

N. M. D. C. C. 1988

ARCO FEDERAL NO. 1
EDDY COUNTY, NEW MEXICO

Location: 660' FSL & 1980' FEL, Section 1, T25S, R25E,
Eddy County, New Mexico

As shown on the attached plat, approximately 1 1/4 miles of new access road will be constructed to the location (Color Code Blue).

Anticipated production from the target horizon will be gas; consequently no tank batteries will be installed. Production equipment for the gas well will be located on the drilling pad.

Shallow surface water will be used to drill the upper portion of the hole and potash brine will be used to drill the lower portion of the hole.

The mud reserve pits will be plastic lined and if the subject well is a dry hole, all liquid waste from the mud reserve pits will be disposed into the hole below approximately 8600'. If a producer, this waste will be allowed to dry and will be worked back into the surface when returned to the native state. Sufficient drilling pad will be maintained to service the well if it is a commercial producer and the balance of the location will be returned to its natural state.

There will not be a camp or an airstrip.