6. SOURCE OF CONSTRUCTION MATERIALS.

A. Caliche for construction of the drilling pad and the new access road will be obtained from an existing pit, located on surface owned by the State of New Mexico at approximately 1815' FNL and 660' FWL in Section 32-T18S-R29E. This pit is approximately 1.3 miles from the proposed location and the caliche will be hauled by truck over the existing and proposed access roads shown in Exhibit A.

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. 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.

D. Oil produced during operations will be stored in tanks until sold.

E. Current laws and regulations pertaining to the disposal of human waste will be complied with.

F. 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.

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

8. ANCILLARY FACILITIES.

A. None required.

9. WELLSITE LAYOUT.

A. Exhibit C shows the relative location and dimensions of the well pad, reserve pits, and major rig components.

B. The ground surface at the proposed location slopes gently downward from east to west, and there are a number of sand dunes, covered with mesquite, over the entire area. It is planned to construct the drilling pad by leveling the sand dunes and by making approximately a 4-foot cut on the east half of the pad area. The material removed in making this cut will be used to make a 4-foot fill on the west half of the pad. The surface of the drilling pad will be covered with six inches of compacted caliche.