

SURFACE USE PLAN

FOR

RE-ENTERING, RE-COMPLETING AND PRODUCING

HANAGAN PETROLEUM CORPORATION  
WELL #3 NORTH CARLSBAD FEDERAL  
1980' FSL & 660' FEL SEC. 22-21S-26E  
EDDY COUNTY, NEW MEXICO

LOCATED: 4 miles northwest of downtown Carlsbad, NM.

LANDOWNERSHIP: The drillsite is on privately-owned land with minerals reserved by the U. S. Government. The landowner is Thomas D. Parker et al, % W. T. Parker, 1504 W. Riverside, Carlsbad, NM.

OIL & GAS LEASE: NM0265356-A was issued on 6-1-62 for a primary term of 10 years and is in its extended term by production.

RECORD LESSEE: Hanagan Petroleum Corporation.

ACRES IN LEASE: 960

BOND COVERAGE: Hanagan's \$25,000 statewide bond.

This well, which was originally designated as Sinclair Oil & Gas Company's #1 Eddy 279 Federal Well, was drilled to a total depth of 11,496' during the period 12-20-64 to 3-20-65. It was plugged and abandoned on 3-25-65.

Operator plans to re-enter the well to a depth of 3400' and attempt an oil well completion in the Delaware formation. Inasmuch as the original access road and well pad are intact and inasmuch as the operator plans to use steel pits, there will be very little surface disturbance. If the well is productive, production and storage will be located on the well pad.

On January 18, 1985, Mike Hanagan and Jim Knauf conferred with Mr. Claude Tabor, City Clerk of the City of Carlsbad, about the re-entry of this old well, which is now within the city limits of Carlsbad. In reviewing Carlsbad City Ordinance #748, Mr. Tabor agreed that it pertains to new drilling operations, that is, the drilling of new wells or the *deepening* of old wells. He advised that since Hanagan Petroleum Corporation will only clean out this old 11,496-foot well to a depth of 3400', a drilling permit would not be required by the City of Carlsbad.