

Surface Use Plan
Nadel and Gussman Heyco, LLC
Harlequin 27-22 Federal 1H
Section 27, T19S, R34E
2590' FNL & 510' FEL
Lea County, New Mexico

HOBBS OCL
SEP 21 2015

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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 20 miles west of Hobbs, NM. From Intersection of St Hwy 62/180 and Marathon Rd, Go southwest on hyw 62/180 approx 2 miles. Turn right (north) on Lease road, Just past Hwy ROW fence than follow road survey (northeast) approx 0.2 miles. Turn left and go north approx 0.4 mile, then left (west), and go 317' to location.

2. Planned Access Roads:

Approximatly 3531' of new road will be built to access this location (approximately 340' x 270' 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 would be utilized and the necessary production equipment will be installed see exhibit #6
- b. Will tie to Lea county electric line to the south.

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. Fast line And/or 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 south 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:

Nadel and Gussman Heyco, LLC will explore all options for obtaining water storage for stimulation before constructing a frac pit, however a frac pit on the location will be included in this APD. NGH will look to utilize offset Frac pits built by nearby operators, next option will be temporary

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Poisidon Frac tanks if a nearby source of water is available, if this is not possible a Frac Pit will be built. 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 (Smith Ranch) 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 Heyco, LLC Company representatives responsible for ensuring compliance of the surface Use plan are listed below.

Jason Goss, Drilling Engineer

Keith Cannon, Drilling Superintendent

Nadel and Gussman Heyco, L.L.C.
P.O Box 1936
Roswell N.M 88202
(575) 623-6601

Surface Use Plan
Nadel and Gussman HEYCO LLC
Harlequin 27/22 Federal #1H
Section 27, T19S, R34E
Lea County, New Mexico

Surface location is located on BLM Federal lands. Drilling pad, Tank Battery and Location Roads will be located on Federal Lands in Section 27, T19S, R34E, Lea County NM, therefore a notice of staking was submitted, and an onsite staking with BLM representatives (Cassandra Brooks) to create a surface use plan was conducted.

Jason Goss, Drilling Engineer

Keith Cannon, Drilling Superintendant

Nadel and Gussman HEYCO, L.L.C.
P.O. BOX 1936
Roswell NM 88201
(575) 623-6601
December 8, 2011

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 8 day of December 2011.

Name: Keith Cannon

Position: Drilling Superintendent

Address: P.O. BOX 1936

Roswell NM 88202

Telephone: 575-623-6601

Email: kcannon@heycoenergy.com

Signed: _____

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