

MULTI POINT SURFACE USE AND OPERATIONS PLAN

DEC 06 2011

SEELY OIL COMPANY
Federal "T", Well No. 20
660' FSL & 660' FEL, Sec. 19-T18S-R34E
Lea County, New Mexico
Lease No.: NMNM-04591
(Development Well)

RECEIVED

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, to be followed in rehabilitating the surface environmental effects associated with the operations.

1. EXISTING ROADS:

- A. Exhibit "A" is a portion of a USGS/BLM Topo map showing the location of the proposed well as staked. The well site location is approximately 52 road miles southeast of Artesia, New Mexico or 30 road miles northwest of Hobbs, NM. Traveling east from Artesia there will be approximately 50 miles of paved highway and 3 miles of gravel oilfield road.
- B. Directions: Travel east from Artesia, NM on U.S. Highway 82 for approximately 34 miles; turn southeast on NM Highway 529 for approximately 16.8 miles. Turn south .8 mile east of MM 16 at a cattle guard onto an oil field road with Oryx and Baber signs. Continue south for 1.15 miles to a "Y" in the road; take left hand road for .66 mile. Turn east for .28 mile, then south .21 mile to a lease road to the east, then .25 mile east to the McElvain Federal A, Well No. 1 well pad. The proposed access road will start on the NE corner of this location and run 800' north to the proposed well site.

2. PLANNED ACCESS ROAD:

- A. Length and Width: There will be 787.9' of new access road required. The existing access roads are color coded red on Exhibit "A".
- B. Construction: The existing access road will be repaired, as needed, and the proposed access road will be constructed by grading and topping with compacted caliche and will be properly drained.
- C. Turnouts: One turnout may be required at the halfway point.
- D. Culverts: None required.
- E. Cuts and Fills: None required.
- F. Gates, Cattle guards: No cattle guard or gate will be required.
- G. Off Lease R/W: None required.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two-mile radius are shown on Exhibit "C".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES;

- A. There are oil production facilities on the lease at this time.
- B. If the well proves to be commercial, the necessary production facilities, gas production-process equipment and tank battery will be installed on the drilling pad. A 2" SDR Poly line will be buried parallel to the access roads back to a 3" gathering line for water disposal.

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5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with fresh water that will be obtained from private or commercial sources and will be transported over the existing access roads or by surface fast line.

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Caliche for surfacing the proposed access road and well site pad will be obtained on location, if available, or from a Federal pit in the SW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 18-T18S-R34E. No surface materials will be disturbed except those necessary for actual grading and leveling of the drill site and access road.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in a closed mud system to be hauled to a disposal site.
- B. Drilling fluids will be trucked away to a disposal site.
- C. No pits will need to be fenced.
- D. Water produced during operations will be collected in tanks and then by pipeline to a disposal injection well.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. Trash, waste paper, garbage and junk will be contained in trash bins to prevent scattering and will be removed for deposit in an approved sanitary landfill within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. None required.

9. WELL SITE LAYOUT:

- A. Exhibit "D" shows the relative location and dimensions of the well pad, closed loop system, and major rig components.
- B. Mat Size: 270' X 150', plus 270' X 90' working area for the closed mud system on the north.
- C. Cut & Fill: A cut of 3-4 feet on the northeast with fill to the southwest.
- D. The surface will be topped with compacted caliche.

10. PLANS FOR RESTORATION OF THE SURFACE:

- A. After completion of drilling and/or completion operations, all equipment and other material not required for operations will be removed. The location will be cleaned of all trash and junk to leave the well site in an aesthetically pleasing a condition as possible
- B. There will be no unguarded pits containing fluids.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible.

11. OTHER INFORMATION:

- A. Topography: The proposed well site and access road is located in the Querecho Plains on the southwest slope of the Mescalero Ridge (Caprock). The location has a southwesterly slope of 3-4% from an elevation of 4004'.
- B. Soil: The topsoil at the well site is a light brown, non-calcareous fine sandy loam of the Pyote and Maljamar fine sands soils series.
- C. Flora and Fauna: The vegetation cover is a poor to fair grass cover of three-awn, bluestem, sand and spike dropseed, fluff grass, and other miscellaneous native grasses along with plants of mesquite, yucca, shinnery oak brush, sage, broomweed, cacti and miscellaneous weeds and wildflowers. The wildlife consists of antelope, rabbits, coyotes, rattlesnakes, lizards, dove, quail and other wildlife typical of the semi-arid desert land.
- D. Ponds and Streams: None in area.
- E. Residences and Other Structures: There are no structures other than oilfield tanks, pump jacks and other oilfield equipment.
- F. Land Use: Cattle grazing.
- G. Surface Ownership: The proposed well site and access road are on Fee surface owned by Kenneth Smith, 267 Smith Ranch Rd., Hobbs, NM 88240
- H. There is no evidence of archaeological, historical or cultural sites on the well site. Archaeological Survey Consultants, P O Box 2285, Roswell, NM 88202 are conducting an archaeological survey and their report will be submitted to the appropriate government agencies.

12. OPERATOR'S REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:


David Henderson
SEELY OIL COMPANY
815 W. 10th St.
Ft. Worth, TX 76102
Office Phone: (817) 332-1377

SEELY OIL COMPANY
Federal "T", Well No. 20

CERTIFICATION:

I hereby certify that I have inspected the proposed drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have knowledge of State and Federal laws applicable to this operation; that the statements made in the 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 by SEELY OIL COMPANY and its contractors and subcontractors in conformity with this APD package and the terms and conditions which it is approved. I also certify that I, or the company I represent am/is responsible for the operations conducted under this application. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

August 26 2011


George R. Smith
POA Agent for: SEELY OIL COMPANY

**POWER OF ATTORNEY
DESIGNATION OF AGENT**

Seely Oil Company, hereby names the following person as its agent

Name of Agent: George R. Smith d/b/a Energy Administrative Services Company

Agents Address: P.O. Box 458, Roswell, NM 88202

Agent's Telephone Number: (575) 623-4940

GRANT OF SPECIAL AUTHORITY

Seely Oil Company, grants its agent the authority to act for it with respect to the following only:

1. Executing forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.
2. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department.

EFFECTIVE DATE

This power of attorney is effective immediately.

RELIANCE ON THE POWER OF ATTORNEY

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

SIGNATURE AND ACKNOWLEDGMENT

Charles W Seely, Jr

By: Charles W Seely, Jr.

Title: Vice - President

Date: 12-21-2009

Address: 815 W. 10th St. Fort Worth, TX 76102

Telephone: (817) 332-1377

STATE OF TEXAS

COUNTY OF TARRANT

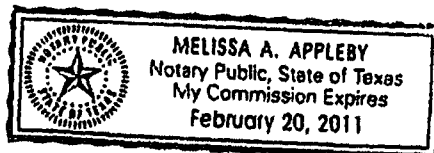
This instrument was acknowledged before me on Dec. 21, 2009 by
Charles W. Seely, Jr. of Seely Oil Company
acting on behalf of said corporation.

Signatory of notary:

Melissa Appleby

My commission expires:

2/20/11



SELF-CERTIFICATION STATEMENT
FROM LESSEE/OPERATOR

SURFACE OWNER IDENTIFICATION

Federal or Indian Lease No. Nm Nm 04591

I hereby certify to the Authorized Officer of the Bureau of Land Management that I have reached one of the following agreements with the Surface Owner; or after failure of my good-faith effort to come to an agreement of any kind with the Surface Owner, have provided a bond and will provide evidence of service of such bond to the Surface Owner:

- 1) _____ I have a signed access agreement to enter the leased lands;
- 2) _____ I have a signed waiver from the surface owner;
- 3) X I have entered into an agreement regarding compensation to the surface owner for damages for loss of crops and tangible improvements.
- 4) _____ because I have been unable to reach either 1), 2), or 3) with the surface owner, I have obtained a bond to cover loss of crops and damages to tangible improvements and served the surface owner with a copy of the bond.

Surface owner information: (if available after diligent effort)

Surface Owner Name: Ken Smith
Surface Owner Address: 267 Smith Ranch Road
Hobbs, Nm 88240-8514
Surface Owner Phone Number: 575-390-1247

Signed this 26th -- day of AUGUST --, 2011

Daniel Henderson

(Name of lessee/operator)

I (Surface Owner) accept _____ do not accept _____ the lessee or operator=s Surface Owner Agreement under 1, 2, or 3 above.

Signed this _____ - day of _____, 200__.

(Signature of Surface Owner if an agreement has been reached)

Attachment I-1

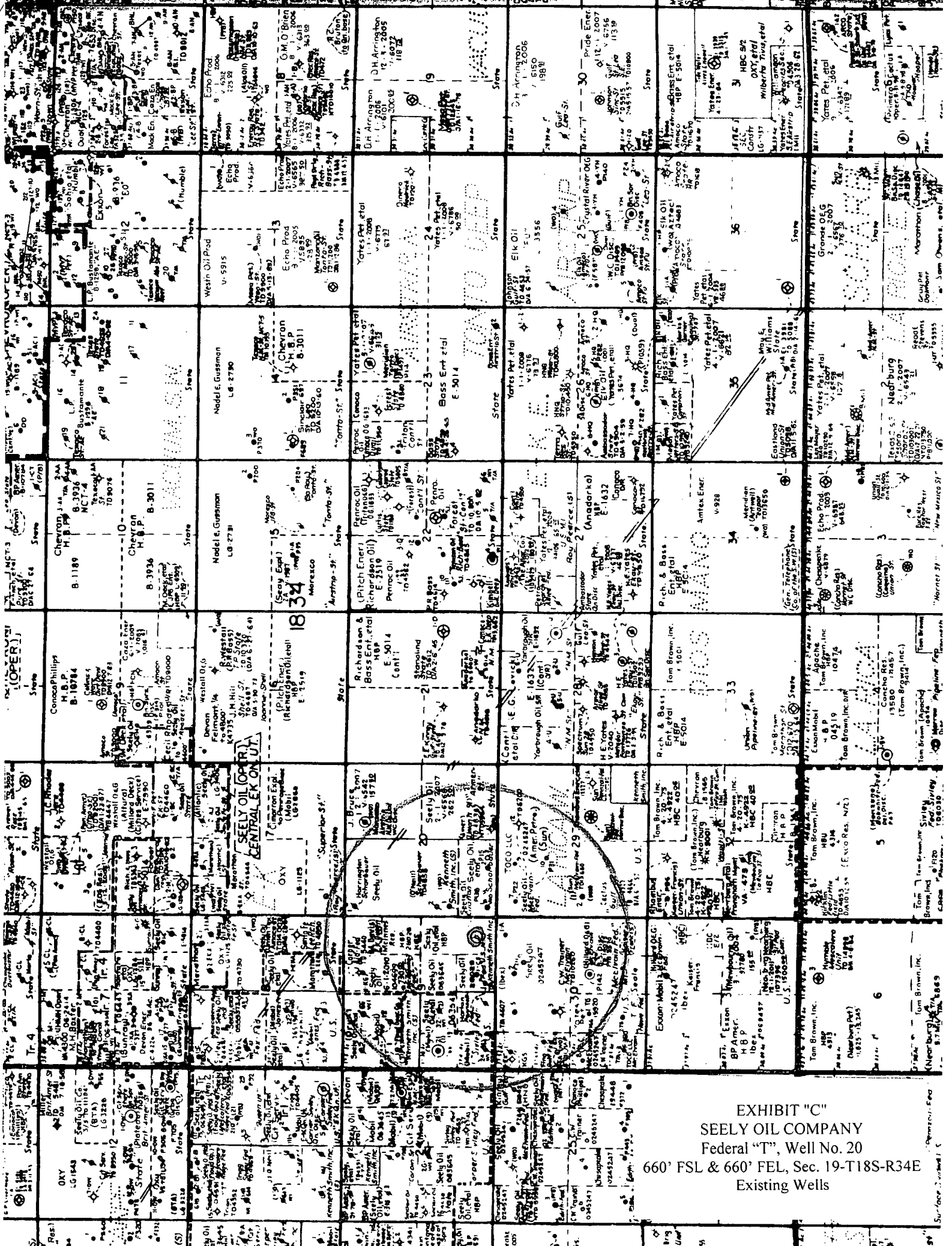
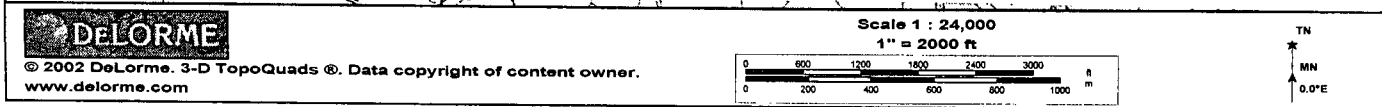
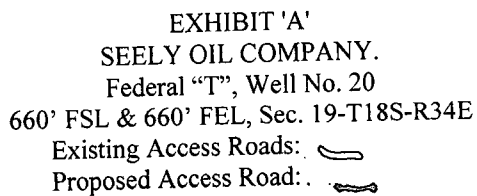


EXHIBIT "C"
SEELY OIL COMPANY
Federal "T", Well No. 20
660' FSL & 660' FEL, Sec. 19-T18S-R34E
Existing Wells





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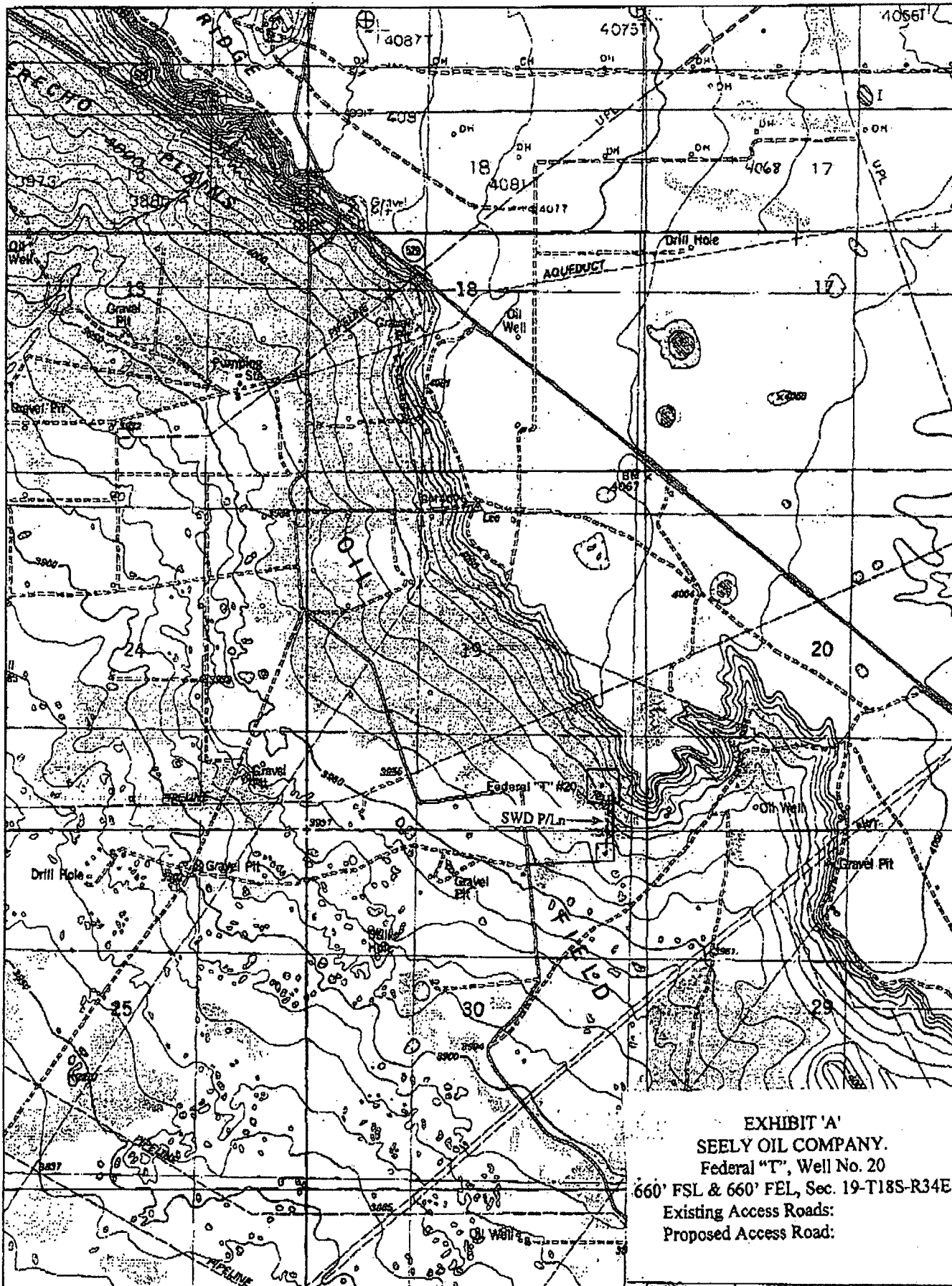
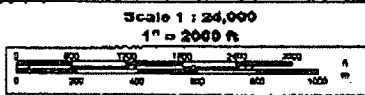


EXHIBIT 'A'
SEELY OIL COMPANY.
Federal "T", Well No. 20
660' FSL & 660' FEL, Sec. 19-T18S-R34E
Existing Access Roads:
Proposed Access Road:

DELOME

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6. **Proposed Control Equipment:** See Exhibit "E":

BOP Program:

A 10" 3000 psi wp Shaffer Type E double gate hydraulic ram BOP, will be installed on the 8 5/8" casing. Casing and BOP will be tested as described in Onshore Order No. 2 before drilling out with 7 7/8". The pipe rams will be operated and checked daily, plus each time drill pipe is out of hole. This will be documented on driller's log. See Exhibit "E".

MUD PROGRAM DEPTH	MUD	MUD WEIGHT	VIS.	W/L CONTROL
0 - 1750' 1750'	Fresh water mud	8.9 - 9.4 ppg	32 - 34	No W/L control
1750' - 5000'	Brine mud	9.8 - 10.2 ppg	34 - 35	No W/L control
5000' - 6100'	Cut Brine mud w/gel	9.8 - 10.2 ppg	34 - 35	W/L control 10cc +/-

8. **Auxiliary Equipment:** Blowout Preventer, gas detector, Kelly cock

9. **Testing, Logging, and Coring Program:** *see COA*

Drill Stem Tests: None unless warranted.

Logging: T.D. to 1750': G/R-Density Neutron, Dual Induction Log

1750' to surface: G/R, Neutron

Coring: None planned unless warranted.

10. No abnormal pressures or temperatures are anticipated. In the event abnormal pressures are encountered, the proposed mud program will be modified to increase the mud weight. Estimated (evac) BHP=2918 psi with surface pressure = 2276 psi (part. evac. hole) with BH temperature of 121°.

11. **H₂S:** None in previously drilled wells, but the Mud Log Unit will be cautioned to use a gas trap to detect H₂S and if any is detected the mud weight will be increased along with H₂S inhibitors sufficient to control the gas. If monitor approaches 10 ppm, will prepare to shut-in well and at 10 ppm will shut-in well and install 150' of line from choke manifold to mud separator and flare.

12. Anticipated starting date: October 17, 2011.

Anticipated completion of drilling operations: Approx. 3 - 5 wks