

30-025-42467

Surface Use Plan

Harvey E. Yates Company

Federal 30 #4H

330' FNL & 2030' FEL

UL-B, Section 30, T19S, R33E

Lea County, New Mexico

HOBBS OCD**MAR 09 2015****RECEIVED****1. Existing Roads:**

Exhibit 1 contains the surveys and maps with proposed location and lease roads. Directions: from intersection of Co Rd 126 and State HWY 529 go south on Co. Rd 126 for 10 miles, turn left on to 'Speed Bump' road, travel east on Speed bump road for 5 miles, where speed bump turns north go south on lease road for 1.6 miles, turn right (Southwest) go 0.2 miles and turn left and go 450' to location.

2. Planned Access Roads:

No new road will be constructed on or off lease. Will use existing lease road to the location
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 at the Federal 30- 3H would be utilized for this location and the necessary production equipment will be installed, tank battery will be lined and burned. see tank battery exhibit.

b. Will tie onto power lines that service Federal 30 #3H to east, see attached plat of power lines, approx. ~1700 feet of new electric line, ~6 power poles. Lea or Excel Electric line will provide electricity.

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:

a.- Top soil will be stock piled on the Northwest side of location and will be used after drilling and completion operations to reduce location size on north, south and west sides and reclaim and reseeded to BLM specifications. See location map.

b. 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.

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d. Closed loop system will be used. All drill solid waste will be transported to permitted disposal facility R360, permit # NM-01-0019 or GMI, permit # NM-01-0006

8. Ancillary Facilities:

Harvey E. Yates,(HEYCO) will explore all options for obtaining water storage for stimulation before constructing a frac pit, Heyco 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. This will be applied for in a sundry notice. 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 (340' X 270)' of the well pad and major rig components. V-door Southeast.

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 the BLM on December 3, 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 well is a dry hole, the well pad and road area will be strip of all materials and recontoured to match the existing terrain. The materials will be use to repair exist road or well pads in the area. Topsoil will be spread to the extent possible, Revegetation will comply with BLM standards, 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. Surface Ownership:

a. The mineral and surface owner is the Federal Government, Land and Grazing lease owner is Kenneth Smith will be contacted

12. Other Information:

a. The topography consists of Qal/vegetated dues, sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.

b. There are no ponds, lakes, or rivers in this area.

c. An Archaeological Survey will be conducted by Boone Arch. a copy will be sent to the Carlsbad BLM office. There are no occupied dwellings or windmills in the area.

d. 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.

13. Operator's Representative:

The Harvey E. Yates Company (HEYCO), representatives responsible for ensuring compliance of the surface Use plan are listed below:

Keith Cannon, Drilling Superintendent

Harvey E. Yates Company
500 N. Main Suite One, P.O. Box 1933
Roswell, NM 88202
(575)-623-6601

Harvey E. Yates
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April 24, 2014

UNITED STATES DEPARTMENT OF INTERIOR

Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220

RE: STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease Name: Federal 30 – 4H

Lease Number: Federal Lease NMNM-073240

Legal Description of Land: UL-B, Sec 30, T-19-S R-33-E,

Lease Covers: 640 acres in Section: 30, T-19-S, R-33-E, Lea County, NM

Formations: 2RD Bone Spring, 1st Bone Spring, Delaware, Yates

Bond Coverage: Blanket Statewide

BLM Bond File Number: NM B000317

Land/Mineral Ownership: Federal

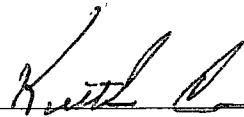
Keith Cannon
Drilling Superintendent

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 24 day of April 2014.

Name: Keith Cannon
Position: Drilling Superintendent
Address: 500 N. Main, Suite one
P.O Box 1933
Roswell N.M. 88202
Telephone: 575-623-6601
Email: kcannon@heycoenergy.com

Signed: _____



4-22-14