

Southeasterly to the existing tank battery at Well No. 1 as shown on Exhibit "A" depending upon the volume of gas and fluids produced by the well upon completion.

B. An electric power line will be built to service this well as shown in orange on Exhibit "A".

5. LOCATION AND TYPE OF WATER SUPPLY

A. It is not contemplated that a water well would be drilled. Water necessary for drilling operations will be purchased and trucked to the well site or will be transported to the well site by a temporary pipeline laid on the ground alongside existing and proposed roads.

6. SOURCE OF CONSTRUCTION MATERIALS

A. Caliche needed for the road and well pad will be taken from the proposed borrow pit located within the 400 x 400' archaeologically cleared tract at the proposed well site (See Exhibit "B" for location). If insufficient quality or quantity of caliche is not available, it will be transported to the proposed road and well site from the existing pit in the SW/4 of the NW/4 of Section 6, T18S, R31E, by Eddy County Road 222 and the proposed resource road.

7. METHOD OF HANDLING WASTE DISPOSAL

A. Drill cuttings will be disposed of in the drilling pits.

B. Drilling fluids will be allowed to evaporate in the drilling pits until the pits are dry.

C. Water produced during tests will be disposed of at commercial or company facilities.

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

E. Trash, waste paper, garbage and junk will be placed in a trash bin located on the drill site pad. It will be transported to an approved landfill for disposal within 30 days after completion of drilling and/or completion of operations. All waste material will be contained to prevent scattering by the wind.

8. ANCILLARY FACILITIES

A. None required.