5. Location and Type of water Supply

The Mustang '28' Federal No. 1 will be drilled using a combination of brine and fresh water mud systems (outlined in Drilling Program). The water will be obtained from commercial sources and trucked to location.

6. Source of Construction Materials

All caliche utilized for the drilling pad will be obtained from an existing BLM approved pit.

7. Methods of Handling Water Disposal

A. Drill cuttings will be disposed into the reserve pit.

B. Drilling fluids will be contained in steel mud tanks or lined earthen pits and the reserve pit. The reserve pit will contain excess drilling fluid or fluid from the well during drilling, cementing, and completion operations. The reserve pit will be an earthen pit roughly 150' x 100' x 5', or smaller, in size.

C. The working pits and reserve pit will be fenced on three sides throughout drilling operations and will be totally isolated upon removal of the rotary rig. The pit will be lined using a 5-7 mil plastic to minimize loss of drilling fluids.

D. Water produced from the well during completion operations will be disposed into a steel tank or reserve pit, if volumes prove excessive. After placing the well on production through the production facilities, all water will be collected in tanks, and trucked to disposal. Produced oil will be separated into steel stock tanks until sold.

E. Garbage, trash and waste paper produced during drilling operations will be collected in a contained trailer and disposed at an approved landfill. All waste material will be contained to prevent scattering by the wind. All water, fluids, salt or other chemicals will be disposed into the reserve pit. No toxic waste or hazardous chemicals will be generated by this operation.

F. All waste material will be removed within 30 days after the well is either completed or abandoned. The reserve pit will be completely fenced until it has dried. At the point the reserve pit is found sufficiently dry, it will be backfilled and reclaimed. The portion of the drilling pad used by the production equipment (pumping unit) will remain in use. If the well is deemed non-commercial, only a dry hole marker will remain.

8. Ancillary Facilities

No campsite or other facilities will be constructed as a result of this well.

9. Well Site Layout

A. The drill pad is shown on Exhibit #6. Approximate dimensions of the pad, pits and general location of the rig equipment are displayed. Top soil, if anyfound, will be stored adjacent to the pad until reclamation efforts are undertaken. Only modest cuts will be necessary to build the pad which will be covered with 6" compacted caliche.

B. No permanent living facilities are planned, but a temporary trailer for the tool pusher, may be on location throughout drilling operations.

C. The reserve pit and earthen pits will be lined using plastic sheeting of 5-7 mil thickness.

10. Plans for Restoration of Surface

A. After concluding the drilling and/or completion operations, if the well is found non-commercial, the caliche will be removed from the pad and transported to the original caliche pit or used for other drilling locations. The reserve pit area will be broken out and leveled after drying to a condition where these efforts are feasible. The originaltop soil will again be returned to the pad and contoured, as close as possible, to the original topography.

B. The pit lining will be buried or hauled away in order to return the location to its pristine nature. All pits will be filled and location leveled, weather permitting, within 120 days after abandonment.

C. The location will be rehabilitated as recommended by the BLM.

D. The reserve pit will be fenced on three sides throughout drilling operations. After the rotary rig is removed, the reserve pit will be fenced on the fourth side to preclude endangering wildlife. The fencing will be in place until the pit is reclaimed.

E. If the well is deemed commercially productive, the reserve pit will be restored as described in 10 (A) within 120 days after the completion date. Caliche from areas of the pad site not required for operations will be reclaimed. The originaltop soil will be returned to the area of the drill pad not necessary to operate the well. The unused area of the drill pad will be contoured, as close as possible, to match the original topography.

11. Surface Ownership

This well site is owned by the U.S.A. An agreement for surface damages will be reached with the BLM Field Inspector during the onsite meeting.

12. Other Information

A. The area surrounding the well site is gypsiferous and supportive of desert scrub and grassland formation. The vegetation is moderately sparse with desert scrub.