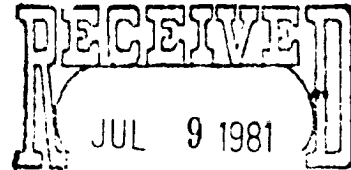


SURFACE USE PLAN

SOUTHLAND ROYALTY COMPANY  
Sand Ranch #1  
1980' FSL & 1980' FWL  
Section 26, T-10-S, R-29-E  
Chaves County, New Mexico  
16804



OIL & GAS  
U.S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

This plan is submitted with Application to Drill on above described well. The minerals are federal, and the surface is leased for grazing (See below for surface lessee). The purpose of this plan is to describe the location, proposed construction activities and operations plans, magnitude of necessary surface disturbance and procedures to be followed in rehabilitating the surface after completion of the operation so that complete appraisal can be made of the environmental effects associated with the operation.

1. Existing Roads:

Exhibit "A" is a portion of a USGS Topographic map showing the location of the proposed well as staked.

Directions to the well are as follows: From Roswell, NM go approximately 32 miles East on Hwy 380. Turn south on new access road & go approximately 1400' turn west & go 200' to pad.

2. Planned Access Road:

a. One road will be built from the existing lease road to the proposed location. New road required will be 12 feet wide and 1600' long. The center line of the proposed new road from the beginning to the well site has been staked and flagged with the stakes being visible from any one to the next.

b. Surfacing Material: 6" of caliche, watered, compacted and graded.

3. Location of Existing Wells in Area:

See Exhibit "B"

4. Location of Proposed Facilities:

Location of proposed well site and tank battery is shown on Exhibit "C". The battery will be located on proposed well pad, no additional surface disturbance will be necessary.

5. Water Supply:

a. No available surface or sub-surface fresh water exists in the vicinity of the proposed well. Drilling water will be transported to the drill site from the nearest commercial source.

6. Source of Construction Material:

Caliche for surfacing access road and pad will be obtained from existing pit located as shown on Exhibit "A" in SW/4 NE/4 in Sec 25. The pit has been approved by BLM & suggested as source of caliche for pad & road construction.

7. Handling Waste disposal:

- a. Drill cuttings - disposed into drilling pits.
  - b. Drill fluids - allowed to evaporate in drill pits until pits dry.
  - c. Produced water during testing - drill pits.
  - d. Produced oil during testing - storage tank until sold.
  - e. Current laws and regulations pertaining to disposal of human waste will be observed.
  - f. Reserve pit will be plastic lined.
  - g. Waste paper, garbage, junk disposed of into special trash pit at location and covered with minimum of 24 inches of dirt upon completion of well. All waste material will be contained to prevent scattering by wind.
8. All trash and debris will be buried or removed from well site within 30 days after finish drilling and/or completion operations.

9. Ancillary Facilities:

None

10. Plans for Restoration of Surface:

- a. After completion of drilling and/or completion of operations, all equipment and other material not needed for operations will be removed. Pits will be filled and locations cleaned of trash and junk to leave well site in as aesthetically pleasing a condition as possible.
- b. Any unguarded pits containing fluids will be fenced until filled.
- c. After abandonment of well, surface restoration will be in accordance with the State of New Mexico Surface Requirements.

11. Topography and Soil:

See attached Eastern New Mexico University Report by Dr. Colleen Beck.

12. Land Use:

Grazing and hunting - Federal

Surface leasee - Crawford Culp  
407 W. Gold  
Hobbs, New Mexico  
1/505/392-5176

13. Surface Ownership:

Bureau of Land Management (Federal)

14. Operators Representative:

Field representatives (Responsible for compliance with approved surface use and operations plan):

Southland Royalty Company

P. O. Box 65

Loco Hills, New Mexico

Office: 505/677-2233

Mr. Wayne Grubbs, Drilling Foreman

Loco Hills, New Mexico

Home: 505/677-2295

Mr. Bill Chrane, Production Superintendent

Midland, Texas office 915/682-8641

home 915/694-0730

15. Certification:

I hereby certify that I, or persons under my supervision, have inspected the proposed drill site and access route; that I am familiar with conditions which presently exist; That the statements made in this plan are, to the best of my knowledge, true and correct; and the work associated with the operations proposed herein will be performed by Southland Royalty Company and its contractors and sub-contractors in uniformity with this plan and the terms and conditions under which it is approved.

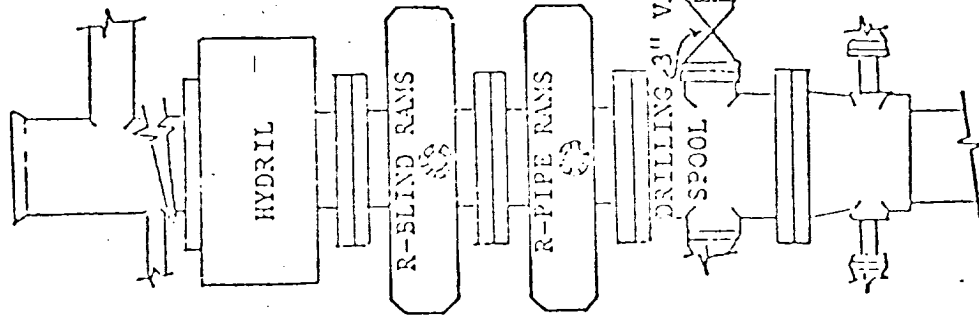
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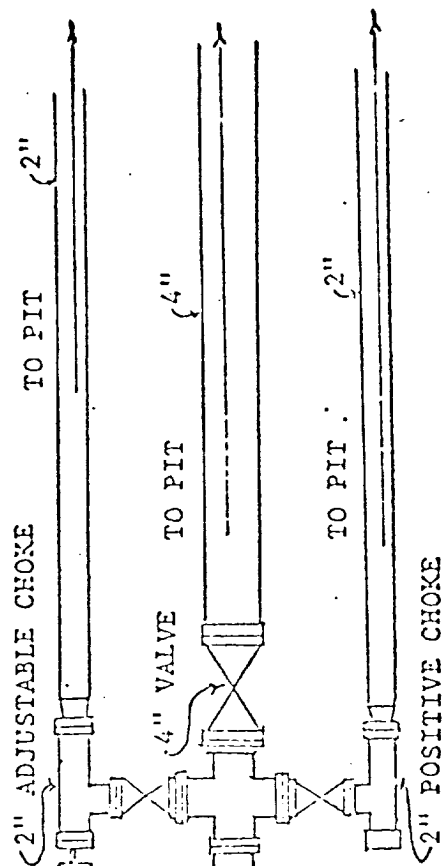
Ray F. Nokes

Engineer Tech.

Southland Royalty Company



BLOW OUT PREVENTION EQUIPMENT  
 10" 900s ALL FLANGED CONNECTIONS  
 3,000# WORKING PRESSURE - 6,000# TEST



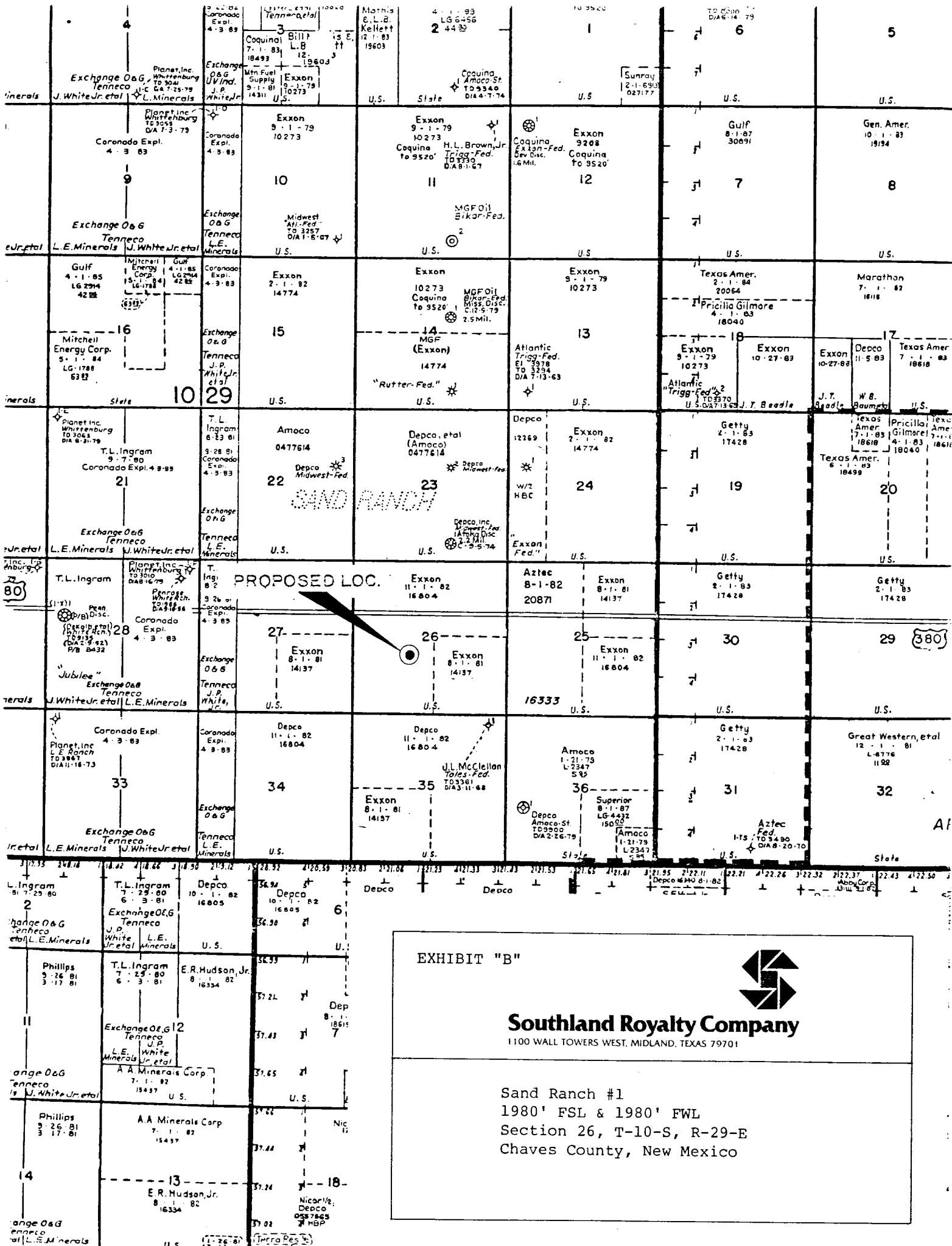


EXHIBIT "B"



**Southland Royalty Company**

1100 WALL TOWERS WEST, MIDLAND, TEXAS 79701

Sand Ranch #1  
1980' FSL & 1980' FWL  
Section 26, T-10-S, R-29-E  
Chaves County, New Mexico



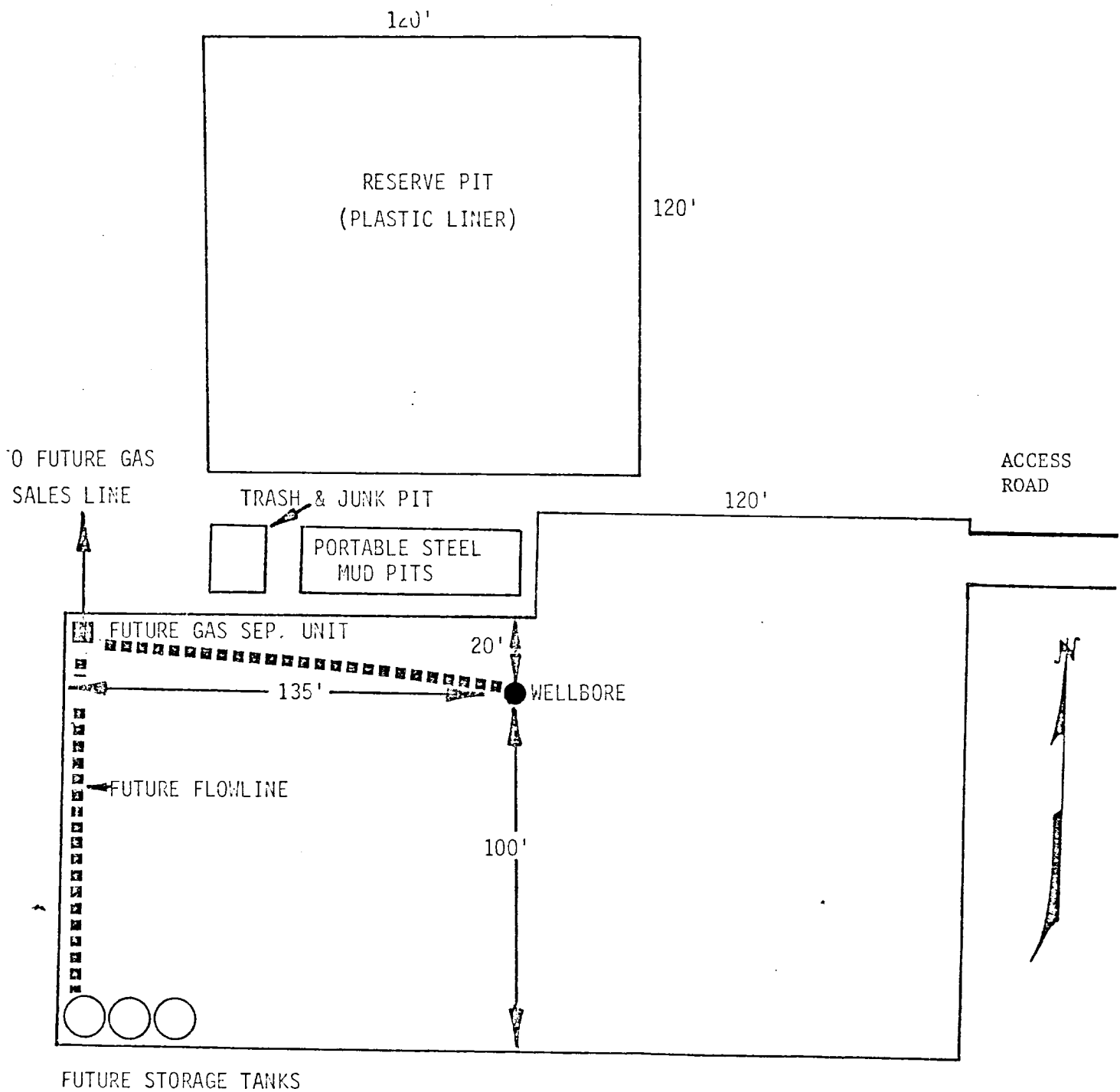


EXHIBIT "C"



**Southland Royalty Company**

1100 WALL TOWERS WEST, MIDLAND, TEXAS 79701

Sand Ranch #1  
1980' FSL & 1980' FWL  
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Chaves County, New Mexico

Scale 1"= 40'