

Surface Use Plan
Nadel and Gussman HEYCO, LLC
Blue Quail 23 Federal #1H
Section 23, T19S, R34E
660' FSL & 330' FEL
Lea County, New Mexico

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1. Existing Roads:

Exhibit 1 contains the surveys and a maps with proposed location and lease roads. The location is approximately 22 miles West of Hobbs, NM. From Intersection of St Hwy 16 and US HWY 180 in Hobbs NM go approx 22 miles west on US HWY 62-180, turn right and go north on lease road at COG Hawg Federal #1 and follow lease road north for half mile, turn left (West) to well.

2. Planned Access Roads:

Approximately 904' of new road will be built to access this location (approximately 340' x 270' location) and will connect to existing north/south lease road in section 24, approximately 567ft of new road will be off lease. NGH will obtain a Federal ROW to access existing lease roads in section 24 and 25. 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 at the Blue Quail 26 Federal #1H location, see tank battery exhibit, flow line will travel due south to Blue Quail 26 Fed #1H location.

b. Will tie onto power poles that cross section 24 north/south along existing lease road, new power line will travel west from lease road 1,100ft to Blue Quail 23 Fed #1H, approx. 4-5 new power poles. See attached survey of power lines.

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 (V-door side) 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.

d. Closed loop solid control will be used. Drill solids waste will be collected in bins and hauled to permitted disposal facility as listed on C-144 in accordance with NM OCD rules.

8. Ancillary Facilities:

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None: will attempt to use offset operators frac ponds for stimulation.

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9. Wellsite Layout:

- a. Pad layout shows the relative location and dimensions of the well pad and ~~major~~ rig components. V-door east.
- b. The land is relatively flat with scattered vegetated sand dunes and sandy soil.
- c. The pad area has been staked and onsite has been conducted with Cassidey Brooks on December 10th, 2012.

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 per BLM guidelines.

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 Qal/vegetated dunes, 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 will be conducted by Boone Arch. and a copy will be sent to the Carlsbad BLM office. 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 HEYCO, LLC Company representatives responsible for ensuring compliance of the surface Use plan are listed below:

Keith Cannon, Drilling Superintendent

Jason Goss, Drilling Engineer

Nadel and Gussman HEYCO, L.L.C.
500 N. Main Suite One
Roswell, NM 88202
(575)-623-6601

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 January 2013.

Name: Jason Goss

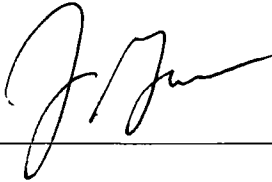
Position: Drilling Engineer

Address: 601 N. Marienfeld Suite 508

Telephone: 432-682-4429

Email: jgoss@naguss.com

Signed: _____

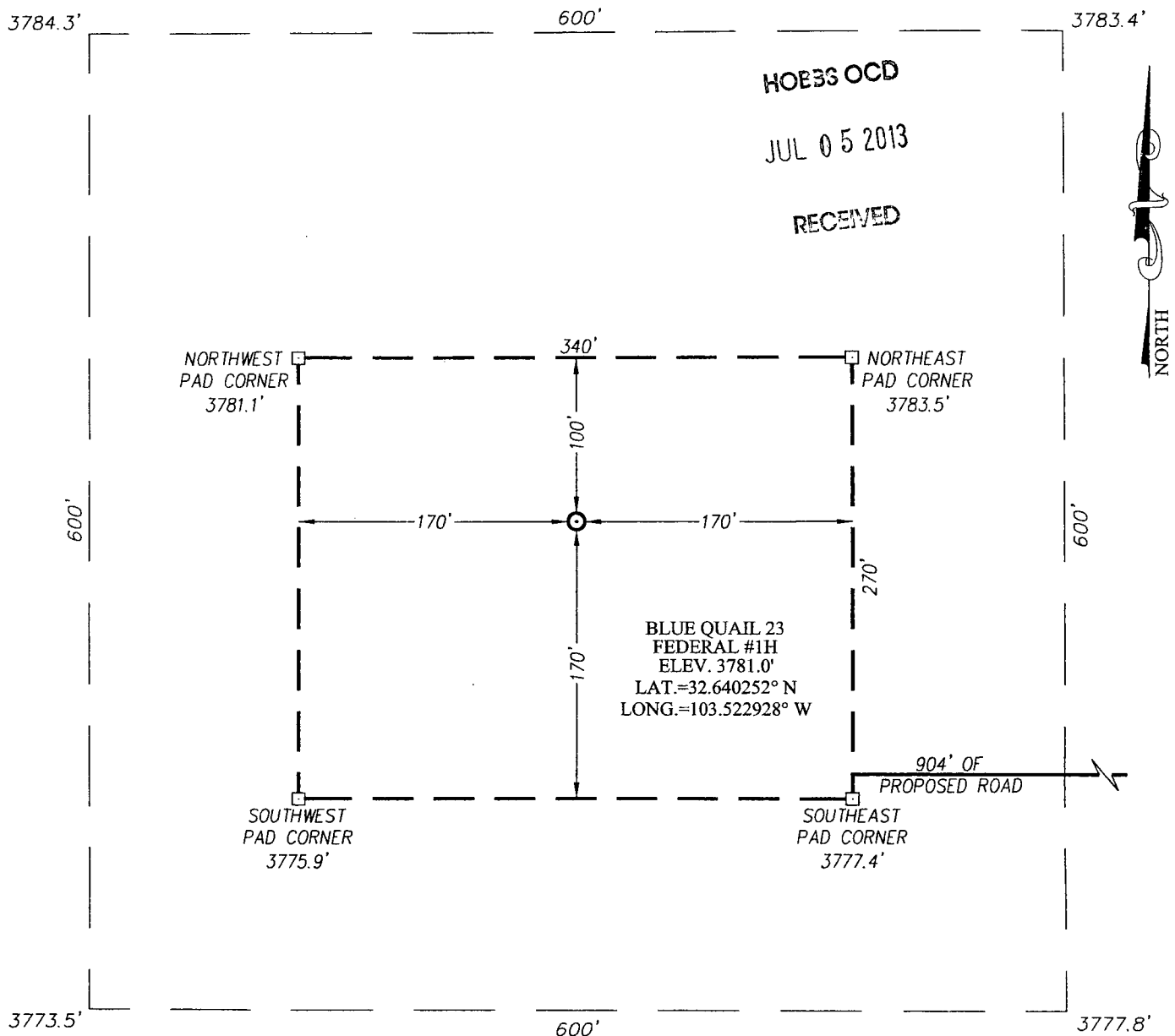


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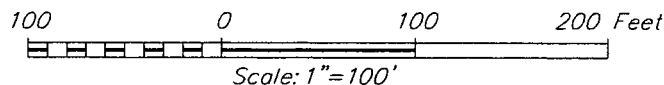
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SECTION 23, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.
LEA COUNTY **NEW MEXICO**



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF HWY. 62-180 AND CO. RD. H-27 (MARATHON RD.) GO SOUTHWEST ON HWY. 62-180 APPROX. 0.3 MILES. TURN RIGHT AND GO NORTH APPROX. 0.45 MILES TO THE ROAD SURVEY. FOLLOW ROAD SURVEY WEST 904 FEET TO THE LOCATION.



NADEL AND GUSSMAN HEYCO, LLC

BLUE QUAIL 23 FEDERAL #1H WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 330 FEET FROM THE EAST LINE OF SECTION 23,
TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO



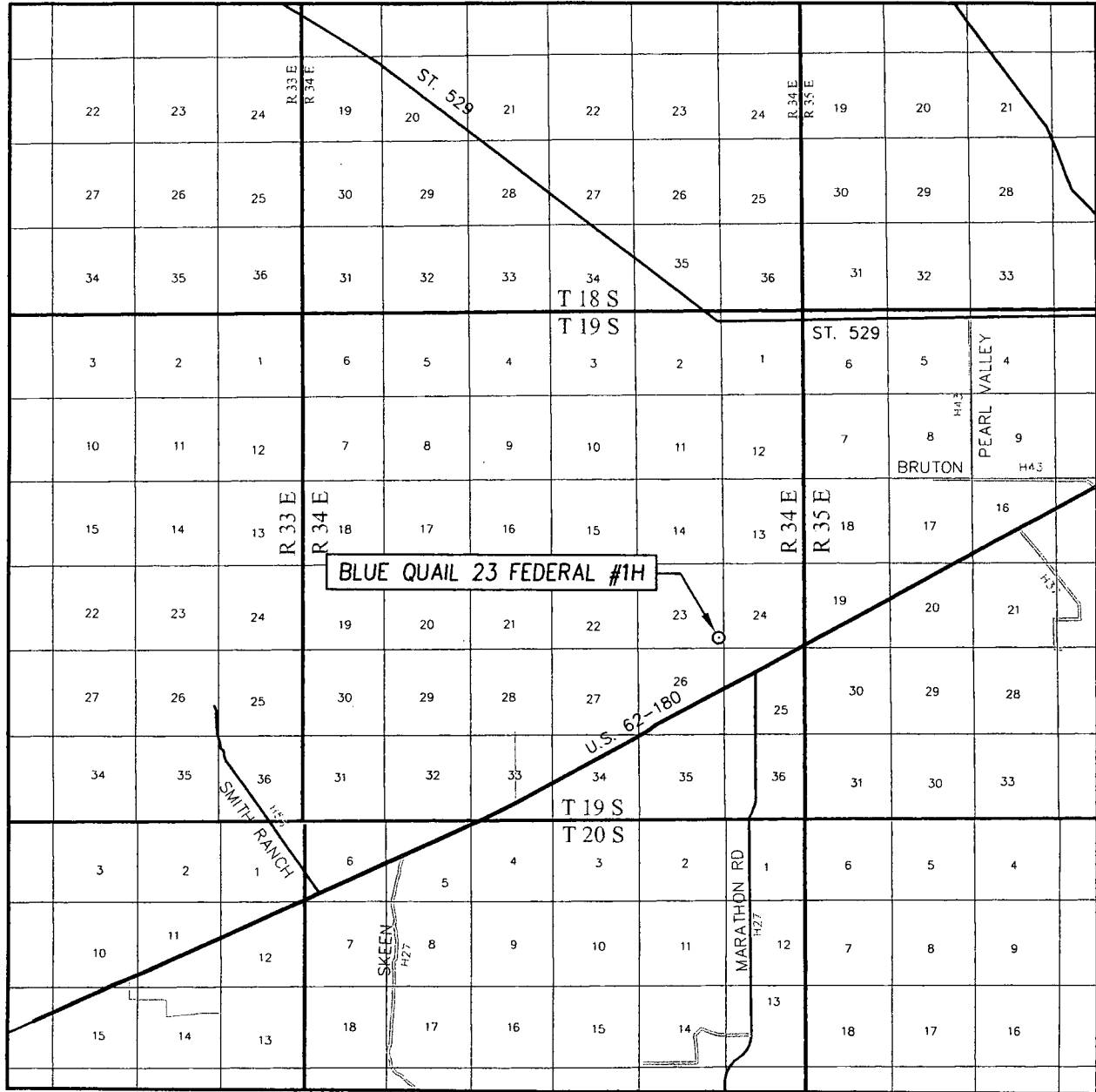
PROVIDING SURVEYING SERVICES
 SINCE 1946
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (575) 393-3117 www.jwsc.biz

Survey Date: 12/10/12	CAD Date: 12/13/12	Drawn By: AF
W.O. No.: 12111986	Rev. :	Rel. W.O.:
		Sheet 1 of 1

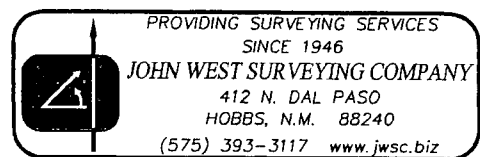
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VICINITY MAP

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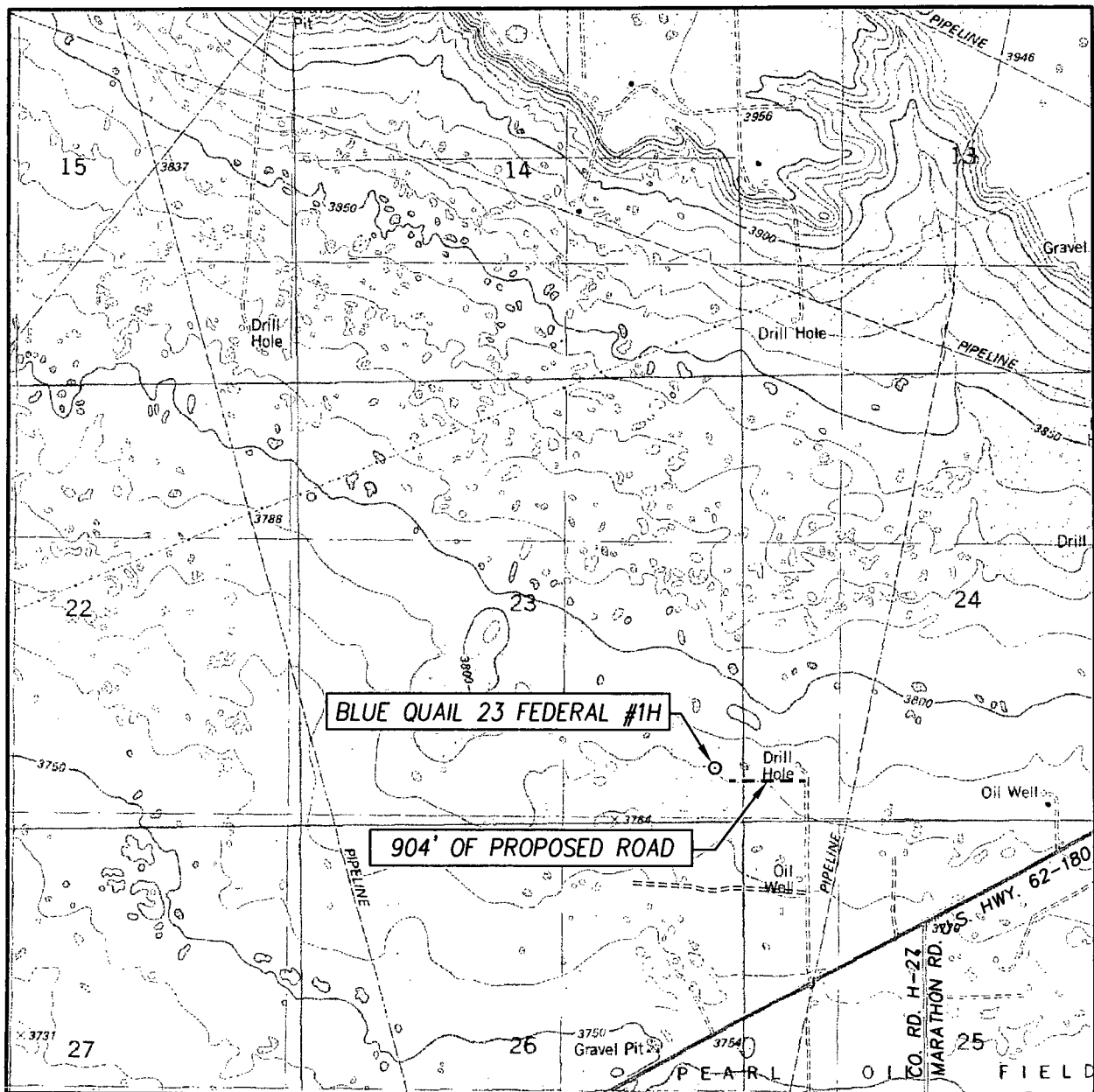
SCALE: 1" = 2 MILES

SEC. 23 TWP. 19-S RGE. 34-ESURVEY N.M.P.M.COUNTY LEA STATE NEW MEXICODESCRIPTION 660' FSL & 330' FELELEVATION 3781'OPERATOR NADEL AND GUSSMAN HEYCO, LLCLEASE BLUE QUAIL 23 FEDERAL

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LOCATION VERIFICATION MAP

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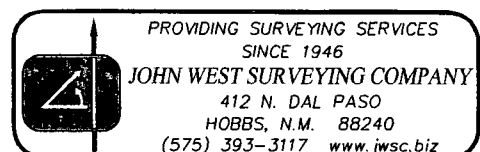


SCALE: 1" = 2000'

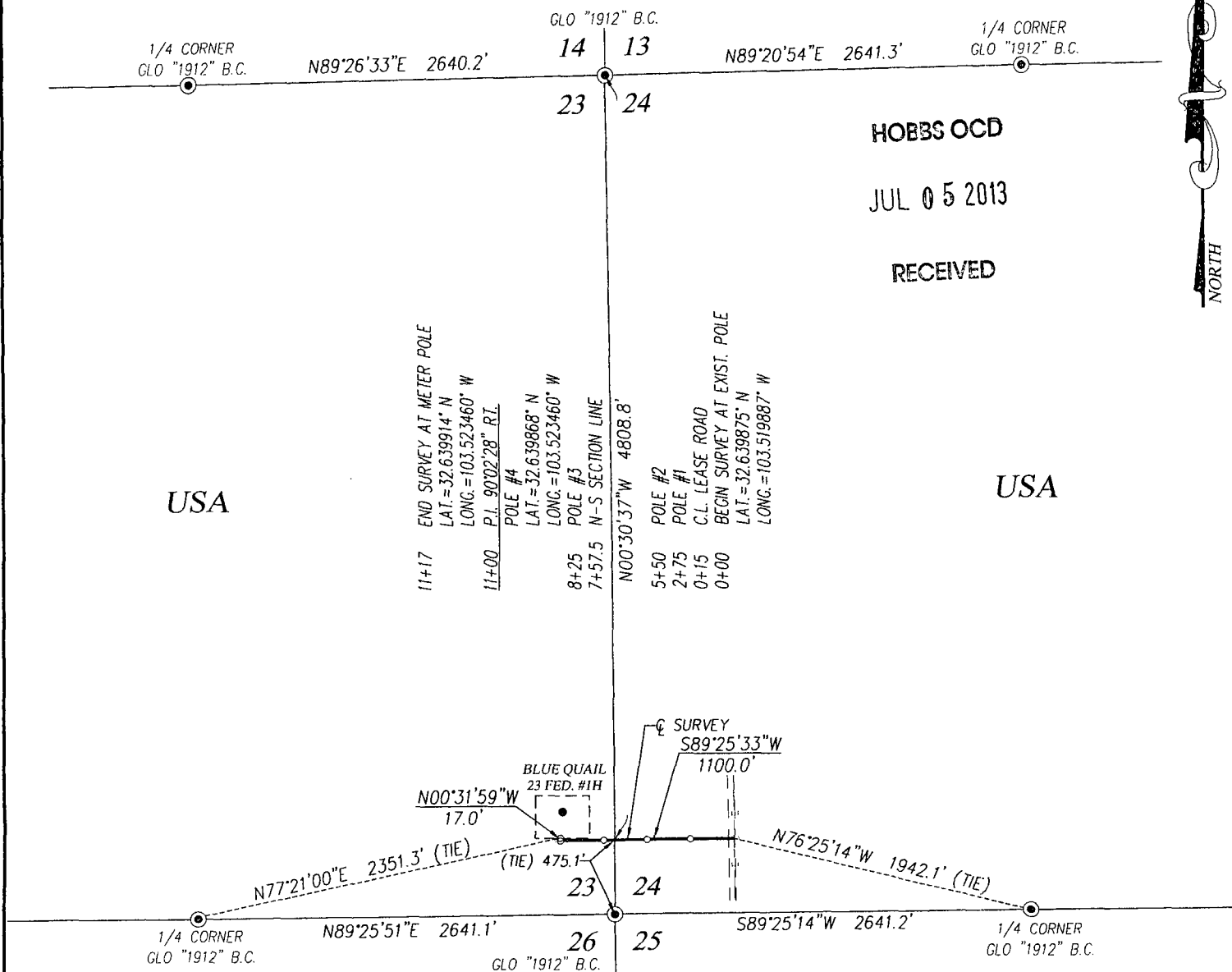
CONTOUR INTERVAL:
IRON HOUSE WELL, N.M. - 10'SEC. 23 TWP. 19-S RGE. 34-ESURVEY N.M.P.M.COUNTY LEA STATE NEW MEXICODESCRIPTION 660' FSL & 330' FELELEVATION 3781'OPERATOR NADEL AND GUSSMAN HEYCO, LLCLEASE BLUE QUAIL 23 FEDERAL

U.S.G.S. TOPOGRAPHIC MAP

IRON HOUSE WELL, N.M.



SECTIONS 23 & 24, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.,
LEA COUNTY
NEW MEXICO



DESCRIPTION

SURVEY OF A STRIP OF LAND 50.0 FEET WIDE AND 1117.0 FEET OR 0.212 MILES IN LENGTH CROSSING USA LAND IN SECTIONS 23 & 24, TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO, AND BEING 25.0 FEET LEFT AND 25.0 FEET RIGHT OF THE ABOVE PLATTED CENTERLINE SURVEY.

NOTE

- 1) BEARINGS SHOWN HEREON ARE MERCATOR GRID AND CONFORM TO THE NEW MEXICO COORDINATE SYSTEM "NEW MEXICO EAST ZONE" NORTH AMERICAN DATUM 1983. DISTANCES ARE SURFACE VALUES.
- 2) LATITUDE AND LONGITUDE VALUES SHOWN HEREON ARE RELATIVE TO THE NORTH AMERICAN DATUM 1983 (NAD83).

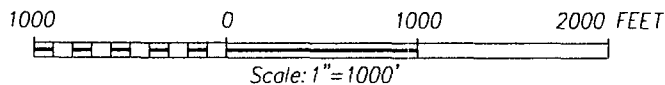
LEGEND

● DENOTES FOUND CORNER AS NOTED

I, RONALD J. EIDSON, NEW MEXICO PROFESSIONAL SURVEYOR No. 3239, DO HEREBY CERTIFY THAT THIS SURVEY PLAT AND THE ACTUAL SURVEY ON THE GROUND UPON WHICH IT IS BASED WERE PERFORMED BY ME OR UNDER MY DIRECT SUPERVISION, THAT I AM RESPONSIBLE FOR THIS SURVEY; THAT THIS SURVEY MEETS THE MINIMUM STANDARDS FOR SURVEYING IN NEW MEXICO; AND THAT IT IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.

RONALD J. EIDSON

DATE: 12/17/2012



NADEL AND GUSSMAN HEYCO, LLC.

SURVEY OF AN ELECTRIC LINE
CROSSING SECTIONS 23 & 24,
TOWNSHIP 19 SOUTH, RANGE 34 EAST, N.M.P.M.
LEA COUNTY, NEW MEXICO

Survey Date: 12/10/12

CAD Date: 12/14/12

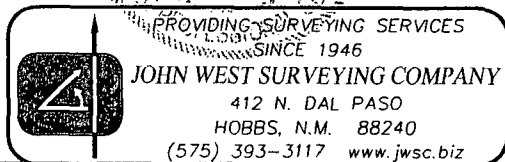
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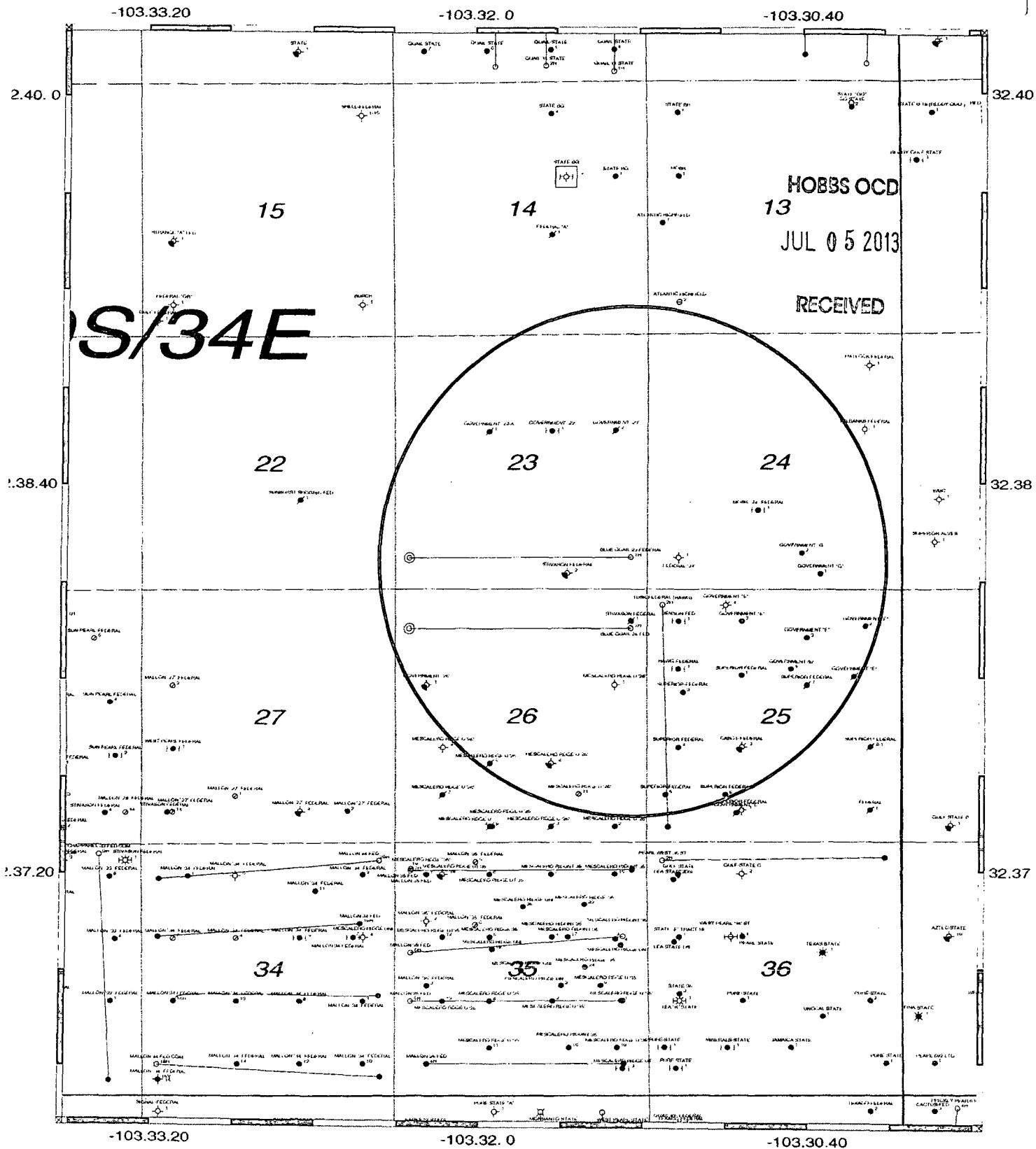
W.O. No.: 12112036

Rev.:

Rel. W.O.:

Sheet 1 of 1





Scale 1:31680.

1000. 0. 1000. 2000. 3000. 4000. 5000. feet

Nadel and Gussman HEYCO		
T-19-S, R-34-E Blue Quail 23 Federal #1H 1 mi radius		
Sub Survey		1/5/2012
	Scale 1:31680	