

Surface Use Plan
Nadel and Gussman Permian. LLC
Scarecrow 34 Federal #1H
Section 34, T18S, R32E
760' FNL & 430' FWL
Lea County, New Mexico

HOBBS OCD

SEP 19 2012

RECEIVED

1. Existing Roads:

Exhibit 1 contains the surveys and a maps with proposed location and lease roads. The location is approximately 8 miles South of Maljamar, NM. From Intersection of St Hwy 529 and Co rd 126, Go south on Co rd 126 approx 8 miles. Turn left on Lease road, travel East approx 2.5 miles. Turn left and go north approx 1 mile, then left on lease road, then next right on lease road and follow to well.

2. Planned Access Roads:

Approximately 2300' of new road will be built to access this location (approximately 340' x 270' location) and will be built from Lion 34 Fed Com #1H & a third unnamed location. The third unnamed location is located on existing disturbance from Plugged and Abandoned Fist Full of Dollars #1 (2310 FSL, 330 FWL) and a road exist to this location. This road will also be used to access the Lion 34 Fed Com #1H Location as well. 2 track road north of well will be blocked off. See attached diagrams and plats.

3. Location of Existing Wells:

See EXHIBIT #3 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 will be installed see exhibit #6
- b. Will tie onto power poles that cross section 34 east to west 190ft north of Lion 34 Fed Com #1H and power poles will be set and follow lease road north to #1H well.

5. Location and Type 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.

6. Source of Construction Material:

Top soil will be stock piled on the east side of location and will be used after drilling and completion operations to reduce location size on all sides and reclaim and reseeded to BLM specifications. See location map.

All caliche utilized for the drilling pad and proposed access road will be obtained from an existing BLM / State approved pit or from deposits found under the location. All roads will be constructed of 6" rolled and compacted caliche.

7. Methods of Handling Waste Disposal:

- a. All trash, junk, and other waste material will be contained in trash cages or trash bin to prevent scattering. When the job is completed, all contents will be removed and disposed of in an approved sanitary landfill. The wellsite will be cleaned of all waste within 30 days of final completion of the well.
- b. A portable toilet will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.
- c. Disposal of fluids to be transported by trucks to a nearby approved disposal.

8. Ancillary Facilities:

C. If location near dwelling closed DST will be performed

9. If H₂S encountered, mud system shall be addressed to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers, if necessary. pH will be maintained at 10, to minimize h₂S in the system. Hydrogen sulfide scavengers will also be used to minimize hazards while drilling the well.
10. Mud program: pH of 10 will be maintained with additives to minimize hazards of H₂S. H₂S scavengers will also be used to minimize effects on tubulars and well control equipment and control effects of H₂S on metallurgy.

PUBLIC PROTECTION PLAN FOR EMERGENCY CONTACTS

NADEL AND GUSSMAN Permian, LLC

(432) 682-4429

Company Personnel

Kurt Hood	Foreman	575-513-1499 575-746-1428
Jason Goss	Drilling Engineer	432-682-4429 512-784-2613

ARTESIA N.M.

Ambulance	911
State Police	575-746-5000
City Police	575-746-5000
Sheriff's Office	575-746-9888
Fire Department	575-746-5050 or 575-746-5051
N.M.O.C.D	575-748-1283

CARLSBAD N.M.

Ambulance	911
State Police	575-885-3137
City Police	575-885-2111
Sheriff's Office	575-887-7551
Fire Department	575-885-3125 or 575-885-2111
Carlsbad BLM	575-887-6544

HOBBS N.M.

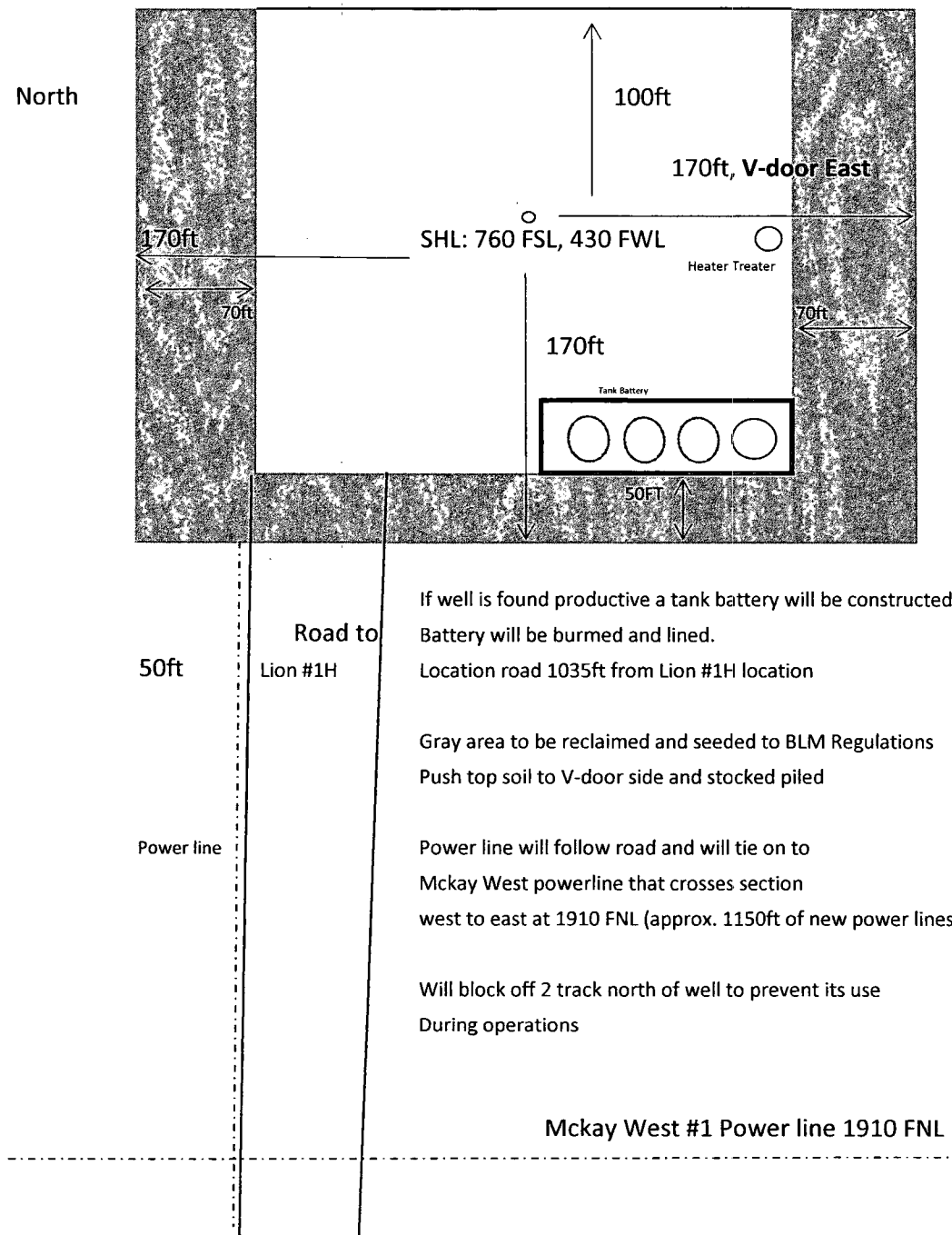
Ambulance	911
State Police	575-392-5588
City Police	575-397-9265
Sheriff's Office	575-396-3611
Fire Department	575-397-9308
N.M.O.C.D	575-393-6161
Hobbs BLM	575-393-3612

Flight for Life (Lubbock Tx)	806-743-9911
Aerocare (Lubbock Tx)	806-747-8923
Med flight air Ambulance (Albuq NM)	505-842-4433
SB air Med Services (Albuq NM)	505-842-4949

Wild Well Control	281-784-4700 (24 hour number)
Boots & Coots IWC	800-256-9688 or 281-931-8884
Cudd Pressure Control	915-699-0139 or 915-563-3356
BJ Services (Artesia NM)	575-746-3569
(Hobbs NM)	575-392-5556

New Mexico Emergency Response Commission (Santa Fe)	505-476-9600
24 Hour	505-827-9126
New Mexico State Emergency Operations Center	505-476-9635

LOCATION/BATTERY DIAGRAM
 SCARECROW 34 FEDERAL #1H
 Section 34, T-19S, R-32E, Lea County NM



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Scarecrow 34 Federal #1H
Section 34, T18S, R32E
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b. A portable toilet will be provided for the rig crews. This equipment will be properly maintained during the drilling and completion operations and will be removed when all operations are complete.

c. Disposal of fluids to be transported by trucks to a nearby approved disposal.

8. Ancillary Facilities:

Nadel and Gussman Permian will explore all options for obtaining water storage for stimulation before constructing a frac pit, however a frac pit on the #3H location will be included in this APD. NGP will look to utilize offset Frac pits built by nearby operators, next option will be temporary Poisson Frac tanks if a nearby source of water is available, if this is not possible a Frac Pit will be built at First full of Dollars location and will utilize existing disturbance of plugged and abandoned First Full of Dollars #1 (2310 FSL, 330 FWL) location. See attached plats and diagrams. When operations are complete the Frac pit will be reclaimed and reseeded to BLM requirements.

9. Wellsite Layout:

- a. EXHIBIT #4 shows the relative location and dimensions of the well pad and major rig components.
- b. The land is relatively flat with scattered sand dunes and sandy soil.
- c. The pad area has been staked.

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. Other Information:

- a. The mineral and surface owner is the Federal Government, Land and Grazing lease owner will be contacted.
- b. The topography consists of slightly 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 made and a copy will be sent to the Carlsbad BLM office. 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.

12. Operator's Representative:

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

Jason Goss, Drilling Engineer	Kurt Hood, Production Foreman
Nadel and Gussman Permian, L.L.C.	
601 N. Marienfeld Suite 508	
Midland, Tx 79701	
(432) 682-4429	

OPERATOR CERTIFICATION

I certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions that presently 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. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements. Executed the 23 day of April 2012.

Name: Jason Goss

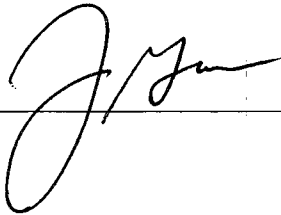
Position: Drilling Engineer

Address: 601 N. Marienfeld Suite 508

Telephone: 432-682-4429

Email: jgoss@naguss.com

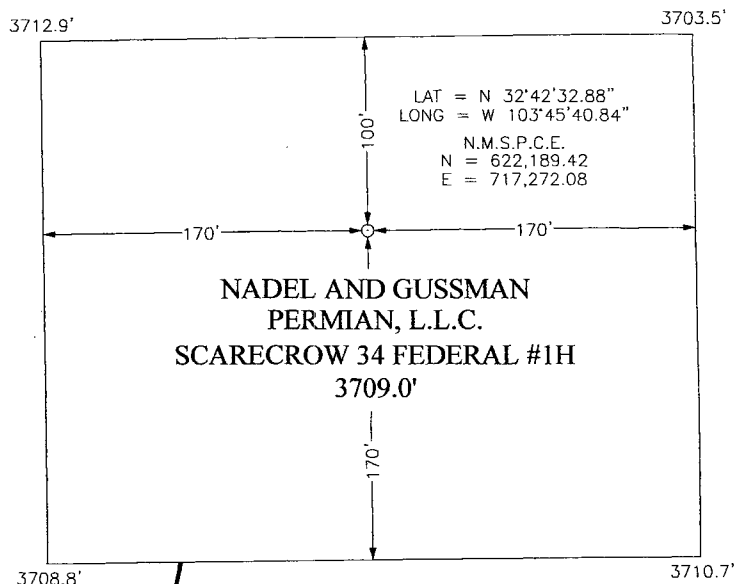
Signed: _____

A handwritten signature in black ink, appearing to read 'J. Goss', is written over a horizontal line.

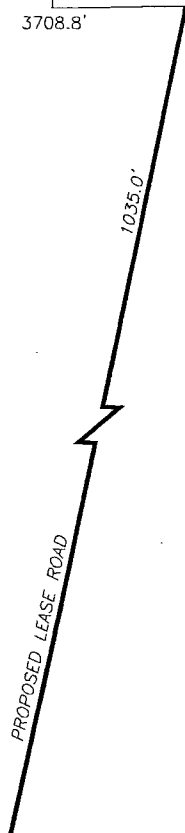
SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

LEA COUNTY

NEW MEXICO



SCALE: 1" = 100'



DIRECTIONS TO LOCATION:

FROM THE INTERSECTION OF STATE ROAD 529 AND COUNTY ROAD 126, GO SOUTH ALONG COUNTY ROAD 126 8.2 MILES TO A LEASE ROAD, THENCE GO EAST ALONG LEASE ROAD 2.4 MILES, THEN GO NORTHERLY CONTINUING ALONG LEASE ROAD 1.2 MILES, THEN GO WEST CONTINUING ALONG LEASE ROAD 0.3 MILES, THEN GO NORTH ALONG ANOTHER LEASE ROAD 160 FEET THEN GO NORTHERLY ALONG PROPOSED LEASE ROAD 0.4 MILES TO THE WELL PAD.

SCARECROW 34 FED COM #2H
 WELL PAD LOCATION

RAINS SURVEYING COMPANY

PROFESSIONAL LAND SURVEYING SERVICES • EST. 1996
 P.O. BOX 1474 • ROSWELL • NEW MEXICO • (575)622-8411

NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FEDERAL #1H – WELL PAD TOPO

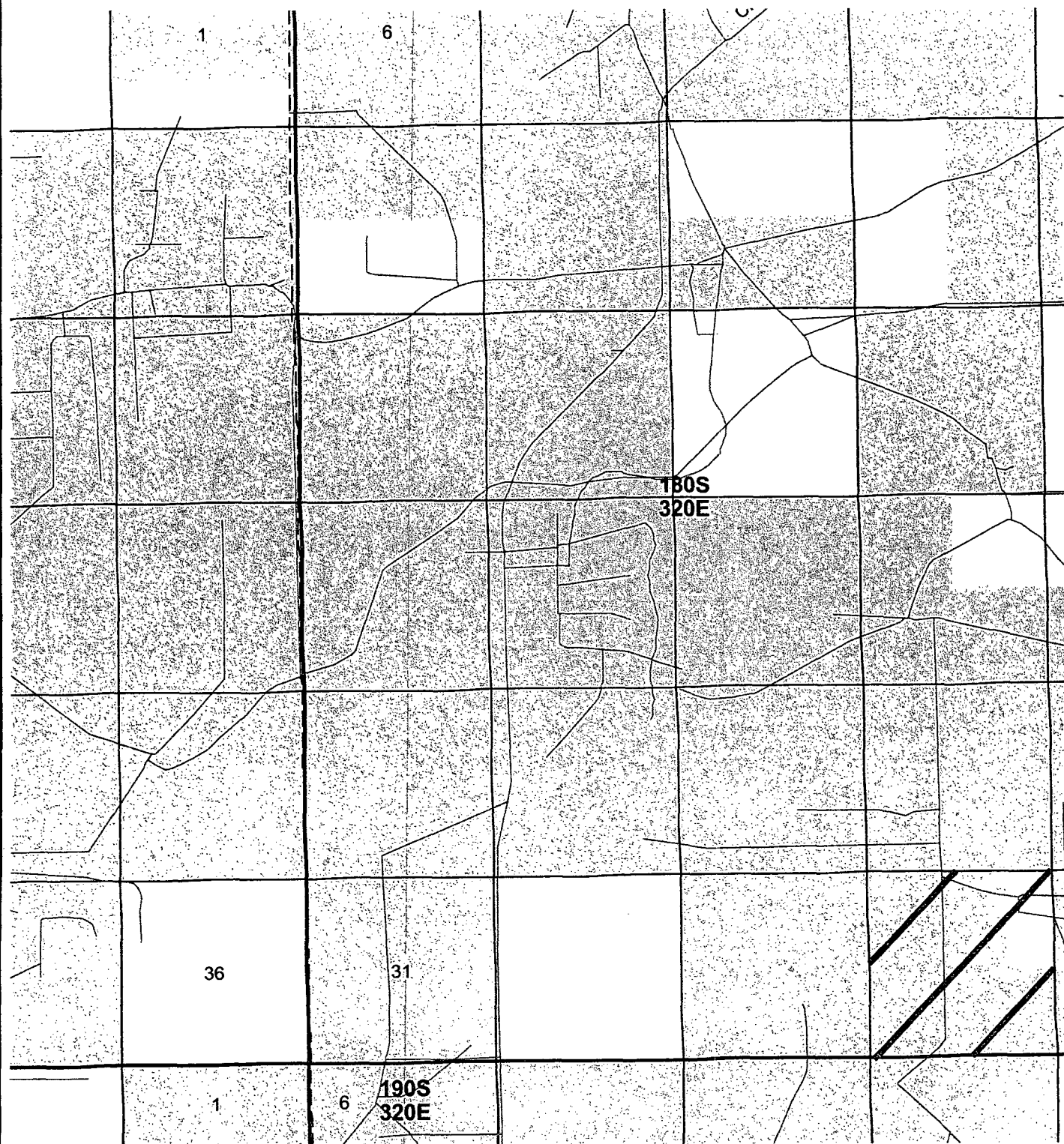
SCARECROW 34 FEDERAL #1H
 LOCATED 760' FROM THE NORTH LINE AND
 430' FROM THE WEST LINE OF SECTION 34
 TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
 LEA COUNTY, NEW MEXICO

DATE OF SURVEY: APRIL 03, 2012 SHEET 1 of 1 SHEETS

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

LEA COUNTY

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FEDERAL #1H - VICINITY MAP

SCARECROW 34 FEDERAL #1H
LOCATED 760' FROM THE NORTH LINE AND
430' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

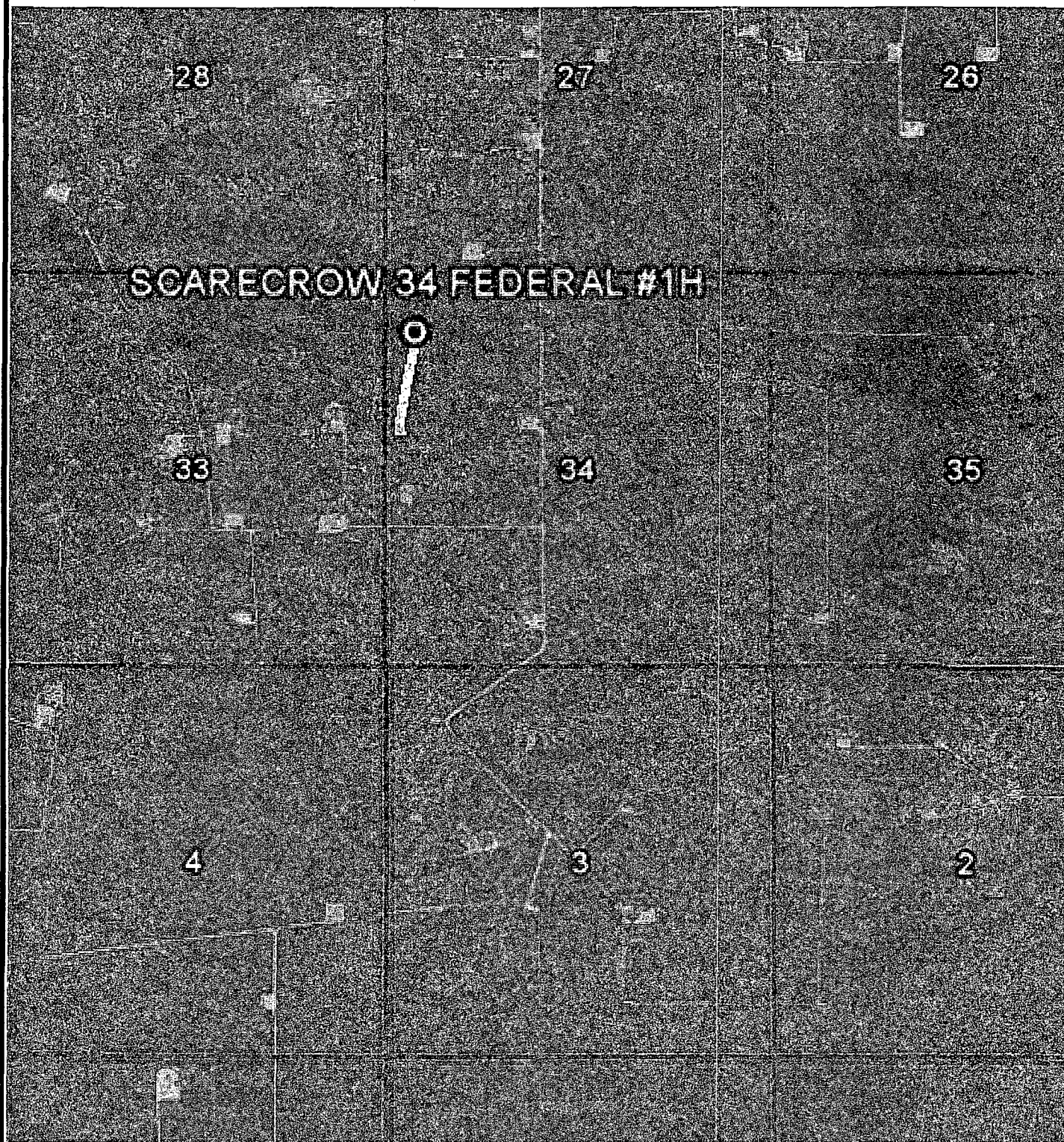
DATE OF SURVEY: 04/03/2012

SCALE: NOT TO SCALE

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FEDERAL #1H - AERIAL LOCATION MAP

SCARECROW 34 FEDERAL #1H
LOCATED 760' FROM THE NORTH LINE AND
430' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

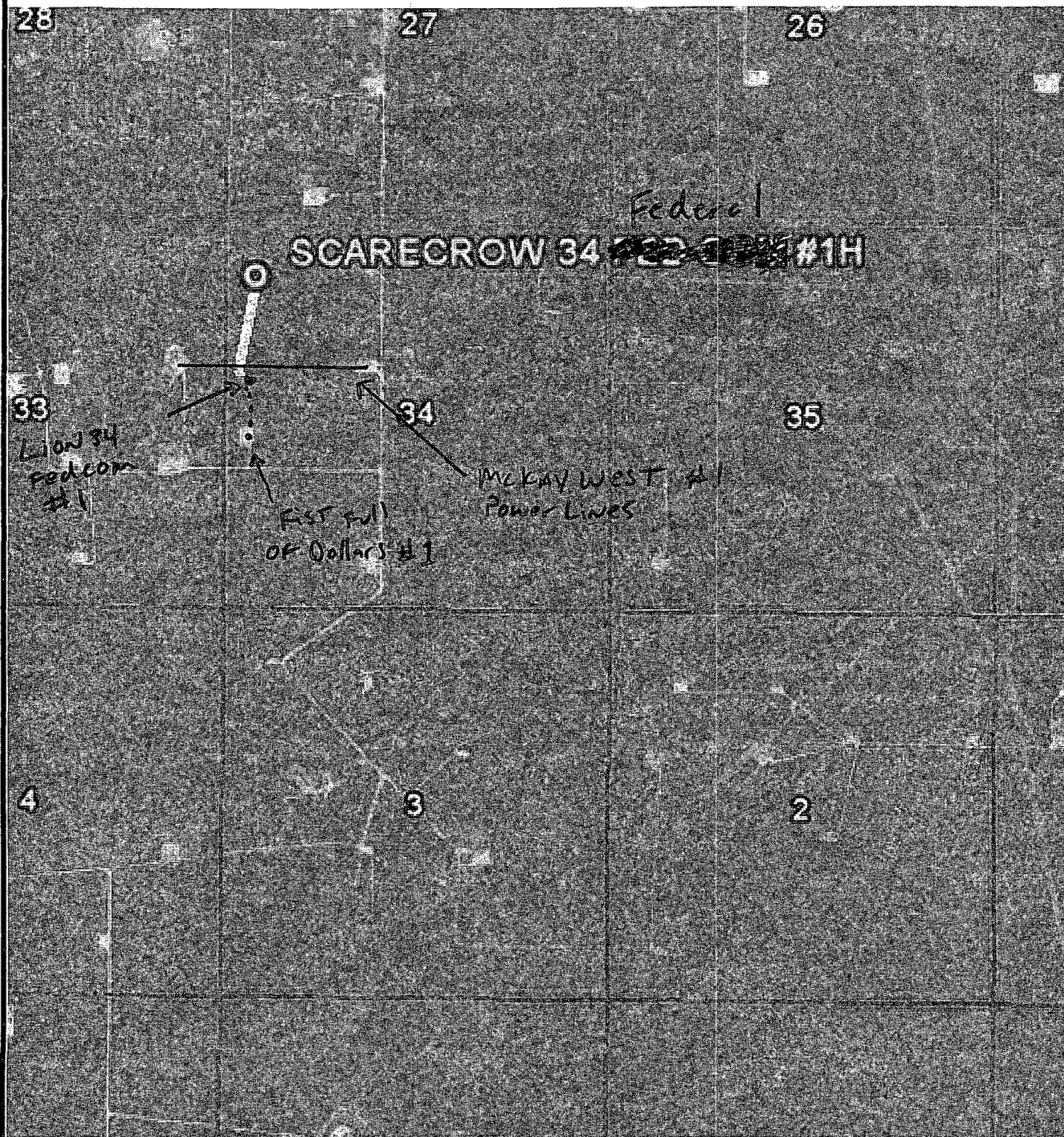
DATE OF SURVEY: 04/03/2012

SCALE: 1" = 2000'±

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FED COM #1H - AERIAL LOCATION MAP

SCARECROW 34 FED COM #1H
LOCATED 760' FROM THE NORTH LINE AND
430' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

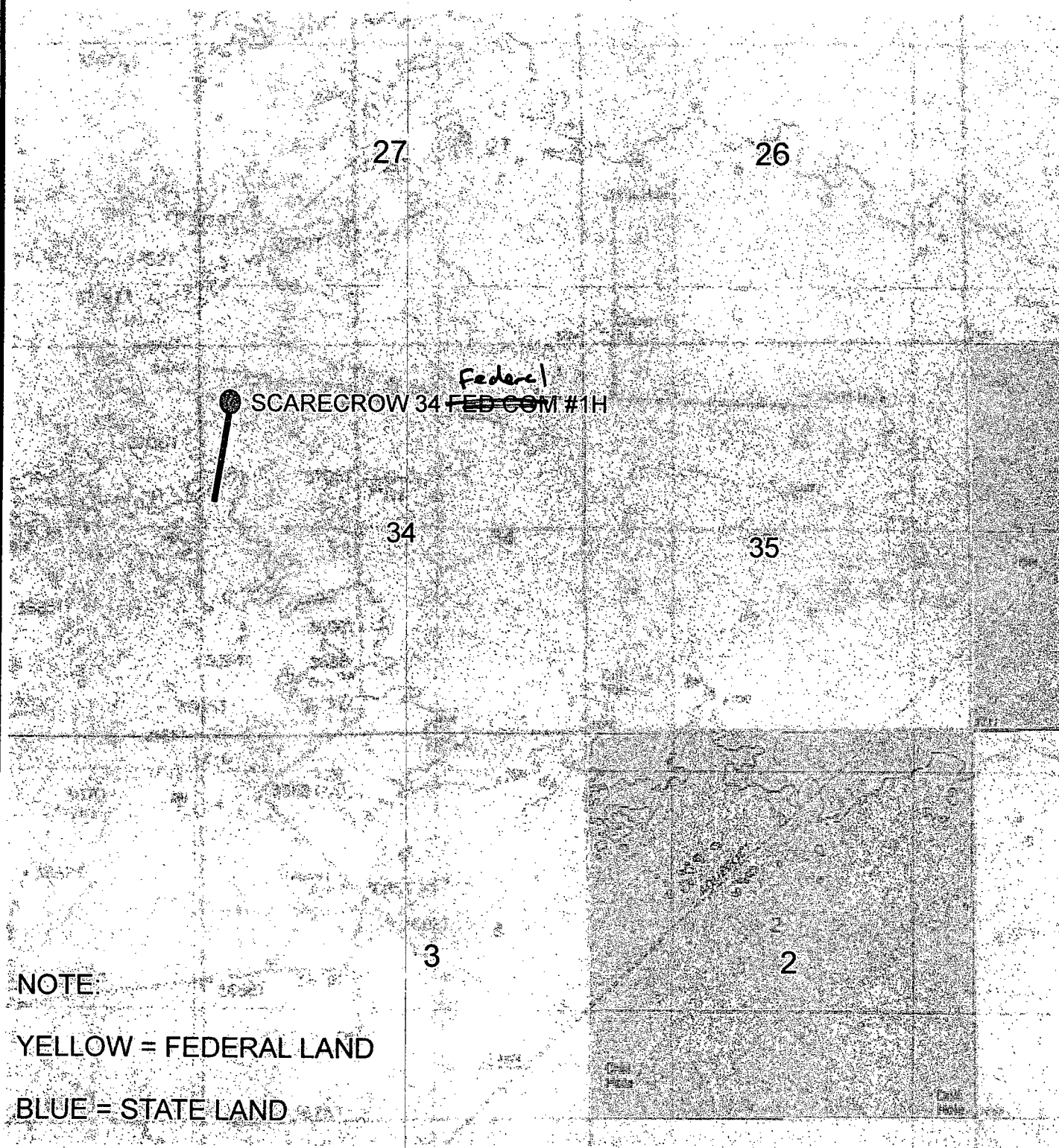
DATE OF SURVEY: 04/03/2012

SCALE: 1" = 2000'±

SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

LEA COUNTY

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FED COM #1H - LOCATION MAP

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LOCATED 760' FROM THE NORTH LINE AND
430' FROM THE WEST LINE OF SECTION 34
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LEA COUNTY, NEW MEXICO

DATE OF SURVEY: 04/03/2012

SCALE: 1" = 2000'±

T18.0S-R32.0E

20

21

22

QPBSSU 8A

29

28

27

KEEL FEDERAL SCOTT / / FED COM

MCKAY-WEST FEDERAL

FEDERAL /E/

ANADARKO FEDERAL

ANADARKO

FEDERAL 'E'

FEDERAL E

FEDERAL 'G'

FEDERAL E/

QUERECHO '28' FEDERAL

FEDERAL 'E'

ANADARKO

ANADARKO /A/

ANADARKO FEDERAL

ANADARKO

MCKAY WEST FEDERAL

ANADARKO

SUPERIOR FEDERAL

NELLIE

TEXACO-FEDERAL

KEEL 'A' FEDERAL

VANDIVER FEDERAL

32

SPEAR FEDERAL

JOHNSON FEDR

34

KEEL 'A' FEDERAL

KEEL FEDERAL

FIST FULL OF DOLLARS

PEDCO GULF FED COM

GULF MCKAY FEDERAL

LUSK SEVEN RIVERS

KEEL 'A' FEDERAL

5

4

3



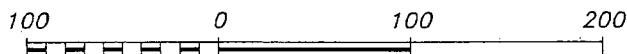
SECTION 34, TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.

EDDY COUNTY

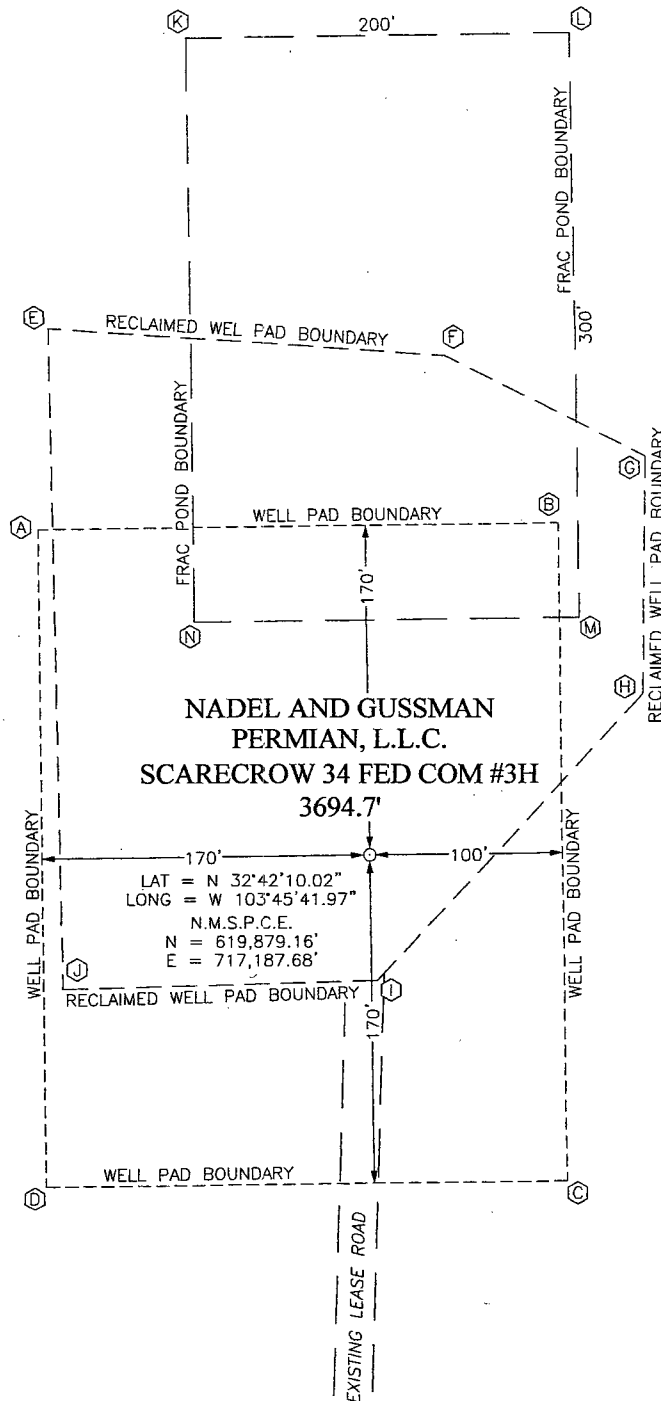
NEW MEXICO



SCALE: 1" = 100'



N.M.S.P.C.E. TABLE			
×	NORTHING	EASTING	ELEVATION
A	620,048.2'	717,016.8'	3695.2'
B	620,049.7'	717,286.7'	3697.1'
C	619,709.7'	717,288.6'	3695.3'
D	619,708.3'	717,018.6'	3691.9'
E	620,151.3'	717,022.7'	3696.7'
F	620,135.9'	717,229.0'	3699.0'
G	620,083.5'	717,332.7'	3696.7'
H	619,961.3'	717,330.4'	3695.1'
I	619,813.9'	717,191.2'	3695.9'
J	619,810.4'	717,027.9'	3696.3'
K	620,299.7'	717,095.8'	3701.7'
L	620,300.7'	717,295.7'	3698.4'
M	620,000.8'	717,297.3'	3696.5'
N	619,999.7'	717,097.4'	3696.7'



EXISTING LEASE ROAD

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NADEL & GUSSMAN PERMIAN, L.L.C.

REF: SCARECROW 34 FED COM #3H - WELL PAD TOPO

SCARECROW 34 FED COM #3H
LOCATED 2210' FROM THE SOUTH LINE AND
330' FROM THE WEST LINE OF SECTION 34
TOWNSHIP 18 SOUTH, RANGE 32 EAST, N.M.P.M.
EDDY COUNTY, NEW MEXICO

DATE OF SURVEY: APRIL 03, 2012 SHEET 1 of 1 SHEETS