.
- d. The access road will be constructed with 6 inches of compacted caliche.
- e. When the road travels on fairly level ground, the road will be crowned and ditched with a 2% slope from the tip of the road crown to the edge of the driving surface. The ditches will be 3 feet wide with 3:1 slopes. See Road Cross Section diagram below.



- f. The proposed access road will be constructed to BLM Gold Book standards for constructing roads on a side of a hill.
- g. The maximum grade for the access road will be 4 percent.
- h. No turnouts will be constructed on the proposed access road.
- i. No cattleguards will be installed for this proposed access road.
- j. No BLM right-of-way grant is needed for the construction of this access road.
- k. No culverts will be constructed for this proposed access road.
- l. No low water crossings will be constructed for the access road.
- m. Since the access road is on level ground, no lead-off ditches will be constructed for the proposed access road.
- n. Newly constructed or reconstructed roads, on surface under the jurisdiction of the Bureau of Land Management, will be constructed as outlined in the BLM "Gold Book" and to meet the standards of the anticipated traffic flow and all anticipated weather requirements as needed. Construction will include ditching, draining, crowning and capping or sloping and dipping the roadbed as necessary to provide a well-constructed and safe road.
- o. The estimated grade is less than 4%. Travel surface of 20' is needed to accommodate the current rig. One of the rig components has a wider wheel base of about 15.5'.

### 3. Location of Existing Wells

- a. One Mile Radius Map, Sheet 9 of 10 of the APD depicts all known wells within a one mile radius of the proposed well.
- b. There is no other information regarding wells within a one mile radius.

### 4. Location of Existing and/or Proposed Production Facilities

- a. All permanent, lasting more than 6 months, above ground structures including but not limited to pumpjacks, storage tanks, barrels, pipeline risers, meter housing, etc. that are not subject to safety requirements will be painted a non-reflective paint color, Shale Green, from the BLM Standard Environmental Colors chart, unless another color is required in the APD Conditions of Approval.
- b. If any type of production facilities are located on the well pad, they will be strategically placed to allow for maximum interim reclamation, recontouring, and revegetation of the well location.
- c. Production from the proposed well will be transported to the production facility named SEMU Cass Penn Battery. The location of the facility is as follows: SW Qtr, Sec. 15, T20S, R37E.
- d. A pipeline to transport production will be installed from the proposed well to the existing production facility.



- i. We plan to install a 4 inch surface Fiberspar pipeline from the proposed well to the production facility. The proposed length of the pipeline will be 8265 feet. The working pressure of the pipeline will be 125 psi or less. If the pipeline route follows an existing road or buried pipeline right-of-way, the surface pipeline will be installed no farther than 10 feet from the edge of the road or buried pipeline right-of-way. If existing surface pipelines prevent this distance, the proposed surface pipeline will be installed immediately adjacent to the outer surface pipeline. All construction and maintenance activity will be confined to existing roads or right-of-ways.
- ii. Flow Line R-O-W and Flow Line Map, Topo D depicts the proposed production pipeline route from the well to the production facility.
- iii. Since the proposed pipeline crossess lease boundaries, a right of way grant will be acquired prior to installation of the proposed pipeline.

**If any plans change regarding the production facility or other infrastructure (pipeline, electric line, etc.), we will submit a sundry notice or right of way (if applicable) prior to installation or construction.**

#### **Electric Line(s)**

- a. We plan to install an overhead electric line for the proposed well. The proposed length of the electric line will be 2418 feet. Power Line R-O-W depicts the location of the proposed electric line route. The electric line will be construction to provide protection from raptor electrocution.
- b. The proposed electric line does not cross lease boundaries, so a right of way grant will not need to be acquired from the BLM.

### **5. Location and Types of Water**

- a. The location of the water well is as follows: Salty Dog Sales\_ 125 miles SW of Hobbs NM on Hwy 180 and Cooper's Fresh Water Sales\_ 7 miles south of Carlsbad Hwy on Hwy 8.
- b. The operator will use established or constructed oil and gas roads to transport water to the well site. The operator will try to utilize the identified access route in the surface use plan.

### **6. Construction Material**

- a. Caliche from BLM or third party source.

### **7. Methods for Handling Waste**

- a. Drilling fluids and produced oil and water from the well during drilling and completion operations will be stored safely and disposed of properly in an NMOCD approved disposal facility.
- b. Garbage and trash produced during drilling and completion operations will be collected in a trash container and disposed of properly at a state approved disposal facility. All trash on and around the well site will be collected for disposal.
- c. Human waste and grey water will be properly contained and disposed of properly at a state approved disposal facility.
- d. After drilling and completion operations, trash, chemicals, salts, frac sand and other waste material will be removed and disposed of properly at a state approved disposal facility.
- e. The well will be drilled utilizing a closed loop system. Drill cutting will be properly disposed of into steel tanks and taken to an NMOCD approved disposal facility.

## 8. Ancillary Facilities

- a. No ancillary facilities will be needed for this proposed project.

## 9. Well Site Layout

- a. The following information is presented in the well site survey plat or diagram:
  - i. reasonable scale (near 1":50')
  - ii. well pad dimensions
  - iii. well pad orientation
  - iv. drilling rig components
  - v. proposed access road
  - vi. elevations of all points
  - vii. topsoil stockpile
  - viii. reserve pit location/dimensions if applicable
  - ix. other disturbances needed (flare pit, stinger, frac farm pad, etc.)
  - x. existing structures within the 600' x 600' archaeological surveyed area (pipelines, electric lines, well pads, etc)
- b. The proposed drilling pad was staked and surveyed by a professional surveyor. The attached survey plat of the well site depicts the drilling pad layout as staked.
- c. The submitted survey plat does depict all the necessary information required by Onshore Order No. 1.
- d. Topsoil Salvaging
  - i. Grass, forbs, and small woody vegetation, such as mesquite will be excavated as the topsoil is removed. Large woody vegetation will be stripped and stored separately and respread evenly on the site following topsoil resspreading. Topsoil depth is defined as the top layer of soil that contains 80% of the roots. In areas to be heavily disturbed, the top 6 inches of soil material, will be stripped and stockpiled on the perimeter of the well location and along the perimeter of the access road to control run-on and run-off, to keep topsoil viable, and to make redistribution of topsoil more efficient during interim reclamation. Stockpiled topsoil should include vegetative material. Topsoil will be clearly segregated and stored separately from subsoils. Contaminated soil will not be stockpiled, but properly treated and handled prior to topsoil salvaging.

## 10. Plans for Surface Reclamation

### Reclamation Objectives

- i. The objective of interim reclamation is to restore vegetative cover and a portion of the landform sufficient to maintain healthy, biologically active topsoil; control erosion; and minimize habitat and forage loss, visual impact, and weed infestation, during the life of the well or facilities.
- ii. The long-term objective of final reclamation is to return the land to a condition similar to what existed prior to disturbance. This includes restoration of the landform and natural vegetative community, hydrologic systems, visual resources, and wildlife habitats. To ensure that the long-term objective will be reached through human and natural processes, actions will be taken to ensure standards are met for site stability, visual quality, hydrological functioning, and vegetative productivity.
- iii. The BLM will be notified at least 3 days prior to commencement of any reclamation procedures.
- iv. If circumstances allow, interim reclamation and/or final reclamation actions will be completed no later



than 6 months from when the final well on the location has been completed or plugged. We will gain written permission from the BLM if more time is needed.

v. Interim reclamation will be performed on the well site after the well is drilled and completed. Interim Reclamation, Sheet 4 of 10 depicts the location and dimensions of the planned interim reclamation for the well site.

#### **Interim Reclamation Procedures (If performed)**

1. Within 30 days of well completion, the well location and surrounding areas will be cleared of, and maintained free of, all materials, trash, and equipment not required for production.
2. In areas planned for interim reclamation, all the surfacing material will be removed and returned to the original mineral pit or recycled to repair or build roads and well pads.
3. The areas planned for interim reclamation will then be recontoured to the original contour if feasible, or if not feasible, to an interim contour that blends with the surrounding topography as much as possible. Where applicable, the fill material of the well pad will be backfilled into the cut to bring the area back to the original contour. The interim cut and fill slopes prior to re-seeding will not be steeper than a 3:1 ratio, unless the adjacent native topography is steeper. Note: Constructed slopes may be much steeper during drilling, but will be recontoured to the above ratios during interim reclamation.
4. Topsoil will be evenly respread and aggressively revegetated over the entire disturbed area not needed for all-weather operations including cuts & fills. To seed the area, the proper BLM seed mixture, free of noxious weeds, will be used. Final seedbed preparation will consist of contour cultivating to a depth of 4 to 6 inches within 24 hours prior to seeding, dozer tracking, or other imprinting in order to break the soil crust and create seed germination micro-sites.
5. Proper erosion control methods will be used on the area to control erosion, runoff and siltation of the surrounding area.
6. The interim reclamation will be monitored periodically to ensure that vegetation has reestablished and that erosion is controlled.

#### **Final Reclamation (well pad, buried pipelines, etc.)**

1. Prior to final reclamation procedures, the well pad, road, and surrounding area will be cleared of material, trash, and equipment.
2. All surfacing material will be removed and returned to the original mineral pit or recycled to repair or build roads and well pads.
3. All disturbed areas, including roads, pipelines, pads, production facilities, and interim reclaimed areas will be recontoured to the contour existing prior to initial construction or a contour that blends indistinguishably with the surrounding landscape. Topsoil that was spread over the interim reclamation areas will be stockpiled prior to recontouring. The topsoil will be redistributed evenly over the entire disturbed site to ensure successful revegetation.
4. After all the disturbed areas have been properly prepared, the areas will be seeded with the proper BLM seed mixture, free of noxious weeds. Final seedbed preparation will consist of contour cultivating to a depth of 4 to 6 inches within 24 hours prior to seeding, dozer tracking, or other imprinting in order to break the soil crust and create seed germination micro-sites.
5. Proper erosion control methods will be used on the entire area to control erosion, runoff and siltation

of the surrounding area.

6. All unused equipment and structures including pipelines, electric line poles, tanks, etc. that serviced the well will be removed.

7. All reclaimed areas will be monitored periodically to ensure that revegetation occurs, that the area is not redisturbed, and that erosion is controlled.

## 11. Surface Ownership

a. The surface ownership of the proposed project is BLM and SW Cattle Company.

1. **Surface Owner:** SW Cattle Company

**Phone Number:** (000) 000-0000

**Address:** PO Box 1505 Seminole, TX 79360

a. A surface use agreement was obtained from the private surface owner regarding the proposed project.

b. A good faith effort was made to provide a copy of the APD Surface Use Plan of Operations to the private surface owner.

## 12. Other Information

a. Onsite conducted 8-21-2012. Please review this application with the SEMU 185 APD. Hydraulic Frac submittal will be provided at a later date. Surface flow line is planned to be less than 4" and use 10' wide route next to lease roads. Only 662' of the flowline will be on BLM land. We request a waiver of the three-day BLM notification of interim reclamation activities.

## 13. Maps and Diagrams

Aerial Map, Sheet 7 of 10 - Existing Road

One Mile Radius Map, Sheet 9 of 10 - Wells Within One Mile

Flow Line R-O-W and Flow Line Map, Topo D - Production Pipeline

Power Line R-O-W - Electric Line

Interim Reclamation, Sheet 4 of 10 - Interim Reclamation

## Operator Certification

CONOCOPHILLIPS COMPANY

### CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed 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 with bond coverage provided by Nationwide Bond ES0085. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Susan B. Maunder

Susan B. Maunder  
Senior Regulatory Specialist

Date: 7/27/15



STATE OF NEW MEXICO

COUNTY OF LEA

**SURFACE USE AND COMPENSATION AGREEMENT**

This Surface Use and Compensation Agreement ("Agreement") is made and entered into by and between S-W Cattle Company, whose address is P. O. Box 1800, Hobbs, New Mexico 88241, hereinafter referred to as "Grantor", and ConocoPhillips Company, a Delaware corporation, whose address is ConocoPhillips Company, Attention: Manager RPA, P. O. Box 7500, Bartlesville, Oklahoma 74004 -7500, hereinafter referred to as "Grantee". For and in consideration of the covenants and payments provided for herein, Grantor does hereby grant unto Grantee, its successors and assigns, the right and privilege to use the surface estate of all of Grantor's lands located in Lea County, New Mexico (whether now owned or leased by Grantor and/or leased or owned by Grantor in the future), including but not limited to the following described lands (hereinafter called the "Subject Property"):

S/2SW/4 of Section 31, T19S-R38E, containing 80.81 acres.

NE/4, SW/4NW/4, NW/4SW/4 of Section 1, T20S-R37E, containing 240.13 acres.

S/2SW/4, NW/4SW/4 of Section 3, T20S-R37E, containing 120.00 acres.

N2N2, S/2NE/4, SE/4NW/4 of Section 10, T20S-R37E, containing 280.00 acres.

SW/4, NW/4NW/4 of Section 11, T20S-R37E, containing 200.00 acres

E/2 Less 6.00 AC TR BEG 696' S & 411' W OF E/4 COR 11-20-37, TH S 450', W580', N450', E580' TO BEG. Section 11, T20S-R37E, containing 314.00 acres.

S/2, S/2N/2, NE/4NE/4 of Section 12, T20S-R37E, containing 520.00 acres.

N/2, N/2SW/4 of Section 13, T20S-R37E, containing 400.00 acres.

E/2, SW/4, NE/4NW/4 of Section 14, T20S-R37E, containing 520.00 acres.

S/2, of Section 15, T20S-R37E, containing 320.00 acres.

E/2 LESS TR BEG S/4 COR Section 21, TH N89D39'29"E 81.4' TO PT ON EASTERLY ROW NMP RS-1218(4), NOD27'50"W986.68', S89D32'10"W



84.41', SOD38°19'E 986.51' TO BEG 188AC ML. 6.19 AC TO STATE HWY DEPT 1987-REDESCRIBED Section 21, T20S-R37E. Containing 311.93 Acres.

All of Section 22, T20S-R37E, containing 640.0 acres.

All of Section 23, T20S-R37E, containing 640.0 acres.

E/2W/2, NW/4NW/4, SW/4SE/4, SW/4SW/4, Section 24, T20S-R27E, containing 280.00 acres.

W/2, NW/4NE/4 of Section 6, T20S-R38E containing 362.97 acres.

N/2NE/4, N/2NW/4, SW/4SW/4 of Section 7, T20S-R38E, containing 201.16 acres.

W/2NW/4 of Section 18, T20S-R38E, containing 81.00 acres.

S/2, of Section 9, T20S-R37E, containing 313.28 acres less 6.72 AC TO STATE HWY DEPT.

S/2SE/4, of Section 6, T20S-R38E, containing 80.00 acres.

NE/4SW/4 of Section 3, T20S-R37E, containing 40.00 acres.

SW/4NW/4, NE/4SW/4, N/2SE/4SW/4, SW/4SE/4SW/4, N/2SE/4SE/4SW/4, SW/4SE/4SE/4SW/4, N/2SW/4SW/4, E/2SE/4, W/2NW/4SE/4, N/2NE/4NW/4SE/4, S/2SE/4NW/4SE/4, N/2SW/4SE/4, SE/4SW/4SE/4, N/2SW/4SW/4SE/4 & SE/4SW/4SW/4SE/4 of Section 10, T20S-R37E, containing 285.00 acres.

S/2SW/4, S/2SE/4, NE/4SE/4, S/2NW/4SE/4, NE/4NW/4SE/4 of Section 13, T20S-R37E, containing 230.00 acres.

S/2NW/4, S/2NW/4NW/4 & NW/4NW/4NW/4 of Section 14, T20S-R37E, containing 110.00 acres.

NW/4, NW/4NE/4, SE/4NE/4, S/2NE/4NE/4, NW/4NE/4NE/4, N/2SW/4NE/4, N/2SW/4SW/4NE/4 & SW/4SW/4SW/4NE/4 of Section 15, T20S-R37E, containing 297.50 acres.

SW/4NW/4, NW/4SW/4, NE/4, N/2SE/4, N/2SE/4SE/4, N/2S/2SE/4SE/4, SW/4SW/4SE/4SE/4 & SE/4SE/4SE/4SE/4 of Section 24, T20S-R37E, containing 355.00 acres.

Lots 3 & 4 of Section 18, T20S-R38E, containing 80.92 acres.

Lots 1, 2, & 3 of Section 19, T20S-R38E, containing 121.28 acres.

(the above, as of the date hereof, being the property of S&W Cattle Company)

for so long as the same may be necessary or convenient for Grantee's operations under the terms and provisions contained in this Agreement which shall supersede all prior agreements (except those agreements in place or of record described in the next sentence), whether oral or written, between Grantor and Grantee. Grantee's rights under this Agreement shall be in addition to, and shall not waive, amend, supersede or diminish, any of Grantee's rights under its oil and gas leases,

or any right of way, easement or surface lease, of record or in place as of December 31, 2007, between Grantor or a predecessor of Grantor and Grantee, or any of Grantee's parent, or wholly or partially owned subsidiary or affiliated entities, covering all or any portion of the Subject Property. Nothing herein shall be deemed or construed to grant any rights for construction or installation of any mainline transmission pipeline on Grantor's lands by Grantee, or any subsidiary or affiliate of Grantee.

Grantor acknowledges this Agreement complies with House Bill 827 enacted by the New Mexico 48<sup>th</sup> Legislature and approved by the Governor on March 8, 2007, known as the New Mexico Surface Owners Protection Act (the "ACT") which is incorporated herein for informational purposes only, and the receipt of a copy of which is hereby acknowledged by Grantor. BY EXECUTION OF THIS AGREEMENT, GRANTOR HEREBY WAIVES ANY AND ALL OF ITS RIGHTS UNDER THE ACT AND AGREES THAT THIS AGREEMENT SUPERSEDES ALL PROVISIONS THEREOF WITH RESPECT TO ALL PRESENT AND FUTURE WELLS, PIPELINES, OTHER FACILITIES AND EQUIPMENT, OPERATIONS, AND INGRESS AND EGRESS ASSOCIATED THEREWITH, OF GRANTEE, ITS SUCCESSORS AND ASSIGNS, ON, UNDER AND ACROSS THE SUBJECT PROPERTY FOR THE PURPOSES SET FORTH HEREIN.

For purposes of this Agreement, the following definitions apply:

- (i) "on lease" means use of the surface estate of lands described in an oil and gas lease for the purposes of exploration, production and/or development of the mineral estate underlying the same lands described in said oil and gas lease;
- (ii) "off lease" means any use of the surface estate of lands described in an oil and gas lease for purposes of exploration, production and/or development of the mineral estate underlying any lands other than the same lands described in said oil and gas lease, and means any use of any portion of the Subject Property which is not subject to an oil and gas lease for the purposes of exploration, production and/or development of



the mineral estate underlying any portion of the Subject Property that is subject to an oil and gas lease or underlying any lands other than the Subject Property, whether owned by Grantor or persons or entities other than Grantor;

(iii) "along roadway" means the length of any electric line, flow line or pipeline which is installed within fifty (50) feet from the closest edge of any roadway in place at the time such electric line, flow line or pipeline is constructed hereunder; and

(iv) "across pasture" means the length of any electric line, flow line or pipeline which is installed more than fifty (50) feet from the closest edge of any roadway in place at the time such electric line, flow line or pipeline is constructed hereunder.

(v) "temporarily abandoned" means any oil and/or gas well on the Subject Property (excluding all well(s) located on surface owned by the BLM or State of New Mexico) which is shut-in on January 1 of each calendar year and has been shut in for a period of not less than sixty (60) consecutive days immediately preceding such January 1, and any injection well on the Subject Property (excluding all well(s) located on surface owned by the BLM or State of New Mexico) which is not used for injection on such January 1 and has not been used for injection during such sixty-day period, but does not include any permanently plugged and abandoned well.

Grantor and Grantee agree that this Surface Use Agreement and the following Payment Schedule (i) shall be limited to Grantee's exploration, production and/or development activities located on the Subject Property, provided no payments are required on BLM property on which Grantor is the grazing lessee, and (ii) shall constitute full compensation to Grantee for the installation, maintenance, repair, replacement, use and operation of well locations (inclusive of the area occupied by pits associated therewith), and both on lease and off lease roadways, pipelines, flow lines, power lines, land communications lines and other sites, and ingress and

egress associated Grantee's equipment, facilities and operations on or across the Subject Property:

#### PAYMENT SCHEDULE

A. The following one-time, lump sum payments in this Section A shall be tendered within thirty (30) days following completion of Grantee's surface construction work to which such payment applies for the items listed below if constructed by Grantee on the Subject Property after December 31, 2007:

Power and Land Communications Lines	
Along roadway	██████████
Across pasture	██████████
Flow lines and Pipelines	
Along roadway	██████████
Across pasture	██████████
Roadways	██████████
New Well Locations (Privately owned surface)	████████████████████
New Well Locations (State owned surface)	████████████████████
Sites (other than well locations and caliche pits)	██████████
Caliche	████████████████████

The amounts set forth above shall remain constant until December 31, 2012; and such amounts shall be adjusted for new construction commenced and caliche purchased during the next five (5) year period commencing January 1, 2013, by the percentage increase in the Consumer Price Index – All Urban Consumers – U.S. All Items, 1982-1984 = 100 – CUUR0000SA0 (the "CPI"), as published by the U.S. Department of Labor for calendar year 2012 as compared to the CPI as published for calendar year 2008. In like manner, as of January 1, 2018 and each successive five (5) year anniversary thereafter, the amounts set forth above shall be adjusted by the percentage increase in the CPI over the preceding five (5) year period. For new construction and caliche purchased at the beginning of each such five (5) year period hereunder between January 1 and the date of publication of the CPI for the last year of the preceding five (5) year period ("interim period"), Grantee's payments during such interim period shall be equal to amounts due hereunder for the prior five (5) year period until publication of the CPI for such last year of the preceding five (5) year period, and upon such publication, any overpayment or underpayment made during the



interim period shall be paid by the overpaid party or paid to the underpaid party, as the case may be, within thirty (30) days following the date of such publication of the CPI for the last year of the preceding five (5) year period. The amount of the payments to be made hereunder shall not decrease, even if there is a decrease in the CPI.

If the CPI ceases to be published, the parties shall negotiate in good faith and endeavor to agree upon a replacement index within thirty (30) days of the referenced index ceasing to exist or be published. The parties shall choose a replacement index as closely comparable to the CPI as reasonably possible. Until a replacement index is agreed by the parties or the commencement of the next five (5) year period hereunder for which such replacement index is needed for the adjustment of such amounts due hereunder, whichever is the latter, the amounts due hereunder shall be equal to the last adjusted amounts due hereunder prior to the date the CPI ceased to exist or be published. If a replacement index is not agreed within ninety (90) days, either party shall have the right, by written notice to the other party, to terminate this Agreement as of the end of the five (5) year period during which the CPI ceased to exist or be published.

Nothing in this Section A shall be deemed or construed to apply to surface use incident to seismic acquisition operations by Grantee, if any.

B. Commencing with calendar year 2008 and payable on or before thirty (30) days after Grantee's receipt of this Agreement executed by Grantor, a ranch use fee of \$500.00 (Five Hundred Dollars) per calendar year per well, for each well that Grantee operates on the Subject Property (excluding all well(s) located on surface owned by the BLM or State of New Mexico) that is an active producing or injection well, or is a temporarily abandoned well, as of January 1 each year, and payable on or before January 31 of each year thereafter on an annual basis.

C. No ranch use fee shall be due for any well on the Subject Property that has been permanently plugged and abandoned.

D. Upon receipt of each one-time and annual payment as set forth above, Grantee shall execute a Payment Receipt describing the amount and purpose of such payment in the form of Exhibit "A" attached and made a part hereof.

E. This Surface Use Agreement and Payment Schedule shall not apply to any right of way, easement or surface lease, if any, for equipment, pipelines or other facilities if constructed on the Subject Property after December 31, 2007 by any subsidiary or affiliate of Grantee other than Burlington Resources Oil & Gas Company LP.

Commencing January 1, 2008, Grantee shall purchase from Grantor all caliche used in Grantee's construction and operations on Subject Property from existing pits on the Subject Property or from other mutually agreeable and reasonable sites on the Subject Property, for so long as Grantor can provide a quantity and quality of caliche which satisfies Grantee's specifications for Grantee's intended use.

Commencing January 1, 2008, not later than 180 days after completion of each new well, all plastic pit lining material will be removed from the drilling pit, and the pit used in the drilling of said new well will be leveled and reseeded with a BLM-recommended seed mixture for that particular type of soil. All drilling pits will be dug from the inside out, and will be fenced during drilling operations.

Not later than 180 days after completion of the permanent plugging and abandonment of a well after December 31, 2007, (i) all caliche will be removed from pad upon which such well was drilled and the portion of the roadway, if any, used to access only the permanently abandoned well location and not necessary or convenient for ingress or egress to Grantee's other on lease or off lease operations in the area, and (ii) the ground within such pad and removed roadway area will be broken, tilled, and reseeded with a BLM-recommended seed mixture for that particular type of soil.

In the event Grantee is the last producer using a roadway after December 31, 2007, Grantee will be responsible for reclaiming the surface occupied by such roadway (i.e., all caliche removed, ground broken, tilled, and reseeded with a BLM-recommended seed mixture for that particular type of soil),



when such roadway is no longer necessary or convenient for ingress or egress to Grantee's on lease or off lease operations in the area.

In the event Grantee wishes to reenter a well which has been permanently plugged and abandoned, the well location, if still in place, and any new roadway constructed to access the re-entry well location, will be treated as property of Grantor, and payment will be made per the above referenced payment schedule as if a new well was being drilled; provided however, a one-time, lump sum payment is due only for that portion of new entry roadway, if any, constructed to access the re-entry well location. Grantee's payment of the annual ranch use fees set forth above includes full compensation for the use of all then existing roadways needed to access the re-entry well location.

Grantor hereby releases Grantee, its predecessors, successors and assigns from any and all claims for compensation of any and all kinds whatsoever arising out of or as a result of any and all occupation and use of the surface estate of the Subject Property with respect to all electric lines, flow lines, pipelines, well locations, roadways and other sites occupied by Grantee and/or its predecessors, if any, including ingress and egress thereto and all caliche used in connection therewith, located on the Subject Property now or at any time prior to January 1, 2008, except to the extent of the annual ranch use fees attributable to active and temporarily abandoned wells which accrue hereafter pursuant to Section B of the Payment Schedule set forth above.

If any action in law or in equity, including any action for declaratory relief, is brought by either party to enforce or interpret the provisions of this Agreement, the prevailing party, shall be entitled to recover reasonable attorneys' fees and cost from the other party, if the other party is the non-prevailing party, which fees may be set by the court in the trial of the action or may be enforced in a separate action brought for that purpose. These fees and costs shall be in addition to any other relief which may be awarded.

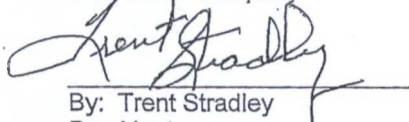
The parties shall execute, and Grantee shall have the right to record, in the public records of the county in which the Subject Property is located, a

Memorandum of Surface Use and Compensation Agreement in the form attached hereto as Exhibit "B".

This agreement shall be binding upon Grantor and Grantee, and their respective heirs, administrators, successors and assignees.

Dated and agreed to this 20 day of Aug., 2008, but made effective as of January 1, 2008.

S-W Cattle Company

  
By: Trent Stradley  
President

ConocoPhillips Company

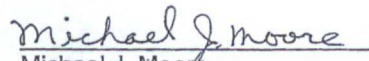
  
Michael J. Moore  
Attorney-in-Fact



Exhibit A to Surface Use and Compensation Agreement

RECEIPT

S-W Cattle Company hereby acknowledges receipt of payment in the total amount of \$\_\_\_\_\_ as full compensation pursuant to the Section(s) indicated below of that certain Surface Use and Compensation Agreement effective January 1, 2008 for the following items:

[insert description of types of payments, as examples:

1. Annual ranch use fee per Section B for calendar year [insert applicable year]:  
\$\_\_\_\_\_

2. One-time payment per Section A for flow line connecting Well No. xx to \_\_\_\_\_  
Battery/Compressor Station, \_\_\_\_\_ rods along roadway and \_\_\_\_\_ rods across  
pasture

3. Purchase of \_\_\_\_\_ cu. yds. of caliche]

Accepted and Agreed to this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_:

S-W Cattle Company

\_\_\_\_\_  
By: Trent Stradley  
President

**RECORDATION NOTICE AND**  
**MEMORANDUM OF SURFACE USE AND COMPENSATION AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

That, S-W Cattle Company whose address is P. O. Box 1800, Hobbs, New Mexico 88241, ("Grantor"), did enter into an unrecorded Surface Use and Compensation Agreement ("SUCA") effective January 1, 2008, which granted or confirmed certain rights to **ConocoPhillips Company**, the address of which is ConocoPhillips Company, Attention: Manager, RPA, P. O. Box 7500, Bartlesville, Oklahoma 74004-7500 ("Grantee"). The SUCA covers oil and gas operations on or with respect to:

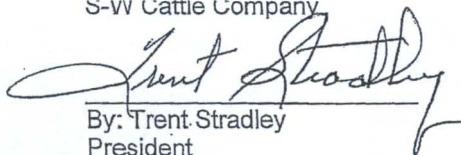
**[INSERT LEGAL DESCRIPTION]**

The SUCA is hereby referenced and incorporated herein to the same extent as if all its provisions were copied in full in this Notice/Memorandum. This Notice/Memorandum and the SUCA memorialized by it shall be binding on and inure to the benefit of Grantor and Grantee, their respective heirs, administrators, successors and assigns.

IN WITNESS WHEREOF, this Recordation Notice and Memorandum of Surface Use and Compensation Agreement has been executed on the date(s) indicated below by the undersigned.

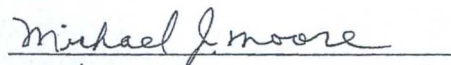
**GRANTOR**

S-W Cattle Company

  
By: Trent Stradley  
President

**GRANTEE**

**CONOCOPHILLIPS COMPANY**

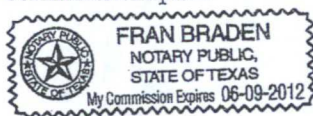
  
By: Michael J. Moore  
Title: Attorney-in-Fact



STATE OF Texas §  
COUNTY OF Houston §

This instrument was acknowledged before me this 5<sup>th</sup> day of September,  
2008, by Michael J. Moore, Attorney-in-Fact of CONOCOPHILLIPS  
COMPANY, on behalf of said corporation.

My Commission Expires:



Fran Braden

Notary Public

STATE OF NEW MEXICO §  
COUNTY OF Lea §

This instrument was acknowledged before me this 30<sup>th</sup> day of August,  
2008, by Trent Stradley, President of S-W Cattle Company, on behalf of said corporation.

My Commission Expires:

1-25-2012

Merna Gault

Notary Public