

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 complied with.
- 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:

Layout of rig etc. will be shown on Exhibit "C". The location will be kept as small as possible to accomodate rig.

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 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 State of New Mexico surface requirements.

11. Topography and Soil:

See attached Eastern New Mexico University report by Scott C. Schermer.

12. Land Use:

Grazing and hunting - Charles Martin
210 S. 8th Street
Artesia, New Mexico 88210
505-746-3436

13. Operators Representative:

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

Southland Royalty Company
P. O. Box 127
Loco Hills, New Mexico 88255
Office 505-677-2233