

WEST BISHOP CANYON PROSPECT

**NW/4 and NW/4NE/4 of Section 9, NE/4 of Section 8
T18S-R38E, Lea County, NM**

SURFACE ISSUES SUMMARY

The West Bishop Canyon Prospect is located on the northern edge of the city of Hobbs, New Mexico. Due to the close proximity of an urban area, Tierra/Chalcam conducted numerous inquiries regarding the feasibility of drilling in the area. A summary of our investigation is as follows:

- Edsel Neff has physically looked at the acreage two separate times to ensure that there were no structures to obstruct any drilling location on the prospect.
- Mr. Todd Randall and Mr. Russ Doss with the Hobbs City Engineer's office were contacted. All acreage in the prospect is outside the city limits of Hobbs, New Mexico. Furthermore, the prospect is not within any extra territorial jurisdiction controlled by the city of Hobbs.
- Mr. Dennis Holmberg, the Manager of Lea County was contacted. There are no county regulations that are applicable to the acreage under the prospect.
- The State Land Office has confirmed that there are no special regulations under the State oil and gas leases that we have with the prospect.
- The surface of the fee acreage located in the NW/4NE/4 of Section 9 may partially be in the Country Living Estates Subdivision #2, which appears to be composed of five acre parcels of land. We have reviewed the restrictive covenants of the Country Living Estates Subdivision #2, dated 9/15/99. The covenants do state that the land is to be used for residential purposes. The covenants also state that no noxious or offensive trade or activity is to occur on the land. However, there is no specific restriction of oil and gas activity.

We have addressed the surface issues thoroughly and to the best of our ability. However, we can not warrant or guarantee the accuracy of the above information to the Investor.

Oil Conservation Division
Case No. _____
Exhibit No. 8