

C. E. LaRue and B. N. Muncy, Jr.

Gates Federal No. 5  
330' FNL and 2310' FWL, Section 22, T18S, R30E  
Eddy County, New Mexico

Lease No. NM 27277

1. Existing Roads - Maps showing drillsite and all existing roads are shown on Exhibit A & B, from existing road 660' of new road is planned South to location.
2. Planned Access Roads - Exhibit A shows new road to be constructed in red line. Road will be built to a maximum width of 12 feet and surfaced with caliche, with no turn-outs planned. Drainage will not be a factor as surface is sandy with no water drainage. Road design will be for drilling equipment and water haulage for drilling purposes, and for oil trucking. No culverts or special drainage features are believed necessary. Center line of new road has been staked with flagging visible from one stake to the other.
3. Existing wells are shown on Exhibit B.
4. Tank battery will be placed on edge of drilling pad, and flow lines will cross only caliche pad. All pads and access roads will be used for production and maintenance. If well is non-productive, the drilling pad and such access road as not needed to reach other location will be ripped and restored in accordance with current rules.
5. There are no rivers, creeks, lakes, ponds or water wells in the entire lease area. All water for drilling purposes will be trucked to location over present and to be constructed access roads shown on Exhibit A from the nearest water supply at Loco Hills, New Mexico.
6. Caliche pits will be the only source of material used in road and pad construction, location is shown on Exhibit A, in SE  $\frac{1}{4}$  NE  $\frac{1}{4}$ , Section 15. All material will be hauled over present roads and roads to be constructed as shown on Exhibit A.
7. All cutting and drilling fluid will be left in pits and covered after they have dried; which should be in 4 to 6 weeks. All garbage and trash will be kept in containers, placed in trash pit as shown on Exhibit C and covered when well is completed. No well in area has produced water or oil during drilling.
8. No camps or airstrips will be constructed.
9. See Exhibit C. There will be no lining used in mud pits. All equipment and transportation will use only access roads and drilling pad. Mud will be stacked on drilling pad adjacent to mud pump. Only minor leveling and caliche cover will be needed on drilling pad. No significant cuts or fills will be required other than construction of mud pits and reserve pit. The pad and pit area have been staked.
10. At completion of drilling and completion operations, all equipment not necessary for well production will be removed, pits will be filled when dried, and trash pit will be covered when completion equipment is moved off. All access roads not needed for other producing wells or lease will be ripped and restored in accordance with current rules as will the pad if well is non-productive.
11. Area in general is rolling, with sand dunes creating the principal changes in elevation. Mesquite and scrub oak are primary brush growth, with extremely scanty native grasses and fairly heavy weeds. All surface area is Federal land, as are all roads present and to be constructed. Topsoil is extremely sandy, underlaid with caliche. Land is used for grazing purposes, and is classed very low in number of livestock it will maintain because of the extremely sparse vegetation, and the fact there is no natural water above ground in the area from streams or ponds, and closest water well to this location is 8 miles east. Nothing has been observed in the area that would give indication of archaeological, historical or cultural sites. There are no steep hillsides or gullies in the area where road and drilling pad are to be constructed, and no drainage or erosion problems should be encountered. Road and pit construction will require little change other than blading and spreading caliche. Wildlife in the area is typical semi-arid natives, numbers of all are considerable less than average across most of this country. The only structure in the area is a potash mine 5 miles southwest.
12. Operators representative is B. N. Muncy, Jr., P. O. Box 196, Artesia, New Mexico 88210 Telephone number (505) 746-6651.