

SURFACE USE AND OPERATING PLAN

SDX Resources Inc.
Federal 22 #1
1980' FNL & 990' FWL
Unit #, Sec. 22, T19S, R28E
Eddy County, New Mexico
API #30-015-22921

1. Existing Roads:

- A. The well site and elevation plat for the proposed well is shown in Exhibit #1. It was taken from the plat of the Southland Royalty "State Federal 22 Com #1" staked by John West (Feb. 1979).
- B. All roads to the location are shown in Exhibit #6. The existing roads are labeled and are adequate for travel during drilling and production operations. Upgrading of the road prior to drilling will be done where necessary as determined during the onsite inspection.
- C. Directions to location: Go east 9 miles from Artesia, New Mexico on Hwy 62/180, turn south on CR 206, go to CR 235 and turn left on CR 235. Go to Y of 235 and 246, take 246. Go to Y of 246 and 247. Take 247 .7 mile. Turn right, .2 miles turn right and follow road ½ mile to location.
- D. Routine grading and maintenance of existing roads will be conducted as necessary to maintain their condition as long as any operations continue on this lease.

2. Proposed Access Road:

Exhibit #6 shows the existing road. No new roads are necessary.

3. Location and Type of Water Supply:

The well will be drilled with 10# brine. The brine water will be obtained from commercial water stations in the area and hauled to the location by transport truck over the existing and access roads shown in Exhibit #6. No water well will be drilled on location.

4. Source of Construction Materials:

None necessary.

5. Location of Existing Wells:

Exhibit #8 shows all existing wells within a one-mile radius of this well.

6. Location of Existing and/or Proposed Facilities:

- A. SDX Resources, Inc. operates production facilities on this lease for the Featherstone Welch #1 and #2 located in the NW/NW of Sec. 22.
- B. If the well is productive, contemplated facilities will be as follows:
 - I. 2" – 3" SDR – 11 plastic flowline will be layed beside access road and connected to existing steel flowline to transport all fluids to the existing battery.
 - II. Any additional construction materials will be purchased from contractors.