

Exhibit "D"  
Multi-Point Surface Use and Operations Plan  
**KCS Medallion Resources, Inc.**  
7130 South Lewis Avenue, Suite 700  
Tulsa, OK 74136

Shugart West "24" Federal "B" No. 5  
370 ft FNL & 1700 ft FWL  
Sec. 24, T18S, R30E NMPM  
Eddy County, New Mexico

Lease No.: NM 93771 out of NM 025503  
Lease Description: NE/4 SW/4, N/2 SE/4 &  
N/2 NE/4 of Sec. 24

This plan is submitted with the Application for Permit to Drill the above described well. The purpose of the plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of necessary surface disturbance involved, and the procedures to be followed in rehabilitating the surface after completion of operations so that a complete appraisal can be made of the environmental effects associated with the operation.

1 Existing Roads

- A. Exhibit "B", the Location Verification Map, is a reproduction of portion of a topographic map showing the location of the proposed well as staked with reference to the local topography and to the existing roads, wells, and other culture in the area. Exhibit "C" is a map of smaller scale showing the proposed location with reference to the major roads in the vicinity. The proposed well is located approximately 7 miles SE of Loco Hills and about 2 miles north west of the intersection of CR 222 and Grubbs Road, CP 250..
- B. Directions: From Loco Hills go approximately 6 miles east on US 82 to the intersection of US 82 and CR222, then go south on CR222 7 miles to Grubbs Road, CP250. Turn west on CP250 and go 1.4 miles to a lease road on the north. Go north on lease road about 0.8 miles, jog left about 0.1 mile, then turn right and continue back north for approximately 0.5 miles. Turn west and follow the lease road about 0.3 of a mile to the KCS Medallion Shugart West 19 No. 7 well location and on to the north west about 750 ft to the KCS Medallion Shugart West 24 Federal No. 1 location. Continue on westward about 600 ft to a new road on the right. Turn north and go 1998 ft to the location of the Shugart West "24" Federal "A" No. 4. The new location is about 800' to the north west.

2. Planned Access Road

- A. Length and Width: The new road will be extended from the road to the Shugart West 24 Federal "A" No. 4 well location. It will start at a point neat the SW corner of the "A" 4 location and go northwest to the "B" 5 well.. It will be 740' ft long and about 20 ft wide, including the shoulders. The road centerline has been flagged.
- B. Surfacing Material: The new road will be constructed of material-in-place. If necessary the road will be surfaced with caliche.
- C. Maximum Grade: Less than 1%
- D. Turnouts: One may be constructed near the center of the road..

- E. Drainage Design: The road will be constructed with about 4 in of crown at the centerline. Water turnouts will be constructed at 300 ft intervals.
  - F. Culverts: None appear to be necessary.
  - G. Cuts and Fills: Any cut or fill on the location would be less than 3 ft.
  - H. Gates and Cattle guards: None appear to be necessary.
  - I. Right of Way: Right of Way across existing roads has been previously acquired from The Bureau of Land Management across Section 30, T18S, R31E, Eddy Co. to provide access for the drilling of the W. Shugart 19 Federal No.1, located in the SW/4 of Sec. 19, T18S, R31E. It is expected that this same ROW will be utilized for this well.
3. Location of Existing Wells
- Existing wells are shown on Exhibit 'H'.
4. Location of Existing and/or Proposed Facilities
- If the well is productive, production, storage, and measurement facilities will be constructed on the wellpad.
5. Location and Type of Water Supply
- Plans are to purchase water for the drilling operations from a commercial supplier.
6. Source of Construction Materials
- Plans call for use of material-in-place for construction. If caliche is necessary for road or pad surfacing, it would be obtained from the reserve pit. No caliche or other material will be taken from Public Land without prior approval.
7. Methods 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 testing will be stored in tanks and trucked to an approved disposal facility. Oil produced during testing will be stored in test tanks until sold.
  - D. The operator will comply with current laws and regulations pertaining to the disposal of human waste.
  - E. Trash, waste paper, garbage, and junk will be stored in a trash trailer and will be contained to prevent scattering by the wind.

- F. All trash and debris will be removed from the wellsite within 30 days after completing drilling, completion, and construction operations and will be disposed of in an approved trash disposal facility.

8. Ancillary Facilities

None are necessary.

9. Well Site Layout

- A. The well location and the 400 ft X 400 ft surrounding area have been surveyed and flagged.
- B. Dimensions and relative location of the drill pad, pit, and equipment are shown on Exhibits 'A', 'B', and 'G'.
- C. Top soil for the restoration will be stock-piled on the north and east sides of the location.

10. Plans for Restoration of the Surface

- A. After completion of drilling, completion, and construction operations, all equipment and other material not needed for operations will be removed. Pits will be filled and the location cleaned of all trash and junk so as to leave the wellsite in an as aesthetically pleasing condition as possible.
- B. Any unguarded pits containing fluids will be fenced until they are filled.
- C. If the well is not productive, the disturbed area will be restored to Federal Agency requirements and will be accomplished as expeditiously as possible.

11. Surface Ownership

- A. All the surface in Section 24 is Public Land.

12. Other Information

- A. Topography: The area is described as being "situated on the east edge of the Nimenim Ridge escarpment on the west margin of the Querecho Plains. The area is marked by an undulating surface with aeolian deposits between 1 to 5 meters high and interdunal deflation basins."
- B. Soil: Described as being Kermit-Berino association which are sandy, deep soils from wind-worked mixed sand deposits.
- C. Flora and Fauna: The vegetation consists primarily of shin oak, mesquite, yucca, sage brush, broom snakeweed, and various grasses. No wildlife was observed but probably consists primarily of small reptiles and rodents.
- D. Pond or Streams: There are no pond or streams within one mile.
- E. Residences and Other Structures: There are no known structures or residences within one half mile of the location.

- F. Archaeological, Historical, and other Cultural Sites: An archaeological survey of the well pad and road has been made by Geo-Marine Inc. of El Paso, TX. A copy of their report will be filed with the Bureau of Land Management in Carlsbad as soon as it is available.
- G. Land Use: No livestock were seen and there was no evidence of grazing. The land appears to be essentially idle.
- H. Operator's Representative:

Larry Wheat, Drilling Superintendent  
7130 S. Lewis Ave., Suite 700  
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Certification:

I certify that I, or persons under my direct supervision, have inspected the proposed drillsite and access route; that I am familiar with the conditions which presently exist; that the statements made in this plan are, to the best of my knowledge true and correct; that the work associated with the operations proposed herein will be performed by KCS Medallion Resources, Inc. and its subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

Date 9-10-01 Signed   
Title: Senior Drilling Engineer