

3. LOCATION OF EXISTING WELLS:

A. Existing wells within a one-mile radius are shown on Exhibit "B".

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. There are no production facilities on this lease at the present time.

B. If the well proves to be commercial, the necessary production facilities, gas separation-process equipment and tank battery, will be installed on the drilling pad.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with both fresh and brine water. The water will be obtained from surface water tanks located on the Sand Ranch. See Exhibit "B". The water will be purchased from the Sand Ranch.

6. SOURCE OF CONSTRUCTION MATERIALS:

A. Caliche for surfacing the road and the well site pad will be obtained from an existing pit in Sec. 22, T10S, R29E, which is on Federal surface and will be purchased by the dirt contractor. Top soil from the location will be stockpiled near the location for future rehabilitation use. No surface materials will be disturbed except for 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 the reserve pits.

B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.

C. All pits will be fenced with normal fencing material to prevent livestock from entering the area.

D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted to the USGS for approval.

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 buried in a separate trash pit and covered with a minimum of 24 inches of dirt. All waste material will be contained to prevent scattering by the wind.

H. All trash and debris will be buried or removed from the wellsite within 30 days after finishing drilling and/or completion operations.