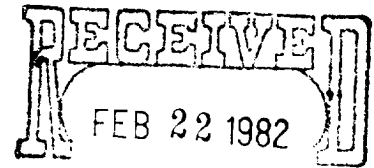


SURFACE USE PLAN

SOUTHLAND ROYALTY COMPANY

Holly Federal "5" No. 1  
760' FSL & 1980' FEL  
Section 5, T-18-S, R-30-E  
Eddy County, New Mexico  
NM 046256



OIL & GAS  
U.S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

This plan is submitted with Application to Drill on above described well. The minerals are federal, and the surface is leased for grazing (See below for surface leasee). The purpose of this plan is to describe the location, proposed construction activities and operations plans, magnitude of necessary surface disturbance and procedures to be followed in rehabilitating the surface after completion of the operation so that complete appraisal can be made of the environmental effects associated with the operation.

1. Existing Roads:

Exhibit "A" is a portion of a USGS Topographic map showing the location of the proposed well as staked.

Directions to the well are as follows: Loco Hills, New Mexico. Turn south at Arco Station and go 3 miles. Turn left on caliche road and go 3/10 mile. Turn left on caliche road and go 2 miles. Turn right on lease road to location.

2. Planned Access Road:

a. One road will be built from the existing lease road to the proposed location. New road required will be 12 feet wide and 1600' long. The center line of the proposed new road from the beginning to the well site has been staked and flagged with the stakes being visible from any one to the next.

b. Surfacing Material: 6" of caliche, watered, compacted and graded.

3. Location of Existing Wells in Area:

See Exhibit "B"

4. Location of Proposed Facilities:

Location of proposed well site and tank battery is shown on Exhibit "C". The battery will be located on proposed well pad, no additional surface disturbance will be necessary.

5. Water Supply:

a. No available surface or sub-surface fresh water exists in the vicinity of the proposed well. Drilling water will be transported to the drill site from the nearest commercial source.