

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES.

- A. Other production facilities on this lease are shown on the attachment to the Well Location and Acreage Dedication Plat. Gas separation-process equipment and a tank battery will be located on the southwest portion of the drilling pad at Diamond Mound Federal Well No. 1. There are no gas or oil lines in the immediate area. If Diamond Mound Federal Well No. 2 proves commercial, it is planned that a gas pipeline connection will be constructed, by the purchaser of the gas, to the tank battery at Diamond Mound Federal Well No. 1.

5. LOCATION AND TYPE OF WATER SUPPLY.

- A. Both fresh and brine water will be utilized to drill the subject well. The water will be obtained from commercial sources (brine water near Artesia, New Mexico, and fresh water near Lake Arthur, New Mexico), and will be hauled to the location by truck over the existing and proposed roads shown in Exhibits I, II, and V.

6. SOURCE OF CONSTRUCTION MATERIALS.

- A. Top soil from the location will be stockpiled near the location for future rehabilitation use. No surface materials will be disturbed except those necessary for the actual grading and leveling of the drillsite and access road. With the exception of the 6" compacted caliche top coat, all construction materials will be of local origin. Caliche required for construction will be obtained from an existing pit located on federally owned surface at Diamond Mound, approximately a mile southwest of the proposed location (see Exhibit V).

7. METHODS OF HANDLING WASTE DISPOSAL.

- A. Drill cuttings will be disposed of in the reserve pit, which will be plastic lined.
- 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 appropriate approval.
- E. Oil produced during operations will be stored in tanks until sold.